

Fiscal Note

State of Alaska
2022 Legislative Session

Bill Version:	HB 220
Fiscal Note Number:	1
(H) Publish Date:	1/27/2022

Identifier: HB220-DOA-DRB-01-14-22
Title: RETIREMENT SYSTEMS; DEFINED BENEFIT
OPT.
Sponsor: HOPKINS
Requester: (H) 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)

	FY2023 Appropriation Requested	Included in Governor's FY2023 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2023	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Personal Services	***		***	***	***	***	***
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	***	0.0	***	***	***	***	***

Fund Source (Operating Only)

None							
Total	***	0.0	***	***	***	***	***

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 (FY2022) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2023) 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? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/22

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

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Phone: (907)465-4471
Date: 01/14/2022
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FISCAL NOTE ANALYSIS

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Analysis

The Division of Retirement and Benefits (Division) anticipates a fiscal impact to the Alaska Public Employees' Retirement System (PERS), to the Alaska Teachers' Retirement System (TRS) and to the AlaskaCare retiree medical plans. An actuarial valuation must be completed by the plan actuary to determine the cost of the proposed changes and the effects on the retirement systems and health trusts. Until this analysis is completed, costs are indeterminate.

This bill provides certain PERS and TRS employees an opportunity to choose between the Defined Benefit Plan (DB) and the Defined Contribution Plan (DCR) of the Alaska PERS and TRS retirement systems. New employees will have the choice between the DB and DCR plans. Existing PERS and TRS DCR members will be allowed an opportunity to convert to the new defined benefit tier or plan. This bill also removes the occupational and non-occupational aspects of survivor death benefits and disability benefits. Teacher contributions will be set at a range of 8% - 10% by the Alaska Retirement Management Board, depending on the funding status of the plan. Employers of the public employees will continue making 22% contributions and employers of teachers will continue making 12.56% contributions. Authority and oversight of the Post Retirement Pension Adjustment program transfers from the Commissioner of the Department of Administration to the Alaska Retirement Management Board such as setting benefit amounts based on retirement system funding levels. PERS DCR and TRS DCR members must make an irrevocable election to convert to the new DB plan within 90 days of the effective date of this bill. Actual transfer to the PERS/TRS DB plans must occur within 30 days of receipt of the member's election.

The bill establishes a new medical benefits program for TRS tier III and PERS tier IV employees who elect to participate in the new defined benefit tier or plan. This medical benefits program closely mirrors the current medical benefits program offered to DCR retirees (differences exist related to eligibility requirements for retirees who selected the new DB plan vs. those who selected the DCR plan). The bill removes the requirement that DCR members retire directly into the plan, thus expanding the number of individuals eligible to participate in the medical benefits program. Changes to the survivorship requirements also increase the number of individuals eligible to participate in the medical benefits program. Increases in membership bring additional revenue to the medical plan by increasing the number of total monthly premium payments, but also may add costs to the plan in the form of increased eligible medical expenses.

The Division anticipates increased administrative costs will be associated with this bill to implement the education, reporting, accounting, and personnel needs to respond to increased phone calls, and requests for individual counseling and group seminars.

The Division will need to amend or add regulations to implement the new programs by the effective date. Given the short time to the effective date, these may be emergency regulations.