

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version:	CSHB 83(L&C)
Fiscal Note Number:	2
(H) Publish Date:	2/21/2018

Identifier: HB083-DOA-DRB-02-09-18
 Title: TEACHERS & PUB EMPLOYEE RETIREMENT PLANS
 Sponsor: KITO
 Requester: House Labor & Commerce

Department: Department of Administration
 Appropriation: Centralized Administrative Services
 Allocation: Retirement and Benefits
 OMB Component Number: 64

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	491.6		100.1	100.1	100.1	100.1	100.1	100.1
Travel								
Services	84.3		6.5	6.5	6.5	6.5	6.5	6.5
Commodities	275.0							
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	850.9	0.0	106.6	106.6	106.6	106.6	106.6	106.6

Fund Source (Operating Only)

1004 Gen Fund (UGF)	850.9							
1029 PERS Trust (Other)			74.6	74.6	74.6	74.6	74.6	74.6
1034 Teach Ret (Other)			32.0	32.0	32.0	32.0	32.0	32.0
Total	850.9	0.0	106.6	106.6	106.6	106.6	106.6	106.6

Positions

Full-time	1.0		1.0	1.0	1.0	1.0	1.0
Part-time							
Temporary	5.0						

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 *(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? **Yes**
 If yes, by what date are the regulations to be adopted, amended or repealed? **06/30/19**

Why this fiscal note differs from previous version/comments:

Not applicable; initial version.

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Division: <u>Division of Retirement and Benefits</u>	Date: 02/09/2018 08:00 AM
Approved By: <u>Leslie Ridle, Commissioner</u>	Date: 02/09/18
Agency: <u>Department of Administration</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

Analysis

This administrative fiscal note reflects the costs to the Division of Retirement and Benefits (Division) to implement the education, reporting, accounting and personnel costs to respond to increased phone calls, defined benefit (DB) and defined contribution (DC) plan potential outcome comparisons and requests for individual counseling and group seminars. This bill would provide a new DB tier for employees first hired on or after July 1, 2006. New employees for the Teachers' and Public Employees' Retirement Systems would be defaulted into new DB tiers (Tier V PERS, Tier IV TRS) but would be able to elect participation in the DC plans if they file an election to participate within 90 days of hire. Existing DC members (PERS Tier IV and TRS Tier III) will be afforded an opportunity to transfer to the new DB tiers.

Regulations regarding the manner and timing of election will need to be drafted as well as regulations regarding the election itself. Due to the short timeframe to the effective date, these will likely be emergency regulations. An actuarial analysis performed by the plan actuary will need to be completed to determine the actual costs of the bill to the plans and the effects on any future unfunded liability. This analysis will be included in a separate fiscal note.

The Division will need to program an online DB/DC benefit comparison tool for new employees and employees contemplating conversion to use in order to meet the 20-day requirement in the bill to deliver this information. The cost of programming the tool is estimated at \$75,000. Other division systems will need to be reprogrammed and updated with the new tier information for contribution reporting, benefit calculation and for tracking elections. The estimated cost for reprogramming is \$200,000.

Additionally, all division pension and annuity publications for the PERS and TRS will need to be recreated with the new information as well as extensive web site changes. The cost for this change is estimated to be \$58,300 for the first year with an ongoing cost of \$3,000 per year.

Personnel needed to implement the new plan will include: 4 non-permanent call center RB technician I positions to respond to phone inquiries and produce comparison projects; 1 permanent RB Specialist II position to provide counseling and information regarding both plans to new employees and employees who elect to transfer from the defined contribution to the defined benefit plan; and 1 non-permanent Accountant III to reconcile the contributions transferred and contributions due when existing DC members choose to transfer to the DB plan or new members choose to transfer to the DC plan after initial hire. The first year cost to set up staff is estimated to be \$26,000 and ongoing cost is estimated at \$3,500.

(In thousands)	FY19	FY20	FY21	FY22	FY23	FY24
Personnel						
Permanent RBS II (1)	100.1	100.1	100.1	100.1	100.1	100.1
LTNP RB Tech I (4)	290.0	0	0	0	0	0
LTNP Accountant III (1)	101.5	0	0	0	0	0
Sub Total	491.6	100.1	100.1	100.1	100.1	100.1
Services						
Publications	58.3	3.0	3.0	3.0	3.0	3.0
Cubicle	10.0	0	0	0	0	0
Phone	7.0	3.5	3.5	3.5	3.5	3.5
Computers	9.0	0	0	0	0	0
Sub Total	84.3	6.5	6.5	6.5	6.5	6.5
Contractual Services						
Comparison Calculator	75.0	0	0	0	0	0
Other Systems	200.0	0	0	0	0	0
Sub Total	275.0	0	0	0	0	0

(Revised 9/26/17 OMB/LFD)