

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number 1
 Bill Version SB 100
 (S) Publish Date 4/6/11

SB100-DOA-DRB-03-30-11 Dept. Affected Administration
 Title An Act relating to employer contribution to the PERS...and Appropriation Centralized Administrative Services
payment of termination costs Allocation Retirement and Benefits
 Sponsor Senator Paskvan and Senator Menard
 Requester Senate Labor and Commerce OMB Component Number 64

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants								
Miscellaneous		86.6	0.0	0.0	1,143.0	1,180.0	1,221.0	1,266.0
TOTAL OPERATING		86.6	0.0	0.0	1,143.0	1,180.0	1,221.0	1,266.0

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		86.6			1,143.0	1,180.0	1,221.0	1,266.0
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other (please identify)								
TOTAL		86.6	0.0	0.0	1,143.0	1,180.0	1,221.0	1,266.0

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time	0.0	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	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version.

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 Approved by John Cramer, Deputy Commissioner
Department of Administration

Phone 465-4471
 Date/Time 3/30/11 11:00 AM
 Date 3/30/2011

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 100

Analysis

This bill acts to repeal AS 39.35.625 and AS 39.35.958(f) and annuls regulation 2 AAC 35.235 which require employers who eliminate participation in the Public Employees' Retirement System (PERS) for some or all of their employees to pay the costs developed due to the termination process (termination costs). These cost changes include vesting of members who are not yet vested and changes in retirement behavior. Both changes lead to liability for benefits occurring earlier than calculated by the Division actuary. The termination costs represent an unfunded liability to the system.

In addition to termination costs, AS 39.35.625 requires employers to pay continuing contributions towards the unfunded liability at the past service rate established each year times the salaries of the eliminated positions. Contributions are required until the past service liability is extinguished. The past service rate for FY2011 is 18.63% and for FY2012 is 22.48%.

The termination costs and the ongoing requirements for contributions towards the unfunded liability are currently in addition to the requirements for employer contributions in AS 39.35.255.

The bill repeals the termination cost requirements and requires employers who have terminated all participation with the PERS to pay 22% of the total base salaries of all covered employees as of the fiscal year ending June 30, 2008 until the plan does not have a past service liability.

Employers who eliminate participation for some but not all of their employees will pay no termination costs and make no contribution toward the unfunded liability unless their total base salaries fall below the total salaries the employer reported to the PERS as of June 30, 2008. As salaries increase in the future, it becomes less likely the removal of a few positions from participation will result in total base salaries falling below the June 30, 2008 threshold.

The bill acts to shift costs for termination of some or all of a participating employers employees to the State of Alaska. The estimated costs, in thousands, to the State as determined by the Division actuary, Buck Consultants are as follows:

<u>PERS DB Plan</u>	<u>FY 14</u>	<u>FY 15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY 18</u>
Increase in Normal Cost	\$(457.0)	\$(472.0)	\$(488.0)	\$(506.0)	\$(525.0)
Increase in Past Service					
<u>Cost Amortization Payment</u>	<u>\$1,600.0</u>	<u>\$1,652.0</u>	<u>\$1,709.0</u>	<u>\$1,772.0</u>	<u>\$1,839.0</u>
Total Increase in Annual Employer Contribution Amt.	\$1,143.0	\$1,180.0	\$1,221.0	\$1,266.0	\$1,314.0

Results shown above are based on the 2010 draft actuarial valuation for PERS. Assuming the bill becomes effective July 1, 2011, upcoming increased costs will be reflected in the FY 14 rates. Future terminated employees have been assumed to follow a similar pattern as past terminated employees for which termination costs have been completed. If future experience of terminating groups from PERS increases, the costs shown above will also increase.

Due to the retroactive provisions contained in Sections 9 and 10 of the bill, five PERS employers will be reimbursed for termination costs already paid to the plan. Total cost of reimbursement is \$86,582.00 and will be incurred in FY2012.