

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version:	HB 47
Fiscal Note Number:	4
(S) Publish Date:	4/20/2018

Identifier: HB047-SRP-PSA-04-06-18
 Title: MUNICIPAL PERS CONTRIBUTIONS/INTEREST
 Sponsor: FOSTER
 Requester: (S) STA

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)

	FY2019	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2019 Request	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES	FY 2019	FY 2019						
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous	141.0		133.0	124.0	116.0	107.0	98.0	
Total Operating	141.0	0.0	133.0	124.0	116.0	107.0	98.0	

Fund Source (Operating Only)

1004 Gen Fund (UGF)	141.0		133.0	124.0	116.0	107.0	98.0
Total	141.0	0.0	133.0	124.0	116.0	107.0	98.0

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 (FY2018) cost: 148.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 0.0 *(separate capital appropriation required)*
(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? No
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Updated with current actuarial information, including change related to City of St. George.

Previously, St. George had been assumed to have active payroll on which to base the actuarial study on. After discussion with St. George's mayor, they indicated they had no funds in order to hire employees into PERS positions. As such, the Division modified the assumed salaries of St. George to \$0, which results in an increase of the amounts needed from GF to fund this bill.

Prepared By:	Ajay Desai, Director	Phone:	(907)465-4471
Division:	Retirement & Benefits	Date:	04/06/2018
Approved By:	Leslie Ridle, Commissioner	Date:	04/09/18
Agency:	Department of Administration		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

Analysis

This bill modifies the 2008 salary floor set out in AS 39.35.255 on which the Public Employees' Retirement System (PERS) employer contributions are based for PERS municipalities that have sustained more than a 25% decrease in population between 2000 and 2010. The bill also creates a new subsection in AS 39.35.004 that allows the PERS Plan Administrator to determine the interest rate charged on delinquent payments to the PERS, which is currently a penalty rate of 12%. This Plan Administrator determined interest rate only applies to municipalities that meet the population decline described above.

This bill applies to five (5) PERS employers: Anderson, Atka, Galena, Pelican, and St. George. Of these five (5) employers, Atka is not impacted as their 2012 salary exceeds the 2008 salary floor. The remaining four (4) employers will see their 2008 salary floor reduced to their reported 2012 salaries.

This bill also adds AS 39.35.610(c) that if an employer who has suffered a decrease of more than 25% in population is late in transferring payrolls and associated funds, the PERS Plan Administrator may assess an interest rate less than that required in section (a), which is one and one-half of the Plan's actuarial rate of return (8%), or currently 12%.

Conduent Human Resource Services (Conduent), the PERS actuarial consultant, has calculated the financial effects if this bill should pass. The basic result will be a shortfall in actuarially projected PERS employer contributions in the following amounts (\$ are in thousands):

FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
\$141.0	\$133.0	\$124.0	\$116.0	\$107.0	\$98.0

See attached letter from Conduent dated April 5, 2018. All else being equal, such amounts would count as an actuarial loss for the year, added to the unfunded liability, and amortized over the descending 25-year period. The additional amortization amounts would be added to the amount computed under AS 39.35.280 - additional state contributions. Over the remaining time of the 25-year amortization period, the additional amounts paid under the additional state contribution would accrue to an amount that is larger than shown in the attached actuarial letter.

This bill is effective immediately and is prospective, principal amounts owed by the impacted PERS municipalities (the difference between the salary floor and the actual payroll amounts times 22% for each fiscal year) are still due for fiscal years 2009 to 2017. The interest rate to charge on these outstanding payments would be determined by the Plan Administrator. Currently, principal amounts owed by impacted PERS municipalities are as follows:

- Anderson - \$0
- Atka - \$0
- Galena - \$1,099,633.35
- Pelican - \$0
- St. George - \$237,169.41
- TOTAL - \$1,336,802.76

EXPLANATION - SUPPLEMENTAL APPROPRIATION

Since the bill is effective immediately, this bill would also assume an FY2018 supplemental contribution for the impacted PERS municipalities for salary contributions that would not be collected as a result of the reduction of the salary floor for the four (4) municipalities. Conduent estimates that amount to be \$148.0, and the fund source is state general funds.