

Fiscal Note

State of Alaska
2020 Legislative Session

Bill Version:	CSHB 79(FIN)
Fiscal Note Number:	2
(H) Publish Date:	3/18/2020

Identifier: HB079-DOA-DRB-3-3-20
 Title: PEACE OFFICER/FIREFIGHTER RETIRE
 BENEFITS
 Sponsor: KOPP
 Requester: (H) Finance

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)

	FY2021	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2021 Request	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
OPERATING EXPENDITURES	FY 2021	FY 2021					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous			3,500.0	3,600.0	3,300.0	4,000.0	4,100.0
Total Operating	0.0	0.0	3,500.0	3,600.0	3,300.0	4,000.0	4,100.0

Fund Source (Operating Only)

1004 Gen Fund (UGF)			3,500.0	3,600.0	3,300.0	4,000.0	4,100.0
Total	0.0	0.0	3,500.0	3,600.0	3,300.0	4,000.0	4,100.0

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 (FY2020) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2021) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? Yes
(Supplemental/Capital/New Fund - 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 If yes, by what date are the regulations to be adopted, amended or repealed?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:

Not applicable. Initial version.

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 Agency: Office of Management and Budget

Phone: (907)465-4471
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FISCAL NOTE ANALYSIS

STATE OF ALASKA
2020 LEGISLATIVE SESSION

Analysis

This bill proposes to open the Public Employees' Retirement System (PERS) Defined Benefit Plan (DB) by adding a new benefit tier or plan for peace officers and firefighters (P/F). New employees will be enrolled into the defined benefit plan and existing PERS P/F Defined Contribution Retirement (DCR) members will be allowed an opportunity to convert to the new defined benefit tier or plan.

The PERS system consulting actuary, BUCK Global LLC (Buck), has calculated the financial effects if this bill should pass as written. The basic result is that there will be an increase to the PERS additional state contribution because a smaller portion of the 22% employer contribution for the P/F members will be deposited to the defined benefit trust than is currently deposited with the defined contribution distribution of funding. Since this bill would take effect on July 1, 2021, there is no financial impact to Fiscal Year 2021. If future experience matches the actuarial assumptions used to value the plan's liabilities, the dollar increase on the PERS additional state contribution is reflected below:

Year	FY2022	FY2023	FY2024	FY2025	FY2026
Dollars (in thousands)	\$3,500	\$3,600	\$3,300	\$4,000	\$4,100

Projected PERS additional state contributions beyond FY2026 are also expected to increase.

See attached letter from Buck dated February 29, 2020. As noted in Item A. on page 1 of the letter, "It is important to recognize that by shifting active P/F members (and all future P/F hires) from DCR to DB, the State will be taking on greater risk of higher [additional state] contributions in future years. However, this risk is somewhat mitigated as long as the minimum contribution rate to the HB 79G trust (9%) is greater than the actuarially determined contribution rate for HB 79G members."

While the fiscal note letter from Buck references version G, this fiscal analysis also applies to version O. Version O was requested to be a finance committee substitute, but there are no differences between versions G and O.