

Fiscal Note

State of Alaska
2021 Legislative Session

Bill Version:	HB 75
Fiscal Note Number:	1
(H) Publish Date:	2/18/2021

Identifier: 0684-RET-PERS-1-15-21
 Title: EMPLOYER CONTRIBUTIONS TO PERS
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: Governor

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)

	FY2022 Appropriation Requested	Included in Governor's FY2022 Request	Out-Year Cost Estimates					
			FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
OPERATING EXPENDITURES								
Personal Services			***	***	***	***	***	***
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous	(95,794.5)	193,494.0						
Total Operating	(95,794.5)	193,494.0	***	***	***	***	***	***

Fund Source (Operating Only)

1004 Gen Fund (UGF)	(95,794.5)	193,494.0						
Total	(95,794.5)	193,494.0	***	***	***	***	***	***

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	0.0

Estimated SUPPLEMENTAL (FY2021) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2022) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No
(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 If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version/comments:

Initial version.

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Division:	Office of Management and Budget	Date:	01/18/2021 12:00 PM
Approved By:	Neil Steinger, Director	Date:	01/18/21
Agency:	Office of Management and Budget		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
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Analysis

This legislation removes the 22 percent cap on the payroll contribution to the Public Employee Retirement System (PERS) for the State of Alaska as a PERS employer. All other PERS and TRS employers' rates will remain capped at 22 percent of payroll. The contribution cap, which is lower than the annual actuarial rate for the retirement system's normal and past service costs, was implemented to reduce the cost burden on PERS employers. The difference between the 22 percent and the full cost is subsidized by an unrestricted general fund annual payment to the retirement system known as the state assistance payment or "on-behalf" payment.

The Alaska Retirement Management Board approved an actuarially determined contribution rate for fiscal year 2022 for PERS employers of 30.11 percent. Under AS 39.35.280, the state is obligated to make up the difference between the statutory employer contribution rate of 22 percent and the actuarial rate of 30.11 percent, calculated to be \$193.5 million. This legislation would direct the state to apply the 30.11 percent actuarial rate to agency payroll rather than contributing that amount through the state assistance payment. The net impact to the state's overall contribution to the retirement system would be unchanged.

This legislation only impacts the State of Alaska as a PERS employer, and excludes the University of Alaska, municipalities and school districts, and some state corporations.

The budgetary impact of this legislation will be reflected as a shift from the direct appropriation to the public employee retirement system, which is typically funded with unrestricted general funds (UGF), to agency payroll, where the cost can be spread across all fund sources. This legislation continues to provide for the full actuarial contribution to the retirement system while changing the financing structure in the state budget.

Page one of this fiscal note reflects a reduction of \$95,794.5 from the total \$193,494.0 appropriation for state assistance to the retirement system, which represents the portion of assistance the state pays for itself. The fiscal note is indeterminate in fiscal years 2023 through 2027 because the actuarial contribution is unknown.

An accompanying fiscal note shows the estimated \$103,399.0, all fund sources, increase to State of Alaska executive, legislative and judicial branch payroll in fiscal year 2022, \$64,514.2 of which will be UGF.

Combined UGF savings total \$31,280.3 in fiscal year 2022. UGF savings are expected to increase in fiscal years 2023 and beyond as rate-setting agencies have time to adjust rates based on actual costs, reducing the need for UGF offsets. The summary table on the following page reflects the net fiscal impact of this financing change.

FISCAL NOTE ANALYSIS

STATE OF ALASKA
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BILL NO. _____

Analysis

	UGF	DGF	Other	Fed	Total
SOA Payroll Contribution (FY22)					
Current law: 22% cap	812,360.4	230,584.5	559,009.6	280,950.0	1,882,904.5
Proposed law: 30.11% FY22					
Actuarial Rate for SOA	876,874.6	234,830.7	580,069.0	294,529.2	1,986,303.5
(A) Difference	64,514.2	4,246.2	21,059.4	13,579.2	103,399.0
State Assistance Appropriation (FY22)					
Current law: 22% cap	193,494.0	0.0	0.0	0.0	193,494.0
Proposed law: 30.11% FY22					
Actuarial Rate for SOA	97,699.5				97,699.5
(B) Difference	(95,794.5)	0.0	0.0	0.0	(95,794.5)
Net Impact (A + B)	(31,280.3)	4,246.2	21,059.4	13,579.2	7,604.5

Note: Standard methodological differences between actuarial and budgeted payroll projections result in a difference between the state's estimated share of the state assistance payment and the budgetary impact of the change from 22% to 30.11% of payroll.