

HB

385

<TARGET><BILL>HB 385</BILL><SUBJECT>HB
385</SUBJECT><COMM>SFIN28</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/17/14

FURTHER: Rules/T.CAL

DATE TURNED IN TO OFFICE: 4/19/14

Finance Committee considered HOUSE BILL NO. 385

HB 385-PERS/TRS STATE CONTRIBUTIONS

"An Act relating to additional state contributions to the teachers' defined benefit retirement plan and the public employees' defined benefit retirement plan; and providing for an effective date."

and recommends:

be replaced with SCS HB 385 (FIN) Same Title Technical Title Change
 New Title/SCR No. 28
SCS/CS- Forthcoming

adopt previous SCS _____ Same Title Technical Title Change
 New Title/SCR No. _____

attached amendment(s)

with Buck Consultants Fiscal Analysis (appended to FN's 3+4)

further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
SFIN/GOV	✓			3
SFIN/GOV	✓			4

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Anna Fairclough</i>	FAIRCLOUGH				✓
<i>Clint Bishop</i>	BISHOP	✓			
<i>Michael J. Duffy</i>	DUFFEY	✓			
<i>Ann Hoffman</i>	HOFFMAN	✓			
<i>Richard O'Shea</i>	O'SHEA				✓
CO-CHAIR: <i>Pete Kelly</i>	KELLY	✓			
CO-CHAIR: <i>K. Meyer</i>	MEYER	✓			

FISCAL NOTE

STATE OF ALASKA
2014 LEGISLATIVE SESSION

Bill Version HB 385
Fiscal Note Number 1
(H) Publish Date 4/10/14

Identifier (file name) PERS/TRS Defined Benefit Plans Dept. Affected Direct Approps to Retirement Accounts
Title PERS/TRS Defined Benefit Plans: Additional State Appropriation PERS
Contributions Allocation _____
Sponsor Rules by Request of Governor
Requester _____ OMB Component Number 2866

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY15 Appropriation Requested	Included in Governor's FY15 Request	Out-Year Cost Estimates					
			FY15	FY16	FY17	FY18	FY19	FY20
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous		1,881,370.0	157,000.0	157,000.0	157,000.0	157,000.0	157,000.0	157,000.0
TOTAL OPERATING	0.0	1,881,370.0	157,000.0	157,000.0	157,000.0	157,000.0	157,000.0	157,000.0

FUND SOURCE (Thousands of Dollars)

1002	Federal Receipts							
1003	GF Match							
1004	GF		157,000.0	157,000.0	157,000.0	157,000.0	157,000.0	157,000.0
1001	CBR Fund (Other)	1,881,370.0						
1007	I/A Rcpts (Other)							
1156	Rcpt Svcs (DGF)							
		0.0	1,881,370.0	157,000.0	157,000.0	157,000.0	157,000.0	157,000.0

POSITIONS

Full-time								
Part-time								
Temporary								

CHANGE IN REVENUES

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Estimated SUPPLEMENTAL (FY14) operating costs _____ (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY15) costs _____ (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? _____ Discuss details in analysis section.

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version. Note 1 of 2

Prepared by John Boucher, Senior Economist
Division Office of Management and Budget
Approved by Karen J Rehfeld, Director
Division Office of Management and Budget

Phone 465-4677
Date/Time 4/10/2014 9:00:00AM
Date 4/10/2014

FISCAL NOTE ANALYSIS #1

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. HB 385

Analysis

This bill would redefine the additional state contribution requirements for the Teachers Retirement System (TRS) under AS 14.25.085 and the additional state contribution requirements for the Public Employee Retirement System (PERS) under AS 39.35.280.

The bill would require that the state assistance payment for the defined benefit retirement systems be up to \$343,000,000 annually for the Teachers Retirement System (TRS), and up to \$157,000,000 annually for the Public Employees Retirement System (PERS).

The bill is contingent on the approval of an appropriation from the Constitutional Budget Reserve Fund (Article IX, Section 17, Constitution of the State of Alaska) of \$1,118,630,000 to the Teachers Retirement System and an appropriation of \$1,881,370,000 to the Public Employees Retirement System (PERS) for the fiscal year ending June 30, 2015.

The appropriation would be allocated to the PERS and TRS trusts as follows.

PERS: \$1,881,370,000
TRS: \$1,118,630,000
Total: \$3,000,000,000

The deposits to the trusts would be attributable to employer type based upon the following estimates:

School District PERS employers:	\$248,257,600
Other PERS employers:	<u>\$1,633,112,400</u>
Total PERS	\$1,881,370,000

School District TRS employers:	\$1,035,145,600
Other TRS employers:	<u>\$83,484,400</u>
Total TRS:	\$1,118,630,000

FISCAL NOTE

STATE OF ALASKA
2014 LEGISLATIVE SESSION

Bill Version HB 385
Fiscal Note Number 2
(H) Publish Date 4/10/14

Identifier (file name) PERS/TRS Defined Benefit Plans Dept. Affected Direct Approps to Retirement Accounts
Title PERS/TRS Defined Benefit Plans: Additional State Contributions Appropriation TRS
Allocation _____
Sponsor Rules by Request of Governor
Requester _____ OMB Component Number 2863

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY15 Appropriation Requested	Included in Governor's FY15 Request	Out-Year Cost Estimates					
			FY15	FY16	FY17	FY18	FY19	FY20
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous		1,118,630.0	343,000.0	343,000.0	343,000.0	343,000.0	343,000.0	343,000.0
TOTAL OPERATING	0.0	1,118,630.0	343,000.0	343,000.0	343,000.0	343,000.0	343,000.0	343,000.0

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF		343,000.0	343,000.0	343,000.0	343,000.0	343,000.0	343,000.0
1001	CBR Fund (Other)		1,118,630.0					
1007	i/A Rcpts (Other)							
1156	Rcpt Svcs (DGF)							
		0.0	1,118,630.0	343,000.0	343,000.0	343,000.0	343,000.0	343,000.0

POSITIONS								
Full-time								
Part-time								
Temporary								

CHANGE IN REVENUES								

Estimated SUPPLEMENTAL (FY14) operating costs _____ (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY15) costs _____ (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? _____ Discuss details in analysis section.

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version. Note 2 of 2

Prepared by John Boucher, Senior Economist
Division Office of Management and Budget
Approved by Karen J Rehfeld, Director
Division Office of Management and Budget

Phone 465-4677
Date/Time 4/10/2014 9:00:00AM
Date 4/10/2014

FISCAL NOTE ANALYSIS #2

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. HB 385

Analysis

This bill would redefine the additional state contribution requirements for the Teachers Retirement System (TRS) under AS 14.25.085 and the additional state contribution requirements for the Public Employee Retirement System (PERS) under AS 39.35.280.

The bill would require that the state assistance payment for the defined benefit retirement systems be up to \$343,000,000 annually for the Teachers Retirement System (TRS), and up to \$157,000,000 annually for the Public Employees Retirement System (PERS).

The bill is contingent on the approval of an appropriation from the Constitutional Budget Reserve Fund (Article IX, Section 17, Constitution of the State of Alaska) of \$1,118,630,000 to the Teachers Retirement System and an appropriation of \$1,881,370,000 to the Public Employees Retirement System (PERS) for the fiscal year ending June 30, 2015.

The appropriation would be allocated to the PERS and TRS trusts as follows.

PERS: \$1,881,370,000
TRS: \$1,118,630,000
Total: \$3,000,000,000

The deposits to the trusts would be attributable to employer type based upon the following estimates:

School District PERS employers: \$248,257,600
Other PERS employers: \$1,633,112,400
Total PERS: \$1,881,370,000

School District TRS employers: \$1,035,145,600
Other TRS employers: \$83,484,400
Total TRS: \$1,118,630,000

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: SCS HB 385(FIN)
Fiscal Note Number: 3
(S) Publish Date: 4/19/14

Identifier: HB385-SFC-TRS-04-19-14
Title: PERS/TRS STATE CONTRIBUTIONS
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: HFIN

Department: State Assistance to Retirement Funds
Appropriation: TRS State Assistance
Allocation: School District TRS
OMB Component Number: 2863

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous	2,000,000.0	1,118,630.0	(224,285.0)	(229,984.0)	(235,181.0)	(246,177.0)	(252,988.0)	
Total Operating	2,000,000.0	1,118,630.0	(224,285.0)	(229,984.0)	(235,181.0)	(246,177.0)	(252,988.0)	

Fund Source (Operating Only)

1001 CBR Fund	2,000,000.0	1,118,630.0					
1004 Gen Fund			(224,285.0)	(229,984.0)	(235,181.0)	(246,177.0)	(252,988.0)
Total	2,000,000.0	1,118,630.0	(224,285.0)	(229,984.0)	(235,181.0)	(246,177.0)	(252,988.0)

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) 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:

This revised fiscal note replaces the Governor's proposal of a \$1.1 billion cash infusion to the TRS retirement trust fund with a \$2 billion cash infusion. The savings from the Governor's plan are reflected in the out year columns. Note 2 of 2

Prepared By: Co-Chair Senator Kelly Phone: (907)465-3753
Senate Finance Committee Date: 04/19/2014
Co-Chair Senator Meyer
Senate Finance Committee

FISCAL NOTE ANALYSIS #3

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. SCS HB 385(FIN)

Analysis

By infusing cash into retirement trust funds, this bill will reduce state contributions on behalf of employers as required for the Teachers Retirement System (TRS) under AS 14.25.085 and the Public Employee Retirement System (PERS) under AS 39.35.280.

The cash infusions are contingent on the approval of an appropriation from the Constitutional Budget Reserve Fund (Article IX, Section 17, Constitution of the State of Alaska) of \$2 billion to the Teachers Retirement System and an appropriation of \$1 billion to the Public Employees Retirement System (PERS) for the fiscal year ending June 30, 2015. The cash infusions will increase the funding ratios of both systems to 70% or more by FY18.

The appropriation would be allocated to the PERS and TRS trusts as follows.

PERS: \$1,000,000,000
TRS: \$2,000,000,000
 Total: \$3,000,000,000

The deposits to the trusts would be attributable to employer type based upon the following estimates:

PERS

	<u>Current Scenario</u>	<u>HB 385</u>	<u>Fiscal Note</u>	<u>Funding Ratio</u>
Total to FY2043	\$6,982,877	\$5,216,825		
2015	\$349,686	\$1,000,000	\$1,000,000	63.1%
2016	\$385,669	\$385,669	(\$197,214)	68.8%
2017	\$388,301	\$218,740	(\$202,169)	69.7%
2018	\$390,328	\$155,140	(\$207,671)	70.5%
2019	\$406,837	\$140,840	(\$227,767)	71.3%
2020	\$412,481	\$137,691	(\$235,415)	72.0%

TRS

	<u>Current Scenario</u>	<u>HB 385</u>	<u>Fiscal Note</u>	<u>Funding Ratio</u>
Total to FY2043	\$8,484,316	\$7,978,630		
2015	\$353,508	\$2,000,000	\$2,000,000	53.5%
2016	\$380,572	\$156,287	(\$224,285)	73.3%
2017	\$392,650	\$162,666	(\$229,984)	73.7%
2018	\$404,717	\$169,536	(\$235,181)	74.1%
2019	\$422,984	\$176,807	(\$246,177)	74.5%
2020	\$437,552	\$184,564	(\$252,988)	74.9%

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: SCS HB 385(FIN)
Fiscal Note Number: 4
(S) Publish Date: 4/19/14

Identifier: HB385-SFC PERS-04-19-14
Title: PERS/TRS STATE CONTRIBUTIONS
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: SFIN

Department: State Assistance to Retirement Funds
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)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous	1,000,000.0	1,881,370.0	(197,214.0)	(202,169.0)	(207,671.0)	(227,767.0)	(235,415.0)
Total Operating	1,000,000.0	1,881,370.0	(197,214.0)	(202,169.0)	(207,671.0)	(227,767.0)	(235,415.0)

Fund Source (Operating Only)

1001 CBR Fund	1,000,000.0	1,881,370.0					
1004 Gen Fund			(197,214.0)	(202,169.0)	(207,671.0)	(227,767.0)	(235,415.0)
Total	1,000,000.0	1,881,370.0	(197,214.0)	(202,169.0)	(207,671.0)	(227,767.0)	(235,415.0)

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) 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:

This revised fiscal note replaces the Governor's proposal of a \$1.9 billion cash infusion to the PERS retirement trust fund with a \$1 billion cash infusion. The savings from the Governor's plan are reflected in the out year columns. Note 1 of 2.

Prepared By: Co-Chair Senator Kelly Phone: (907)465-3753
Senate Finance Committee Date: 04/19/2014
Co-Chair Senator Meyer
Senate Finance Committee

FISCAL NOTE ANALYSIS #4

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. SCS HB 385(FIN)

Analysis

By infusing cash into retirement trust funds, this bill will reduce state contributions on behalf of employers as required for the Teachers Retirement System (TRS) under AS 14.25.085 and the Public Employee Retirement System (PERS) under AS 39.35.280.

The cash infusions are contingent on the approval of an appropriation from the Constitutional Budget Reserve Fund (Article IX, Section 17, Constitution of the State of Alaska) of \$2 billion to the Teachers Retirement System and an appropriation of \$1 billion to the Public Employees Retirement System (PERS) for the fiscal year ending June 30, 2015. The cash infusions will increase the funding ratios of both systems to 70% or more by FY18.

The appropriation would be allocated to the PERS and TRS trusts as follows.

PERS: \$1,000,000,000
TRS: \$2,000,000,000
 Total: \$3,000,000,000

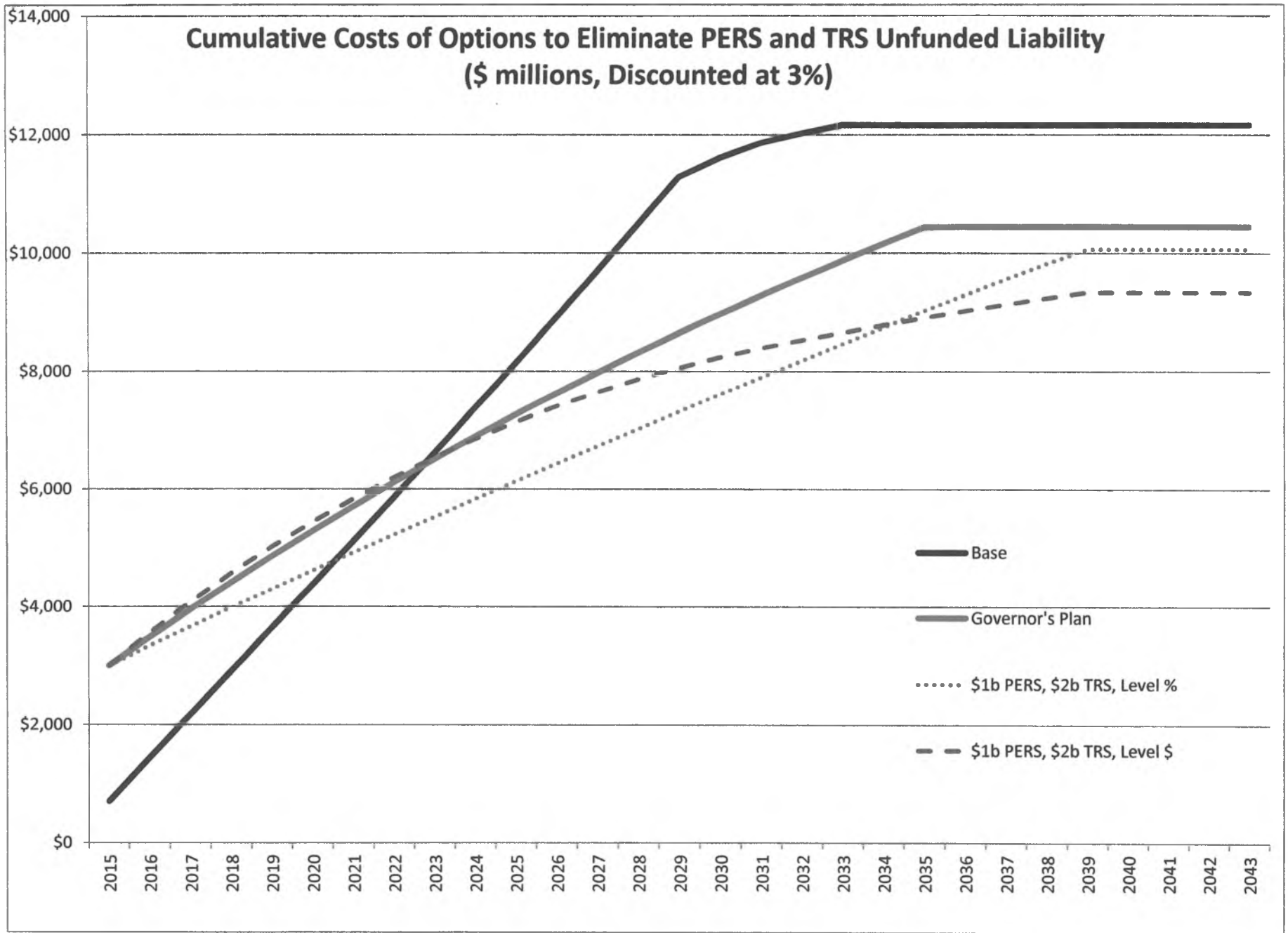
The deposits to the trusts would be attributable to employer type based upon the following estimates:

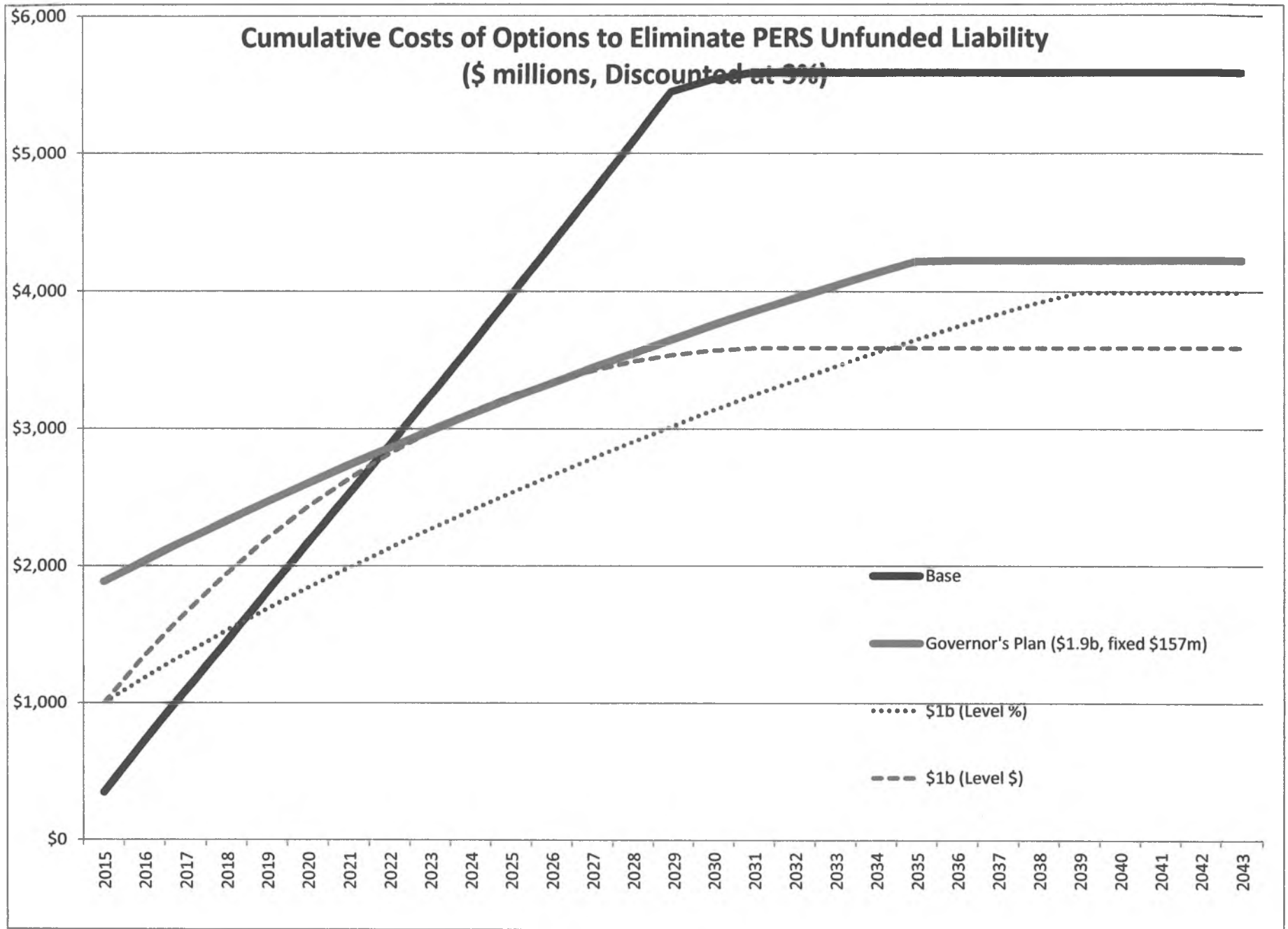
PERS

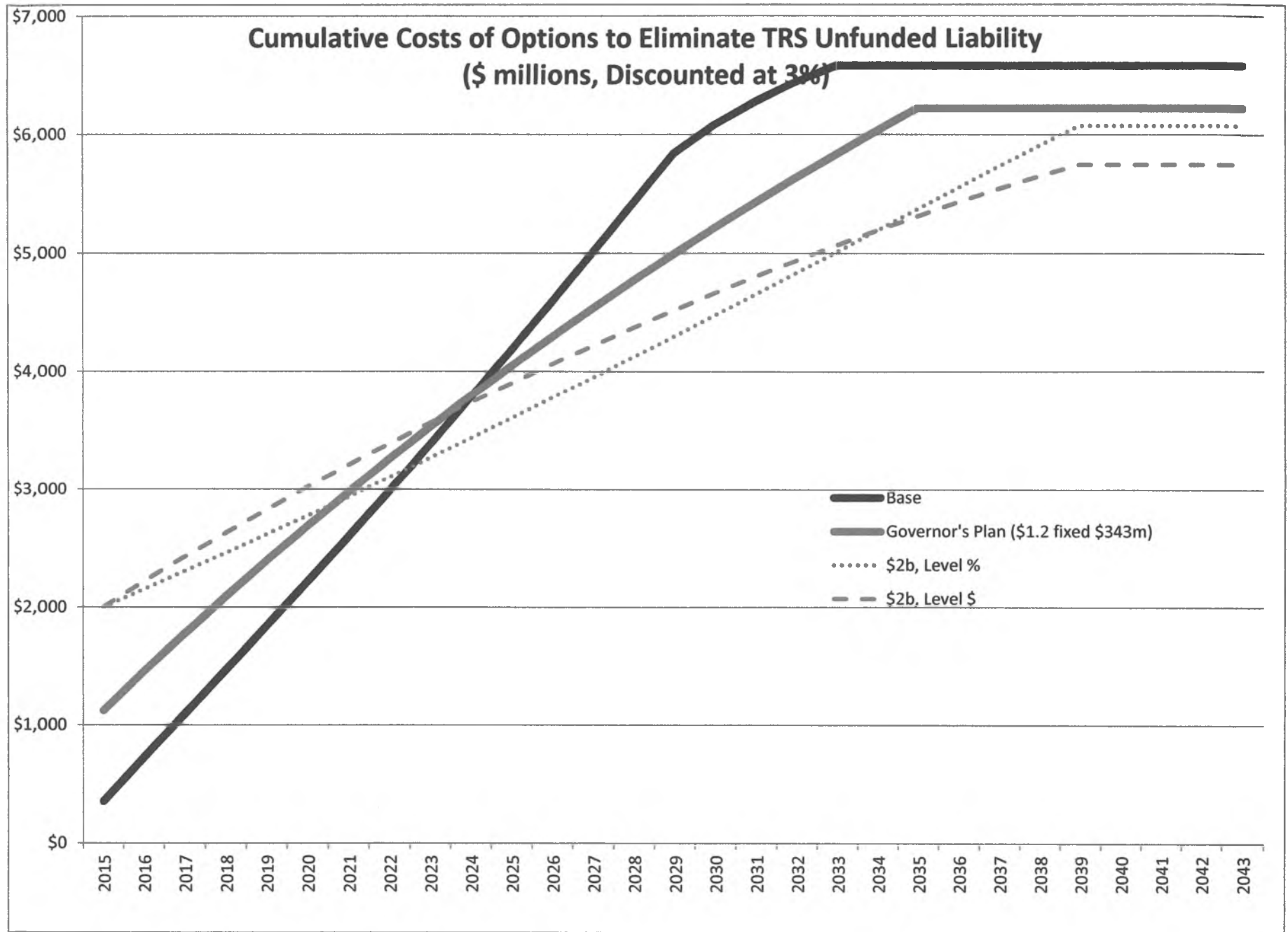
	<u>Current Scenario</u>	<u>HB 385</u>	<u>Fiscal Note</u>	<u>Funding Ratio</u>
Total to FY2043	\$6,982,877	\$5,216,825		
2015	\$349,686	\$1,000,000	\$1,000,000	63.1%
2016	\$385,669	\$188,455	(\$197,214)	68.8%
2017	\$388,301	\$186,132	(\$202,169)	69.7%
2018	\$390,328	\$182,657	(\$207,671)	70.5%
2019	\$406,837	\$179,070	(\$227,767)	71.3%
2020	\$412,481	\$177,066	(\$235,415)	72.0%

TRS

	<u>Current Scenario</u>	<u>HB 385</u>	<u>Fiscal Note</u>	<u>Funding Ratio</u>
Total to FY2043	\$8,484,316	\$7,978,630		
2015	\$353,508	\$2,000,000	\$2,000,000	53.5%
2016	\$380,572	\$156,287	(\$224,285)	73.3%
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2018	\$404,717	\$169,536	(\$235,181)	74.1%
2019	\$422,984	\$176,807	(\$246,177)	74.5%
2020	\$437,552	\$184,564	(\$252,988)	74.9%







PERS State Assistance

Undiscounted					Discounted					
	Base	Gov			Enter Rate		Base	Gov		
cash	0	1.9	1	1	3.00%			1.9	1	1
method	%	fixed	%	\$	103.00%			fixed	%	\$
Funding Ratio										
FY15	63%	63%	63%	63%						
FY17	68%	73%	67%	71%						
FY25	87%	80%	73%	80%						
FY35	100%	96%	82%	91%						
FY40	100%	100%	99%	100%						
	6,982,877	5,034,370	5,216,825	4,088,390			5,586	4,224	3,992	3,593
2015	349,686	1,881,370	1,000,000	1,000,000	1.000	-	350	1,881	1,000	1,000
2016	385,669	157,000	188,455	353,124	0.971	1	374	152	183	343
2017	388,301	157,000	186,132	332,616	0.943	2	366	148	175	314
2018	390,328	157,000	182,657	310,375	0.915	3	357	144	167	284
2019	406,837	157,000	179,070	287,838	0.888	4	361	139	159	256
2020	412,481	157,000	177,066	266,708	0.863	5	356	135	153	230
2021	425,201	157,000	175,380	245,515	0.837	6	356	131	147	206
2022	438,935	157,000	174,823	225,058	0.813	7	357	128	142	183
2023	453,913	157,000	174,336	204,012	0.789	8	358	124	138	161
2024	470,898	157,000	174,934	183,706	0.766	9	361	120	134	141
2025	489,027	157,000	175,382	162,877	0.744	10	364	117	131	121
2026	508,109	157,000	176,029	141,906	0.722	11	367	113	127	103
2027	527,647	157,000	176,023	119,616	0.701	12	370	110	123	84
2028	547,671	157,000	176,808	97,827	0.681	13	373	107	120	67
2029	567,701	157,000	177,268	74,689	0.661	14	375	104	117	49
2030	138,911	157,000	177,862	51,479	0.642	15	89	101	114	33
2031	81,562	157,000	178,344	27,553	0.623	16	51	98	111	17
2032	0	157,000	178,346	3,491	0.605	17	-	95	108	2
2033	0	157,000	178,377	0	0.587	18	-	92	105	-
2034	0	157,000	176,786	0	0.570	19	-	90	101	-
2035	0	157,000	174,962	0	0.554	20	-	87	97	-
2036	0	13,000	173,065	0	0.538	21	-	7	93	-
2037	0	0	170,075	0	0.522	22	-	-	89	-
2038	0	0	164,880	0	0.507	23	-	-	84	-
2039	0	0	149,765	0	0.492	24	-	-	74	-
2040	0	0	0	0	0.478	25	-	-	-	-
2041	0	0	0	0	0.464	26	-	-	-	-
2042	0	0	0	0	0.450	27	-	-	-	-
2043	0	0	0	0	0.437	28	-	-	-	-

TRS State Assistance										
Undiscounted					Discounted					
	Base	Gov	5	5	Enter Rate		Base	Gov	5	5
cash	0	1.1	2	2	3.00%			1.1	2	2
method	%	fixed	%	\$	103.00%			fixed	%	\$
2013	\$298,101	\$298,101	\$298,101	\$298,101						
2014	316,847	316,847	316,847	316,847						
	8,484,316	7,978,630	8,074,353	7,295,833			6,579	6,222	6,074	5,747
2015	353,508	1,118,630	2,000,000	2,000,000	1.000	-	354	1,119	2,000	2,000
2016	380,572	343,000	156,287	223,177	0.971	1	369	333	152	217
2017	392,650	343,000	162,666	222,611	0.943	2	370	323	153	210
2018	404,717	343,000	169,536	222,255	0.915	3	370	314	155	203
2019	422,984	343,000	176,807	222,088	0.888	4	376	305	157	197
2020	437,552	343,000	184,564	222,280	0.863	5	377	296	159	192
2021	456,307	343,000	192,463	222,291	0.837	6	382	287	161	186
2022	476,266	343,000	200,507	222,213	0.813	7	387	279	163	181
2023	497,356	343,000	209,028	222,441	0.789	8	393	271	165	176
2024	518,936	343,000	218,552	223,468	0.766	9	398	263	168	171
2025	541,384	343,000	227,633	223,835	0.744	10	403	255	169	167
2026	564,772	343,000	236,974	223,903	0.722	11	408	248	171	162
2027	588,694	343,000	246,265	223,905	0.701	12	413	241	173	157
2028	613,535	343,000	256,034	223,899	0.681	13	418	234	174	152
2029	639,075	343,000	265,913	223,986	0.661	14	423	227	176	148
2030	372,689	343,000	275,790	223,583	0.642	15	239	220	177	144
2031	312,858	343,000	285,945	223,467	0.623	16	195	214	178	139
2032	273,228	343,000	295,550	222,430	0.605	17	165	208	179	135
2033	237,233	343,000	305,712	221,717	0.587	18	139	201	180	130
2034	0	343,000	315,844	220,608	0.570	19	-	196	180	126
2035	0	343,000	325,458	219,160	0.554	20	-	190	180	121
2036	0	0	334,707	217,417	0.538	21	-	-	180	117
2037	0	0	343,006	214,696	0.522	22	-	-	179	112
2038	0	0	349,374	210,781	0.507	23	-	-	177	107
2039	0	0	339,738	199,622	0.492	24	-	-	167	98
2040	0	0	0	0	0.478	25	-	-	-	-
2041	0	0	0	0	0.464	26	-	-	-	-
2042	0	0	0	0	0.450	27	-	-	-	-
2043	0	0	0	0	0.437	28	-	-	-	-

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STATE OF ALASKA

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April 10, 2014

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault,

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill that will implement a fixed annual contribution to pay down the past service liability of the Public Employees' Retirement System and Teachers' Retirement System. Enactment of this legislation is contingent upon approval of a \$3 billion transfer from the Constitutional Budget Reserve fund into the Retirement System Trust Fund.

The annual pension contributions represent the single largest cost driver in the State's operating budget. Current projections estimate that the Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) have a combined unfunded liability of \$11.9 billion. A \$3 billion deposit into to the retirement trust funds in the FY 2015 budget will enable the annual State pension contribution to drop to \$500 million a year and will increase the funded status of the PERS and TRS systems by 10 percent almost immediately. This deposit will also reflect positively on local government balance sheets.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink that reads "Sean Parnell". The signature is written in a cursive style with a large, stylized initial "S".

Sean Parnell
Governor

Enclosure

HB 385 – PERS/TRS STATE CONTRIBUTIONS

Section 1. This section amends the Teachers' Retirement System (TRS) state assistance statute (AS 14.25.085). This statute was enacted in 2008 by SB 125, and currently provides that the state shall appropriate the amount sufficient to fully pay the total past service liability for the year at the employer contribution rate adopted by the Alaska Retirement Management Board (ARMB). In practice, this means that the State appropriates the amount that reflects the difference between the TRS employer contribution rate cap of 12.56% and the actuarial contribution rate to the TRS trust funds. In FY14, this amount was approximately \$317mm.

Section 1 amends AS 14.25.085 to implement the Governor's proposal. Under the Governor's proposal, \$1.1 billion would be appropriated from the constitutional budget reserve to the TRS trust fund, and then from FY16-FY36, an annual flat payment of \$343mm would be appropriated as state assistance.

According to Buck Consultants, the Governor's plan would convert the actuarial approach for TRS from an actuarial ratemaking paradigm to a fixed contribution paradigm. In a ratemaking paradigm, each year the actuary calculates what contribution rate is necessary to pay down the accumulated past service liability. In Alaska, this has resulted in highly volatile employer contribution rates that over the past decade have ranged from 12% to over 70%.

In a fixed contribution paradigm, the rate volatility is eliminated. Instead the annual contribution is fixed. In the case of TRS, the annual contribution is fixed at \$343mm. What can change each year, however, is the term of the amortization. Under the Governor's plan, the initial amortization term is 21 years—fixed payments of \$343mm through FY36. In the event of actuarial losses, the actuary may advise that the amortization term needs to be extended. So if there is a market downturn that results in investment losses in FY18, the actuary may advise that the amortization term must be extended to FY43 in order to fully amortize the TRS unfunded liability.

Conversely, actuarial gains could result in a shortening of the amortization term of less than 21 years. Under the Governor's plan, the length of the amortization term necessary to pay down the unfunded liability will be evaluated each year.

There could be cases where the actuarial loss over a particular period is sufficiently profound that payment of \$343mm over any length of amortization term is insufficient to fully pay off the unfunded liability. In such case, the actuary will assign a date on which the TRS trust fund will exhaust its funds unless the \$343mm annual payment amount is increased. The actuaries call this date the "cross-over" point.

The last new sentence of the amendment to AS 14.25.085 is intended to address situations where a cross-over point is reached. It provides that the state will appropriate an additional fixed amount sufficient to amortize the unfunded liability over a period consistent with actuarial standards.

Section 2. This section implements the same amendment as does section 1, for the Public Employees' Retirement System (PERS) state assistance statute, AS 39.35.280.

A benefit to making this amendment in the PERS context, is that a fixed contribution paradigm aligns the respective interests of all PERS employers. PERS employers all share in the actuarial gains, through having a shorter amortization schedule, and share in actuarial losses, through having a longer amortization schedule. Under the current version of AS 39.35.280, PERS municipal employers are largely indifferent to the impact of market downturns that create new unfunded liability because their rate does not change, and the State absorbs 100% of the impact of any new unfunded liability. The Governor's proposal cost shares such new unfunded liability in a fair way by extending the amortization term, so that PERS employers pay at the 22% capped contribution rate for a longer period of time.

Section 3. This section makes the bill contingent on the enactment of constitutional budget reserve fund appropriations to TRS in the amount of \$1.1 billion, and to PERS in the amount of \$1.9 billion.

Section 4. Establishes the effective date of this act as July 1, 2014.

April 11, 2014

VIA EMAIL

Mr. Mike Barnhill
Deputy Commissioner
Department of Administration
State of Alaska
333 Willoughby Avenue
6th Floor State Office Building
Juneau, AK 99811-0208

Re: Fiscal Note for HB 385 - Governor's Proposal for Funding PERS and TRS

Dear Mike:

As requested, we are providing the following information for a Fiscal Note on HB 385; the Governor's Proposal which transfers an amount of \$3 billion from the budget reserve fund into the State of Alaska Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) in fiscal year 2015. This proposal would also amend the additional State contributions in fiscal years 2016 through 2035 to a fixed \$500 million annually, with additional appropriations as necessary to keep the systems funded consistent with actuarial standards. An amount of \$1,881,370,000 of the \$3 billion will be allocated to PERS and \$1,118,630,000 of the \$3 billion will be allocated to TRS. The amount of \$157 million of the \$500 million will be allocated to PERS and \$343 million of the \$500 million will be allocated to TRS each fiscal year beyond 2015. The proposed changes would become effective as of July 1, 2014. Our results are based on the 2012 actuarial valuation results as the 2013 actuarial valuation results are not yet final. A projected analysis of the Governor's Proposal for PERS and TRS is shown in the exhibits following this letter.

Actuarial Projection Analysis of Governor's Proposal

The Governor's proposal changes the future pace and funding pattern of state and employer contributions to PERS and TRS. It does not change the benefit provisions, expected future benefit payments, or the actuarial liabilities of PERS and TRS. In order to measure the fiscal impact of the proposal, Buck performed 30-year actuarial projections of the expected funding patterns for both the current funding policy adopted by the Alaska Retirement Management Board (ARMB), referred to as the Baseline, and the Governor's Proposal.

First, the proposal provides increased immediate funding by transferring \$3 billion from the budget reserve fund to PERS and TRS in fiscal year 2015. This transfer immediately improves the funding levels of PERS and TRS and lowers future funding needs. Levels of funding at any point in time are measured by the funding ratio which equals the ratio of the systems assets divided by the accrued

Mr. Mike Barnhill
April 11, 2014
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liability. For both PERS and TRS, the funding ratio is expected to increase almost 7% at the time of the transfer.

Second, future annual additional state assistance contributions, subject to appropriations, are fixed at \$500 million per year and are paid until the funding ratio reaches 100%. Based on our projections, we estimate this will occur in fiscal year 2037 for both PERS and TRS using the allocation noted earlier. This represents an extension of the funding period of six years from the current policy which is expected to reach 100% funding by fiscal year 2031.

The overall impact to state funding of PERS and TRS is shown on Exhibit 1 and 2 attached. The fiscal impact of the \$3 billion transfer lowers overall state assistance funding, and the extension of the funding period by six years increases overall employer funding. The net result is an increase in total state funding (state's contribution as an employer plus additional state assistance) from fiscal years 2015 to 2037 for PERS of \$495 million and for TRS of \$618 million, or a total of \$1,113 million. The funding of other non-state employers of PERS also increases from \$2,904 million to \$4,392 million, or a net increase of \$1,488 million. Greater detail of our projection results for both PERS and TRS is shown in Exhibits 3 through 6.

Funding Policy

It should be noted that these projections are *not* predictions, but rather expectations assuming all of the actuarial assumptions are exactly realized, including an 8.00% investment rate of return in each year from 2014 to 2043. To the extent actual future experience is different from what we have assumed, the actual results will increase or decrease the funding levels shown in our projections. We recommend policy makers take this into consideration when setting long-term funding policy.

There are many budgetary approaches being used today by public employers and states to fund pension systems. The most common are (1) the actuarial contribution approach, and (2) the fixed dollar or fixed contribution rate approach, typically set in statute. Alaska is currently using the actuarial contribution approach. Under this approach, the actuary performs an actuarial valuation each year to determine the contribution rate needed to fund the accruing benefit (known as normal cost) and amortize the unfunded past service liability over a defined period. The contribution rate will vary year by year given changes in experience, actuarial assumptions, methods, or plan provisions. These changes to the contribution rate keeps funding on a path to fully amortize the unfunded past service liability within the defined period. Alaska currently uses a 25 year fixed amortization period from the date portions of the unfunded liability are established.

The Governor's Proposal (HB 385) changes the funding policy for the additional state assistance contribution from the actuarial contribution approach to a fixed dollar contribution approach. Employer contributions will still be determined on the actuarial contribution approach with a cap of 22% of total payroll for PERS and 12.56% of total payroll for TRS. Future annual actuarial valuations will be

Mr. Mike Barnhill
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Page 3

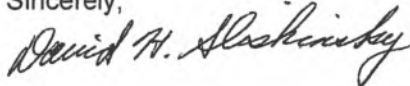
performed to measure the ongoing actuarial positions of PERS and TRS and any changes in the funding period or date when the systems are expected to reach a 100% funding ratio. An important feature of HB 385 provides that, if any future actuarial analysis determines that the fixed annual state contribution amount is insufficient to amortize the unfunded past service liability over a period consistent with actuarial standards, the state will contribute, subject to appropriation, an additional fixed amount to keep the systems funded within actuarial standards. We recommend policy makers consult with the system's actuary to determine the conditions under which additional state contributions would be necessary.

Summary for Analysis of Governor's Proposal

The data, assumptions, plan provisions and methods used for the estimated costs are described in the actuarial valuation reports as of June 30, 2012 except that future contributions from the State have been based on the Governor's Proposal. We have also used the 12.50% investment rate of return in fiscal year 2013 and an 8.00% investment rate of return in all future years beyond fiscal year 2013 to project fund balances. The bill will become effective July 1, 2014.

Please let me know if you need any further information.

Sincerely,



David H. Sliskinsky, ASA, EA, MAAA, FCA
Principal, Consulting Actuary

c: Ms. Kathy Lea, State of Alaska
Mr. Brandon Maitlen, State of Alaska
Mr. Kevin Worley, State of Alaska
Mr. Chris Hulla, Buck Consultants
Ms. Kyla Kaltenbach, Buck Consultants

Exhibit 1

**State of Alaska PERS and TRS
Financial Projections (in Thousands)
Summary of State Assistance**

Fiscal Year End	Baseline - Current ARM Board Funding Policy			Governor's Proposal - Additional \$3B State Contribution in FY15; \$500M State Contributions in FY16-FY35			Cost / (Savings) to Additional State Assistance of Governor's Proposal		
	PERS	TRS	Total	PERS	TRS	Total	PERS	TRS	Total
2013	\$310,528	\$298,101	\$608,629	\$310,528	\$298,101	\$608,629	\$0	\$0	\$0
2014	312,473	316,847	629,320	312,473	316,847	629,320	0	0	0
2015	519,676	455,904	975,580	1,881,370	1,118,630	3,000,000	1,361,694	662,726	2,024,420
2016	563,210	485,905	1,049,115	157,000	343,000	500,000	(406,210)	(142,905)	(549,115)
2017	555,103	492,448	1,047,551	157,000	343,000	500,000	(398,103)	(149,448)	(547,551)
2018	528,170	488,074	1,016,244	157,000	343,000	500,000	(371,170)	(145,074)	(516,244)
2019	517,221	489,890	1,007,111	157,000	343,000	500,000	(360,221)	(146,890)	(507,111)
2020	487,881	484,378	972,259	157,000	343,000	500,000	(330,881)	(141,378)	(472,259)
2021	466,935	483,595	950,530	157,000	343,000	500,000	(309,935)	(140,595)	(450,530)
2022	445,553	482,885	928,438	157,000	343,000	500,000	(288,553)	(139,885)	(428,438)
2023	424,549	482,733	907,282	157,000	343,000	500,000	(267,549)	(139,733)	(407,282)
2024	404,298	482,225	886,523	157,000	343,000	500,000	(247,298)	(139,225)	(386,523)
2025	383,915	481,478	865,393	157,000	343,000	500,000	(226,915)	(138,478)	(365,393)
2026	363,879	481,273	845,152	157,000	343,000	500,000	(206,879)	(138,273)	(345,152)
2027	342,312	480,405	822,717	157,000	343,000	500,000	(185,312)	(137,405)	(322,717)
2028	320,269	479,517	799,786	157,000	343,000	500,000	(163,269)	(136,517)	(299,786)
2029	296,545	478,207	774,752	157,000	343,000	500,000	(139,545)	(135,207)	(274,752)
2030	0	249,950	249,950	157,000	343,000	500,000	157,000	93,050	250,050
2031	0	0	0	157,000	343,000	500,000	157,000	343,000	500,000
2032	0	0	0	157,000	343,000	500,000	157,000	343,000	500,000
2033	0	0	0	157,000	343,000	500,000	157,000	343,000	500,000
2034	0	0	0	157,000	343,000	500,000	157,000	343,000	500,000
2035	0	0	0	157,000	343,000	500,000	157,000	343,000	500,000
2036	0	0	0	13,000	118,000	131,000	13,000	118,000	131,000
2037	0	0	0	0	0	0	0	0	0
2038	0	0	0	0	0	0	0	0	0
2039	0	0	0	0	0	0	0	0	0
2040	0	0	0	0	0	0	0	0	0
2041	0	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	0	0	0	0
2043	0	0	0	0	0	0	0	0	0
Totals for 2015 & After	\$6,619,516	\$7,478,867	\$14,098,383	\$5,034,370	\$8,096,630	\$13,131,000	(\$1,585,146)	\$617,763	(\$967,383)

Exhibit 2

**State of Alaska PERS and TRS
Financial Projections (in Thousands)**

Summary of Total State Contributions - State's Share of Employer Contributions Plus Additional State Assistance

Fiscal Year End	Baseline - Current ARM Board Funding Policy			Governor's Proposal - Additional \$3B State Contribution in FY15; \$500M State Contributions in FY16-FY35			Total State Contribution Cost / (Savings) of Governor's Proposal		
	PERS	TRS	Total	PERS	TRS	Total	PERS	TRS	Total
2013	\$559,312	\$298,101	\$857,413	\$559,312	\$298,101	\$857,413	\$0	\$0	\$0
2014	558,699	316,847	875,546	558,699	316,847	875,546	0	0	0
2015	764,457	455,904	1,220,361	2,126,151	1,118,630	3,244,781	1,361,694	662,726	2,024,420
2016	807,472	485,905	1,293,377	401,262	343,000	744,262	(406,210)	(142,905)	(549,115)
2017	799,743	492,448	1,292,191	401,640	343,000	744,640	(398,103)	(149,448)	(547,551)
2018	774,002	488,074	1,262,076	402,832	343,000	745,832	(371,170)	(145,074)	(516,244)
2019	765,041	489,890	1,254,931	404,820	343,000	747,820	(360,221)	(146,890)	(507,111)
2020	738,108	484,378	1,222,486	407,227	343,000	750,227	(330,881)	(141,378)	(472,259)
2021	720,186	483,595	1,203,781	410,251	343,000	753,251	(309,935)	(140,595)	(450,530)
2022	702,268	482,885	1,185,153	413,715	343,000	756,715	(288,553)	(139,885)	(428,438)
2023	685,320	482,733	1,168,053	417,771	343,000	760,771	(267,549)	(139,733)	(407,282)
2024	669,945	482,225	1,152,170	422,647	343,000	765,647	(247,298)	(139,225)	(386,523)
2025	655,062	481,478	1,136,540	428,147	343,000	771,147	(226,915)	(138,478)	(365,393)
2026	641,281	481,273	1,122,554	434,402	343,000	777,402	(206,879)	(138,273)	(345,152)
2027	626,623	480,405	1,107,028	441,311	343,000	784,311	(185,312)	(137,405)	(322,717)
2028	612,247	479,517	1,091,764	448,978	343,000	791,978	(163,269)	(136,517)	(299,786)
2029	596,985	478,207	1,075,192	457,440	343,000	800,440	(139,545)	(135,207)	(274,752)
2030	106,053	249,950	356,003	466,646	343,000	809,646	360,593	93,050	453,643
2031	4,534	0	4,534	476,711	343,000	819,711	472,177	343,000	815,177
2032	3,153	0	3,153	487,587	343,000	830,587	484,434	343,000	827,434
2033	2,467	0	2,467	499,349	343,000	842,349	496,882	343,000	839,882
2034	2,006	0	2,006	512,446	343,000	855,446	510,440	343,000	853,440
2035	1,197	0	1,197	439,029	343,000	782,029	437,832	343,000	780,832
2036	626	0	626	267,208	118,000	385,208	266,582	118,000	384,582
2037	326	0	326	6,530	0	6,530	6,204	0	6,204
2038	0	0	0	0	0	0	0	0	0
2039	0	0	0	0	0	0	0	0	0
2040	0	0	0	0	0	0	0	0	0
2041	0	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	0	0	0	0
2043	0	0	0	0	0	0	0	0	0
Totals 2015 & After	\$10,679,102	\$7,478,867	\$18,157,969	\$11,174,100	\$8,096,630	\$19,270,730	\$494,998	\$617,763	\$1,112,761

Note: Assumes TRS does not contain any State Employers.

Exhibit 3

**State of Alaska PERS
Financial Projections (in Thousands)
Baseline - Level Dollar Amortization over 25 years and 12.5% Investment Return in FY13, 8% in FY14 and later years**

Fiscal Year End	Investment Return: 8.00% Valuation Amounts on July 1 (Beginning of Fiscal Year)				Flow Amounts During Following 12 Months								Recognized Asset Gain(Loss)	Ending Actuarial Assets	41.70% Municipal Er Cont's	58.30% State Er Cont's	State Assist Cont's	State Cont's	Total Er/State Cont's
	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Total Salaries	Employer Contribs	State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings							
2013	\$11,832,030	\$19,292,361	61.3%	(\$7,460,331)	\$2,245,686	\$426,731	\$310,528	\$118,879	\$856,138	\$973,954	(\$117,816)	\$1,399,035	(\$924,132)	\$12,189,117	\$177,947	\$248,784	\$310,528	\$559,312	\$737,259
2014	12,189,117	20,109,112	60.6%	(7,919,995)	2,295,881	422,343	312,473	120,633	855,449	1,056,528	(201,079)	994,291	195,922	13,178,251	176,117	246,226	312,473	558,699	734,816
2015	13,178,251	20,885,260	63.1%	(7,707,009)	2,357,693	419,865	519,676	114,150	1,053,691	1,140,515	(86,824)	1,061,950	162,400	14,315,777	175,084	244,781	519,676	764,457	939,541
2016	14,315,777	21,614,302	66.2%	(7,298,525)	2,428,744	418,974	563,210	107,781	1,089,965	1,225,841	(135,876)	1,137,751	(76,850)	15,240,802	174,712	244,262	563,210	807,472	982,184
2017	15,240,802	22,291,137	68.4%	(7,050,335)	2,508,301	419,623	555,103	101,655	1,076,381	1,305,131	(228,750)	1,213,993	100,740	16,326,785	174,983	244,640	555,103	799,743	974,726
2018	16,326,785	22,919,638	71.2%	(6,592,853)	2,595,896	421,668	528,170	95,970	1,045,808	1,380,741	(334,933)	1,288,394	0	17,280,246	175,836	245,832	528,170	774,002	949,838
2019	17,280,246	23,501,895	73.5%	(6,221,649)	2,692,279	425,077	517,221	90,469	1,032,767	1,456,528	(423,761)	1,360,934	0	18,217,419	177,257	247,820	517,221	765,041	942,298
2020	18,217,419	24,035,658	75.8%	(5,818,239)	2,792,589	429,205	487,881	85,274	1,002,360	1,537,884	(535,524)	1,431,251	0	19,113,146	178,978	250,227	487,881	738,108	917,086
2021	19,113,146	24,512,466	78.0%	(5,399,320)	2,898,156	434,392	466,935	80,182	981,509	1,621,417	(639,908)	1,498,536	0	19,971,774	181,141	253,251	466,935	720,186	901,327
2022	19,971,774	24,925,074	80.1%	(4,953,300)	3,008,108	440,335	445,553	75,193	961,081	1,698,588	(737,507)	1,563,139	0	20,787,406	183,620	256,715	445,553	702,268	885,888
2023	20,797,406	25,278,587	82.3%	(4,481,181)	3,123,760	447,292	424,549	56,540	928,381	1,771,109	(842,728)	1,624,820	0	21,579,498	186,521	260,771	424,549	685,320	871,841
2024	21,579,498	25,570,418	84.4%	(3,990,920)	3,248,785	455,655	404,298	51,656	911,609	1,835,920	(924,311)	1,683,971	0	22,339,158	190,008	265,647	404,298	669,945	859,953
2025	22,339,158	25,795,109	86.6%	(3,455,951)	3,379,794	465,089	383,915	46,641	895,645	1,924,239	(1,028,594)	1,740,357	0	23,050,921	193,942	271,147	383,915	655,062	849,004
2026	23,050,921	25,934,450	88.9%	(2,883,529)	3,517,793	475,818	363,879	42,214	881,911	1,991,781	(1,109,870)	1,793,885	0	23,734,936	198,416	277,402	363,879	641,281	839,697
2027	23,734,936	26,004,698	91.3%	(2,269,672)	3,662,757	487,669	342,312	38,093	868,074	2,062,704	(1,194,630)	1,845,044	0	24,385,350	203,358	284,311	342,312	626,623	829,981
2028	24,385,350	25,997,577	93.8%	(1,612,227)	3,815,471	500,820	320,269	33,958	855,047	2,123,648	(1,268,601)	1,893,972	0	25,010,721	208,842	291,978	320,269	612,247	821,089
2029	25,010,721	25,917,989	96.5%	(907,268)	3,975,899	515,334	296,545	30,217	842,096	2,177,117	(1,335,021)	1,941,217	0	25,616,917	214,894	300,440	296,545	596,965	811,879
2030	25,616,917	25,769,017	99.4%	(152,100)	4,143,703	181,909	0	26,520	208,429	2,226,897	(2,018,468)	1,962,735	0	25,581,184	75,856	106,053	0	106,053	181,909
2031	25,581,184	25,549,181	100.0%	12,003	4,320,656	7,777	0	23,332	31,109	2,303,286	(2,272,177)	1,948,068	0	25,237,075	3,243	4,534	0	4,534	7,777
2032	25,237,075	25,227,017	100.0%	10,058	4,506,592	5,408	0	20,730	26,138	2,351,333	(2,325,195)	1,919,899	0	24,831,779	2,255	3,153	0	3,153	5,408
2033	24,831,779	24,821,687	100.0%	10,092	4,702,683	4,232	0	17,870	22,102	2,374,058	(2,351,956)	1,896,350	0	24,366,173	1,765	2,467	0	2,467	4,232
2034	24,366,173	24,357,984	100.0%	8,189	4,915,446	3,441	0	15,238	18,679	2,405,178	(2,386,499)	1,847,642	0	23,827,316	1,435	2,006	0	2,006	3,441
2035	23,827,316	23,817,428	100.0%	9,888	5,135,408	2,054	0	13,352	15,406	2,427,129	(2,411,723)	1,803,471	0	23,219,064	857	1,197	0	1,197	2,054
2036	23,219,064	23,210,536	100.0%	8,528	5,363,274	1,073	0	11,263	12,336	2,461,663	(2,449,327)	1,753,220	0	22,522,957	447	626	0	626	1,073
2037	22,522,957	22,515,424	100.0%	7,533	5,600,200	560	0	9,520	10,080	2,462,456	(2,452,376)	1,697,409	0	21,767,990	234	326	0	326	560
2038	21,767,990	21,761,882	100.0%	6,108	5,846,914	0	0	7,601	7,601	2,440,642	(2,433,041)	1,637,843	0	20,972,792	0	0	0	0	0
2039	20,972,792	20,968,326	100.0%	4,466	6,103,819	0	0	6,104	6,104	2,415,802	(2,409,698)	1,575,226	0	20,138,320	0	0	0	0	0
2040	20,138,320	20,135,179	100.0%	3,141	6,368,696	0	0	5,095	5,095	2,423,877	(2,418,782)	1,508,085	0	19,227,623	0	0	0	0	0
2041	19,227,623	19,225,406	100.0%	2,217	6,645,068	0	0	3,987	3,987	2,364,529	(2,360,542)	1,437,712	0	18,304,793	0	0	0	0	0
2042	18,304,793	18,303,380	100.0%	1,413	6,931,674	0	0	2,773	2,773	2,308,626	(2,305,853)	1,366,218	0	17,365,158	0	0	0	0	0
2043	17,365,158	17,364,761	100.0%	397	7,230,997	0	0	2,169	2,169	2,249,003	(2,246,834)	1,293,940	0	16,412,264	0	0	0	0	0
Totals 2015 & After	\$ 6,963,270	\$ 6,619,516						\$ 1,215,547	\$ 14,798,333					\$ 2,903,684	\$ 4,059,586	\$ 6,619,516	\$ 10,679,102	\$ 13,582,786	
															21.38%			78.62%	100.00%

Exhibit 4

**State of Alaska PERS
Financial Projections (in Thousands)
Governor's Proposal - Level Dollar Amortization over 30 years and 12.5% Investment Return in FY13, 8% in FY14 and later years
Additional State Contribution in FY15 Allocated based on Unfunded Liability**

Fiscal Year End	Investment Return: 8.00% Valuation Amounts on July 1 (Beginning of Fiscal Year)					Flow Amounts During Following 12 Months							Recognized Asset Gain(Loss)	Ending Actuarial Assets	41.70% Municipal Er Cont's	58.30% State Er Cont's	State Assist Cont's	State Cont's	Total Er/State Cont's
	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Total Salaries	Employer Contribs	State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings							
2013	\$11,832,030	\$19,292,361	61.3%	(\$7,460,331)	\$2,245,686	\$426,731	\$310,528	\$118,879	\$856,138	\$973,954	(\$117,816)	\$1,399,035	(\$924,132)	\$12,189,117	\$177,947	\$248,784	\$310,528	\$559,312	\$737,259
2014	12,189,117	20,109,112	60.6%	(7,919,995)	2,295,881	422,343	312,473	120,633	855,449	1,056,528	(201,079)	994,291	195,922	13,178,251	176,117	246,226	312,473	558,699	734,816
2015	13,178,251	20,885,260	63.1%	(7,707,009)	2,357,693	419,865	1,881,370	114,150	2,415,385	1,140,515	1,274,870	1,115,370	162,400	15,730,891	175,084	244,781	1,881,370	2,126,151	2,301,235
2016	15,730,891	21,814,302	72.8%	(5,883,411)	2,428,744	418,974	157,000	107,781	683,755	1,225,841	(542,086)	1,235,024	(76,850)	16,346,979	174,712	244,262	157,000	401,262	575,974
2017	16,346,979	22,291,137	73.3%	(5,944,158)	2,508,301	419,623	157,000	101,655	678,278	1,305,131	(626,853)	1,286,869	100,740	17,107,735	174,983	244,640	157,000	401,640	576,623
2018	17,107,735	22,919,638	74.6%	(5,811,903)	2,595,896	421,668	157,000	95,970	674,638	1,380,741	(706,103)	1,336,309	0	17,737,941	175,836	245,832	157,000	402,832	578,668
2019	17,737,941	23,501,895	75.5%	(5,763,954)	2,692,279	425,077	157,000	90,469	672,546	1,456,528	(783,982)	1,383,418	0	18,337,377	177,257	247,820	157,000	404,820	582,077
2020	18,337,377	24,035,658	76.3%	(5,698,281)	2,792,589	429,205	157,000	85,274	671,479	1,537,884	(866,405)	1,427,867	0	18,898,839	178,978	250,227	157,000	407,227	586,205
2021	18,898,839	24,512,466	77.1%	(5,613,627)	2,898,156	434,392	157,000	80,182	671,574	1,621,417	(949,843)	1,469,232	0	19,418,228	181,141	253,251	157,000	410,251	591,392
2022	19,418,228	24,925,074	77.9%	(5,506,846)	3,008,108	440,335	157,000	75,193	672,528	1,698,588	(1,026,060)	1,507,536	0	19,899,704	183,620	256,715	157,000	413,715	597,335
2023	19,899,704	25,278,587	78.7%	(5,378,883)	3,123,760	447,292	157,000	56,540	660,832	1,771,109	(1,110,277)	1,542,508	0	20,331,935	186,521	260,771	157,000	417,771	604,292
2024	20,331,935	25,570,418	79.5%	(5,238,483)	3,248,785	455,655	157,000	51,656	664,311	1,835,920	(1,171,609)	1,574,464	0	20,734,790	190,008	265,647	157,000	422,647	612,655
2025	20,734,790	25,795,109	80.4%	(5,060,319)	3,379,794	465,089	157,000	46,641	668,730	1,924,239	(1,255,509)	1,603,106	0	21,082,387	193,942	271,147	157,000	428,147	622,089
2026	21,082,387	25,934,450	81.3%	(4,852,063)	3,517,793	475,818	157,000	42,214	675,032	1,991,781	(1,316,749)	1,628,286	0	21,393,924	198,416	277,402	157,000	434,402	632,818
2027	21,393,924	26,004,608	82.3%	(4,610,684)	3,662,757	487,669	157,000	38,093	682,762	2,062,704	(1,379,942)	1,650,493	0	21,664,475	203,358	284,311	157,000	441,311	644,669
2028	21,664,475	25,997,577	83.3%	(4,333,102)	3,815,471	500,820	157,000	33,958	691,778	2,123,648	(1,431,870)	1,669,897	0	21,902,502	208,842	291,978	157,000	448,978	657,820
2029	21,902,502	25,917,989	84.5%	(4,015,487)	3,975,899	515,334	157,000	30,217	702,551	2,177,117	(1,474,566)	1,687,085	0	22,115,021	214,894	300,440	157,000	457,440	672,334
2030	22,115,021	25,769,017	85.8%	(3,653,996)	4,143,703	531,126	157,000	26,520	714,646	2,226,897	(1,512,251)	1,702,442	0	22,305,212	221,480	309,646	157,000	466,646	688,126
2031	22,305,212	25,549,181	87.3%	(3,243,969)	4,320,656	548,390	157,000	23,332	728,722	2,303,286	(1,574,564)	1,714,958	0	22,445,606	228,679	319,711	157,000	476,711	705,390
2032	22,445,606	25,227,017	89.0%	(2,781,411)	4,506,592	567,044	157,000	20,730	744,774	2,351,333	(1,606,559)	1,724,774	0	22,563,821	236,457	330,587	157,000	487,587	724,044
2033	22,563,821	24,821,687	90.9%	(2,257,866)	4,702,683	587,220	157,000	17,870	762,090	2,374,058	(1,611,968)	1,733,943	0	22,685,796	244,871	342,349	157,000	499,349	744,220
2034	22,685,796	24,357,964	93.1%	(1,672,188)	4,915,446	609,685	157,000	15,238	781,923	2,405,178	(1,623,255)	1,743,154	0	22,805,695	254,239	355,446	157,000	512,446	766,685
2035	22,805,695	23,817,428	95.8%	(1,011,733)	5,135,408	483,755	157,000	13,352	854,107	2,427,129	(1,773,022)	1,746,798	0	22,779,471	201,726	282,029	157,000	439,029	640,755
2036	22,779,471	23,210,536	98.1%	(431,065)	5,363,274	436,034	13,000	11,263	460,297	2,461,663	(2,001,366)	1,735,626	0	22,513,731	181,826	254,208	13,000	267,208	449,034
2037	22,513,731	22,515,424	100.0%	(1,693)	5,600,200	11,200	0	9,520	20,720	2,462,456	(2,441,736)	1,697,089	0	21,769,084	4,670	6,530	0	6,530	11,200
2038	21,769,084	21,761,882	100.0%	7,202	5,846,914	0	0	7,601	7,601	2,440,642	(2,433,041)	1,637,931	0	20,973,974	0	0	0	0	0
2039	20,973,974	20,968,326	100.0%	5,648	6,103,819	0	0	6,104	6,104	2,415,802	(2,409,698)	1,575,321	0	20,139,597	0	0	0	0	0
2040	20,139,597	20,135,179	100.0%	4,418	6,368,696	0	0	5,095	5,095	2,423,877	(2,418,782)	1,508,187	0	19,229,002	0	0	0	0	0
2041	19,229,002	19,225,406	100.0%	3,596	6,645,068	0	0	3,987	3,987	2,364,529	(2,360,542)	1,437,822	0	18,306,282	0	0	0	0	0
2042	18,306,282	18,303,380	100.0%	2,902	6,931,674	0	0	2,773	2,773	2,308,626	(2,305,853)	1,366,337	0	17,366,766	0	0	0	0	0
2043	17,366,766	17,364,761	100.0%	2,005	7,230,997	0	0	2,169	2,169	2,249,003	(2,246,834)	1,293,690	0	16,413,622	0	0	0	0	0
Totals 2015 & After					\$ 10,531,270	\$ 5,034,370	\$ 1,215,547	\$ 16,781,187							\$ 4,391,540	\$ 6,139,730	\$ 5,034,370	\$ 11,174,100	\$ 15,565,640
															28.21%			71.79%	100.00%

Exhibit 5

State of Alaska TRS
Financial Projections (in Thousands)

Baseline - Level Dollar Amortization over 25 years and 12.5% Investment Return in FY13, 8% in FY14 and later years

Fiscal Year End	Investment Return: 8.00% Valuation Amounts on July 1 (Beginning of Fiscal Year)					Flow Amounts During Following 12 Months									Recognized Asset Gain/(Loss)	Ending Actuarial Assets
	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Total Salaries	Employer/State Ctb Rate	Employer Contribs	State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings			
2013	\$4,869,154	\$9,346,444	52.1%	(\$4,477,290)	\$743,957	49.56%	\$70,604	\$298,101	\$53,263	\$421,968	\$525,672	(\$103,704)	\$570,927	(\$393,887)	\$4,942,490	
2014	4,942,490	9,651,582	51.2%	(4,709,092)	762,692	50.10%	67,056	316,847	54,446	438,349	556,844	(118,495)	402,046	90,090	5,316,131	
2015	5,316,131	9,944,626	53.5%	(4,628,495)	783,438	66.31%	63,594	455,904	52,102	571,600	586,966	(15,366)	428,675	72,872	5,802,312	
2016	5,802,312	10,223,597	56.8%	(4,421,285)	805,914	67.76%	60,182	485,905	49,736	595,823	618,454	(22,631)	461,350	(29,854)	6,211,177	
2017	6,211,177	10,485,997	59.2%	(4,274,820)	830,268	66.16%	56,857	492,448	47,420	596,725	648,576	(51,851)	495,200	43,566	6,698,092	
2018	6,698,092	10,731,508	62.4%	(4,033,416)	855,825	63.28%	53,492	488,074	45,199	586,765	675,904	(89,139)	529,114	0	7,138,067	
2019	7,138,067	10,963,107	65.1%	(3,825,040)	882,669	61.18%	50,127	489,890	42,905	582,922	705,092	(122,170)	562,919	0	7,578,816	
2020	7,578,816	11,177,357	67.8%	(3,598,541)	911,010	58.30%	46,741	484,378	40,631	571,750	739,563	(167,813)	596,273	0	8,007,276	
2021	8,007,276	11,367,833	70.4%	(3,360,557)	940,957	56.00%	43,341	483,595	38,284	565,220	771,294	(206,074)	628,943	0	8,430,145	
2022	8,430,145	11,533,410	73.1%	(3,103,265)	973,382	53.73%	40,113	482,885	35,978	558,976	799,992	(241,016)	661,306	0	8,850,435	
2023	8,850,435	11,678,589	75.8%	(2,828,154)	1,008,495	51.55%	37,146	482,733	26,120	545,999	825,117	(279,118)	693,351	0	9,264,668	
2024	9,264,668	11,804,774	78.5%	(2,540,106)	1,045,905	49.38%	34,243	482,225	23,847	540,315	847,540	(307,225)	725,312	0	9,682,755	
2025	9,682,755	11,906,243	81.3%	(2,223,488)	1,085,268	47.26%	31,420	481,478	21,488	534,386	877,945	(343,559)	757,232	0	10,096,428	
2026	10,096,428	11,978,919	84.3%	(1,882,491)	1,126,840	45.26%	28,735	481,273	19,269	529,277	915,165	(385,888)	788,541	0	10,499,081	
2027	10,499,081	12,014,999	87.4%	(1,515,918)	1,170,697	43.27%	26,156	480,405	17,092	523,653	942,377	(418,724)	819,374	0	10,899,731	
2028	10,899,731	12,019,893	90.7%	(1,120,162)	1,217,232	41.35%	23,808	479,517	14,972	518,297	965,075	(446,778)	850,250	0	11,303,203	
2029	11,303,203	11,999,271	94.2%	(696,068)	1,266,672	39.47%	21,748	478,207	13,047	513,002	988,765	(475,763)	881,311	0	11,708,751	
2030	11,708,751	11,947,250	98.0%	(238,499)	1,318,359	20.47%	19,918	249,950	11,338	281,206	1,015,287	(734,061)	903,533	0	11,878,223	
2031	11,878,223	11,862,365	100.1%	15,858	1,373,136	0.24%	3,296	0	9,749	13,045	1,052,765	(1,039,720)	904,975	0	11,743,478	
2032	11,743,478	11,727,157	100.1%	16,321	1,430,917	0.17%	2,433	0	8,442	10,875	1,071,218	(1,060,343)	893,325	0	11,576,460	
2033	11,576,460	11,561,467	100.1%	14,993	1,491,916	0.13%	1,939	0	7,161	9,100	1,076,092	(1,066,992)	879,686	0	11,389,154	
2034	11,389,154	11,375,441	100.1%	13,713	1,556,143	0.10%	1,556	0	6,069	7,625	1,087,071	(1,079,446)	864,176	0	11,173,884	
2035	11,173,884	11,161,401	100.1%	12,483	1,622,872	0.07%	1,136	0	5,031	6,167	1,110,566	(1,104,399)	845,897	0	10,915,382	
2036	10,915,382	10,904,315	100.1%	11,067	1,692,489	0.05%	846	0	4,231	5,077	1,108,805	(1,103,728)	825,250	0	10,636,904	
2037	10,636,904	10,627,228	100.1%	9,676	1,764,921	0.03%	529	0	3,530	4,059	1,104,345	(1,100,286)	803,121	0	10,339,739	
2038	10,339,739	10,331,515	100.1%	8,224	1,840,538	0.02%	368	0	2,945	3,313	1,098,370	(1,095,057)	779,573	0	10,024,255	
2039	10,024,255	10,017,472	100.1%	6,783	1,919,401	0.02%	384	0	2,303	2,687	1,092,046	(1,089,359)	754,579	0	9,689,475	
2040	9,689,475	9,684,161	100.1%	5,314	2,000,850	0.02%	400	0	1,801	2,201	1,079,552	(1,077,351)	728,309	0	9,340,433	
2041	9,340,433	9,336,574	100.0%	3,859	2,085,904	0.01%	209	0	1,460	1,669	1,066,437	(1,064,768)	700,923	0	8,976,588	
2042	8,976,588	8,974,342	100.0%	2,246	2,174,467	0.01%	217	0	1,087	1,304	1,048,163	(1,046,859)	672,579	0	8,602,308	
2043	8,602,308	8,601,721	100.0%	587	2,266,698	0.00%	0	0	907	907	1,020,993	(1,020,086)	644,587	0	8,226,809	
					Totals 2015 & After					\$ 650,934	\$ 7,478,867	\$ 554,144	\$ 8,683,945			

Exhibit 6

State of Alaska TRS
Financial Projections (in Thousands)

Governor's Proposal - Level Dollar Amortization over 30 years and 12.5% Investment Return in FY13, 8% in FY14 and later years
Additional State Contribution in FY15 Allocated based on Unfunded Liability

Fiscal Year End	Investment Return: 8.00%				Flow Amounts During Following 12 Months								Recognized Asset Gain/(Loss)	Ending Actuarial Assets	
	Valuation Amounts on July 1 (Beginning of Fiscal Year)				Total Salaries	Employer/State Ctb Rate	Employer Contribs	State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs			Investment Earnings
2013	\$4,869,154	\$9,346,444	52.1%	(\$4,477,290)	\$743,957	49.56%	\$70,604	\$298,101	\$53,263	\$421,968	\$525,672	(\$103,704)	\$570,927	(\$393,887)	\$4,942,490
2014	4,942,490	9,651,582	51.2%	(4,709,092)	762,692	50.34%	67,056	316,847	54,446	438,349	556,844	(118,495)	402,046	90,090	5,316,131
2015	5,316,131	9,944,626	53.5%	(4,628,495)	783,438	150.90%	63,594	1,118,630	52,102	1,234,326	586,966	647,360	454,674	72,872	6,491,037
2016	6,491,037	10,223,597	63.5%	(3,732,560)	805,914	50.03%	60,182	343,000	49,736	452,918	618,454	(165,536)	510,841	(29,854)	6,806,488
2017	6,806,488	10,485,997	64.9%	(3,679,509)	830,268	48.16%	56,857	343,000	47,420	447,277	648,576	(201,299)	536,962	43,566	7,185,717
2018	7,185,717	10,731,508	67.0%	(3,545,791)	855,825	46.33%	53,492	343,000	45,199	441,691	675,904	(234,213)	562,433	0	7,513,937
2019	7,513,937	10,963,107	68.5%	(3,449,170)	882,669	44.54%	50,127	343,000	42,905	436,032	705,092	(269,060)	587,226	0	7,832,103
2020	7,832,103	11,177,357	70.1%	(3,345,254)	911,010	42.78%	46,741	343,000	40,631	430,372	739,563	(309,191)	610,990	0	8,133,902
2021	8,133,902	11,367,833	71.6%	(3,233,931)	940,957	41.06%	43,341	343,000	38,284	424,625	771,294	(346,669)	633,557	0	8,420,790
2022	8,420,790	11,533,410	73.0%	(3,112,620)	973,382	39.36%	40,113	343,000	35,978	419,091	799,992	(380,901)	655,070	0	8,694,959
2023	8,694,959	11,678,589	74.5%	(2,983,630)	1,008,495	37.69%	37,146	343,000	26,120	406,266	825,117	(418,851)	675,431	0	8,951,539
2024	8,951,539	11,804,774	75.8%	(2,853,235)	1,045,905	36.07%	34,243	343,000	23,847	401,090	847,540	(446,450)	694,799	0	9,199,888
2025	9,199,888	11,906,243	77.3%	(2,706,355)	1,085,268	34.50%	31,420	343,000	21,488	395,908	877,945	(482,037)	713,170	0	9,431,021
2026	9,431,021	11,978,919	78.7%	(2,547,898)	1,126,840	32.99%	28,735	343,000	19,269	391,004	915,165	(524,161)	729,884	0	9,636,744
2027	9,636,744	12,014,999	80.2%	(2,378,255)	1,170,697	31.53%	26,156	343,000	17,092	386,248	942,377	(556,129)	744,997	0	9,825,612
2028	9,825,612	12,019,893	81.7%	(2,194,281)	1,217,232	30.13%	23,808	343,000	14,972	381,780	965,075	(583,295)	758,964	0	10,001,281
2029	10,001,281	11,999,271	83.3%	(1,997,990)	1,266,672	28.80%	21,748	343,000	13,047	377,795	988,765	(610,970)	771,853	0	10,162,164
2030	10,162,164	11,947,250	85.1%	(1,785,086)	1,318,359	27.53%	19,918	343,000	11,338	374,256	1,015,267	(641,011)	783,457	0	10,304,610
2031	10,304,610	11,862,365	86.9%	(1,557,755)	1,373,136	26.32%	18,342	343,000	9,749	371,091	1,052,765	(681,674)	793,132	0	10,416,068
2032	10,416,068	11,727,157	88.8%	(1,311,089)	1,430,917	25.16%	16,962	343,000	8,442	368,404	1,071,218	(702,814)	801,158	0	10,514,412
2033	10,514,412	11,561,467	90.9%	(1,047,055)	1,491,916	24.05%	15,796	343,000	7,161	365,957	1,076,092	(710,135)	808,722	0	10,612,999
2034	10,612,999	11,375,441	93.3%	(762,442)	1,556,143	23.00%	14,836	343,000	6,069	363,905	1,087,071	(723,166)	816,061	0	10,705,894
2035	10,705,894	11,161,401	95.9%	(455,507)	1,622,872	22.00%	14,047	343,000	5,031	362,078	1,110,566	(748,488)	822,421	0	10,779,827
2036	10,779,827	10,904,315	98.9%	(124,488)	1,692,489	7.77%	13,438	118,000	4,231	135,669	1,108,805	(973,136)	819,528	0	10,626,219
2037	10,626,219	10,627,228	100.0%	(1,009)	1,764,921	0.74%	12,979	0	3,530	16,509	1,104,345	(1,087,836)	802,755	0	10,341,138
2038	10,341,138	10,331,515	100.1%	9,623	1,840,538	0.02%	368	0	2,945	3,313	1,098,370	(1,095,057)	779,685	0	10,025,766
2039	10,025,766	10,017,472	100.1%	8,294	1,919,401	0.02%	384	0	2,303	2,687	1,092,046	(1,089,359)	754,700	0	9,691,107
2040	9,691,107	9,684,161	100.1%	6,946	2,000,850	0.02%	400	0	1,801	2,201	1,079,552	(1,077,351)	728,440	0	9,342,196
2041	9,342,196	9,336,574	100.1%	5,622	2,085,904	0.01%	209	0	1,460	1,669	1,066,437	(1,064,768)	701,064	0	8,978,492
2042	8,978,492	8,974,342	100.0%	4,150	2,174,467	0.01%	217	0	1,087	1,304	1,048,163	(1,046,859)	672,732	0	8,604,365
2043	8,604,365	8,601,721	100.0%	2,644	2,266,698	0.00%	0	0	907	907	1,020,993	(1,020,086)	643,943	0	8,228,222
				Totals 2015 & After				\$ 745,599	\$ 8,096,630	\$ 554,144	\$ 9,396,373				



A Xerox Company

April 18, 2014

VIA EMAIL

Mr. Mike Barnhill
Deputy Commissioner
Department of Administration
State of Alaska
333 Willoughby Avenue
6th Floor State Office Building
Juneau, AK 99811-0208

Re: Fiscal Note for CS HB 385 (Fin) Version - \$1 Billion / \$2 Billion Level % of Pay Amortization over 25 Years Proposal for Funding PERS and TRS

Dear Mike:

As requested, we are providing the following information for a Fiscal Note on CS HB 385 (Fin), a Proposal that transfers an amount of \$3 billion from the budget reserve fund into the State of Alaska with \$1 billion allocated to the Public Employees' Retirement System (PERS) and \$2 billion to the Teachers' Retirement System (TRS) in fiscal year 2015. This proposal would also set the additional State contributions in fiscal years 2016 and thereafter based on a level percent of pay amortization of the unfunded liability over a 25 year period that is re-established in the 2015 fiscal year. The proposed changes would become effective as of July 1, 2014. Our results are based on the 2012 actuarial valuation results as the 2013 actuarial valuation results are not yet final. A projected analysis of the Proposal for PERS and TRS is shown in the exhibits following this letter.

Actuarial Projection Analysis of Proposal

The proposal changes the future pace and funding pattern of state and employer contributions to PERS and TRS. It does not change the benefit provisions, expected future benefit payments, or the actuarial liabilities of PERS and TRS. In order to measure the fiscal impact of the proposal, Buck performed 30-year actuarial projections of the expected funding patterns for both the current funding policy adopted by the Alaska Retirement Management Board (ARMB), referred to as the Baseline, and the Proposal.

First, the proposal provides increased immediate funding by transferring \$3 billion from the budget reserve fund to PERS and TRS in fiscal year 2015. This transfer immediately improves the funding levels of PERS and TRS and lowers future funding needs. Levels of funding at any point in time are measured by the funding ratio which equals the ratio of the systems assets divided by the accrued

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liability. For both PERS and TRS, the funding ratio is expected to increase almost 3% for PERS and 17% for TRS at the time of the transfer.

Second, future annual additional state assistance contributions are determined under the level percent amortization methodology over 25 years and are paid until the funding ratio reaches 100%. Based on our projections, we estimate this will occur in fiscal year 2040 for both PERS and TRS. This represents an extension of the funding period of nine years from the current policy which is expected to reach 100% funding by fiscal year 2031.

The overall impact to state funding of PERS and TRS is shown on Exhibit 1 and 2 attached. The fiscal impact of the \$3 billion transfer lowers overall state assistance funding, and the extension of the funding period by nine years increases overall employer funding. The net result is an increase in total state funding (state's contribution as an employer plus additional state assistance) from fiscal years 2015 to 2039 for PERS of \$2,134 million and an increase in total state funding for TRS of \$595 million, or a total increase of \$2,730 million. The funding of other non-state employers of PERS also increases from \$2,904 million to \$5,433 million, or a net increase of \$2,529 million. Greater detail of our projection results for both PERS and TRS is shown in Exhibits 3 through 6.

Funding Policy

It should be noted that these projections are *not* predictions, but rather expectations assuming all of the actuarial assumptions are exactly realized, including an 8.00% investment rate of return in each year from 2014 to 2043. To the extent actual future experience is different from what we have assumed, the actual results will increase or decrease the funding levels shown in our projections. We recommend policy makers take this into consideration when setting long-term funding policy.

Summary for Analysis of Proposal

The data, assumptions, plan provisions and methods used for the estimated costs are described in the actuarial valuation reports as of June 30, 2012 except that future contributions from the State have been based on the Proposal. We have also used the 12.50% investment rate of return in fiscal year 2013 and an 8.00% investment rate of return in all future years beyond fiscal year 2013 to project fund balances. The bill will become effective July 1, 2014.

Please let me know if you need any further information.

Sincerely,



David H. Sliskinsky, ASA, EA, MAAA, FCA
Principal, Consulting Actuary

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c: Ms. Kathy Lea, State of Alaska
Mr. Brandon Maitlen, State of Alaska
Mr. Kevin Worley, State of Alaska
Mr. Chris Hulla, Buck Consultants
Ms. Kyla Kaltenbach, Buck Consultants

Exhibit 1

State of Alaska PERS and TRS
Financial Projections (in Thousands)
Summary of State Assistance

Fiscal Year End	Baseline - Current ARM Board Funding Policy			\$3B State Contribution in FY15; Level Percent of Pay Amortization; Re-initialize amortization and asset balances in FY15			Cost / (Savings) to Additional State Assistance		
	PERS	TRS	Total	PERS	TRS	Total	PERS	TRS	Total
2013	\$310,528	\$298,101	\$608,629	\$310,528	\$298,101	\$608,629	\$0	\$0	\$0
2014	312,473	316,847	629,320	312,473	316,847	629,320	0	0	0
2015	519,676	455,904	975,580	1,000,000	2,000,000	3,000,000	480,324	1,544,096	2,024,420
2016	563,210	485,905	1,049,115	188,455	156,287	344,742	(374,755)	(329,618)	(704,373)
2017	555,103	492,448	1,047,551	186,132	162,666	348,798	(368,971)	(329,782)	(698,753)
2018	528,170	488,074	1,016,244	182,657	169,536	352,193	(345,513)	(318,538)	(664,051)
2019	517,221	489,890	1,007,111	179,070	176,807	355,877	(338,151)	(313,083)	(651,234)
2020	487,881	484,378	972,259	177,066	184,564	361,630	(310,815)	(299,814)	(610,629)
2021	466,935	483,595	950,530	175,380	192,463	367,843	(291,555)	(291,132)	(582,687)
2022	445,553	482,885	928,438	174,823	200,507	375,330	(270,730)	(282,378)	(553,108)
2023	424,549	482,733	907,282	174,336	209,028	383,364	(250,213)	(273,705)	(523,918)
2024	404,298	482,225	886,523	174,934	218,552	393,486	(229,364)	(263,673)	(493,037)
2025	383,915	481,478	865,393	175,382	227,633	403,015	(208,533)	(253,845)	(462,378)
2026	363,879	481,273	845,152	176,029	236,974	413,003	(187,850)	(244,299)	(432,149)
2027	342,312	480,405	822,717	176,023	246,265	422,288	(166,289)	(234,140)	(400,429)
2028	320,269	479,517	799,786	176,808	256,034	432,842	(143,461)	(223,483)	(366,944)
2029	296,545	478,207	774,752	177,268	265,913	443,181	(119,277)	(212,294)	(331,571)
2030	0	249,950	249,950	177,862	275,790	453,652	177,862	25,840	203,702
2031	0	0	0	178,344	285,945	464,289	178,344	285,945	464,289
2032	0	0	0	178,346	295,550	473,896	178,346	295,550	473,896
2033	0	0	0	178,377	305,712	484,089	178,377	305,712	484,089
2034	0	0	0	176,786	315,844	492,630	176,786	315,844	492,630
2035	0	0	0	174,962	325,458	500,420	174,962	325,458	500,420
2036	0	0	0	173,065	334,707	507,772	173,065	334,707	507,772
2037	0	0	0	170,075	343,006	513,081	170,075	343,006	513,081
2038	0	0	0	164,880	349,374	514,254	164,880	349,374	514,254
2039	0	0	0	149,765	339,738	489,503	149,765	339,738	489,503
2040	0	0	0	0	0	0	0	0	0
2041	0	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	0	0	0	0
2043	0	0	0	0	0	0	0	0	0
Totals for 2016 & After	\$6,619,516	\$7,478,867	\$14,098,383	\$5,216,825	\$8,074,353	\$13,291,178	(\$1,402,691)	\$595,486	(\$807,205)

Exhibit 2

State of Alaska PERS and TRS
 Financial Projections (in Thousands)

Summary of Total State Contributions - State's Share of Employer Contributions Plus Additional State Assistance

Fiscal Year End	Baseline - Current ARM Board Funding Policy			\$3B State Contribution in FY15; Level Percent of Pay Amortization; Re-initialize amortization and asset balances in FY15			Total State Contribution Cost / (Savings)		
	PERS	TRS	Total	PERS	TRS	Total	PERS	TRS	Total
2013	\$559,312	\$298,101	\$857,413	\$559,312	\$298,101	\$857,413	\$0	\$0	\$0
2014	558,699	316,847	875,546	558,699	316,847	875,546	0	0	0
2015	764,457	455,904	1,220,361	1,244,781	2,000,000	3,244,781	480,324	1,544,096	2,024,420
2016	807,472	485,905	1,293,377	432,717	156,287	589,004	(374,755)	(329,618)	(704,373)
2017	799,743	492,448	1,292,191	430,772	162,666	593,438	(368,971)	(329,782)	(698,753)
2018	774,002	488,074	1,262,076	428,489	169,536	598,025	(345,513)	(318,538)	(664,051)
2019	765,041	489,890	1,254,931	426,890	176,807	603,697	(338,151)	(313,083)	(651,234)
2020	738,108	484,378	1,222,486	427,293	184,564	611,857	(310,815)	(299,814)	(610,629)
2021	720,186	483,595	1,203,781	428,631	192,463	621,094	(291,555)	(291,132)	(582,687)
2022	702,268	482,885	1,185,153	431,538	200,507	632,045	(270,730)	(282,378)	(553,108)
2023	685,320	482,733	1,168,053	435,107	209,028	644,135	(250,213)	(273,705)	(523,918)
2024	669,945	482,225	1,152,170	440,581	218,552	659,133	(229,364)	(263,673)	(493,037)
2025	655,062	481,478	1,136,540	446,529	227,633	674,162	(208,533)	(253,845)	(462,378)
2026	641,281	481,273	1,122,554	453,431	236,974	690,405	(187,850)	(244,299)	(432,149)
2027	626,623	480,405	1,107,028	460,334	246,265	706,599	(166,289)	(234,140)	(400,429)
2028	612,247	479,517	1,091,764	468,786	256,034	724,820	(143,461)	(223,483)	(366,944)
2029	596,985	478,207	1,075,192	477,708	265,913	743,621	(119,277)	(212,294)	(331,571)
2030	106,053	249,950	356,003	487,508	275,790	763,298	381,455	25,840	407,295
2031	4,534	0	4,534	498,055	285,945	784,000	493,521	285,945	779,466
2032	3,153	0	3,153	508,933	295,550	804,483	505,780	295,550	801,330
2033	2,467	0	2,467	520,726	305,712	826,438	518,259	305,712	823,971
2034	2,006	0	2,006	532,232	315,844	848,076	530,226	315,844	846,070
2035	1,197	0	1,197	544,206	325,458	869,664	543,009	325,458	868,467
2036	626	0	626	556,820	334,707	891,527	556,194	334,707	890,901
2037	326	0	326	569,148	343,006	912,154	568,822	343,006	911,828
2038	0	0	0	580,068	349,374	929,442	580,068	349,374	929,442
2039	0	0	0	581,997	339,738	921,735	581,997	339,738	921,735
2040	0	0	0	0	0	0	0	0	0
2041	0	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	0	0	0	0
2043	0	0	0	0	0	0	0	0	0
Totals 2015 & After	\$10,679,102	\$7,478,867	\$18,157,969	\$12,813,280	\$8,074,353	\$20,887,633	\$2,134,178	\$595,486	\$2,729,664

Note: Assumes TRS does not contain any State Employers.

Exhibit 3

State of Alaska PERS
Financial Projections (in Thousands)
Baseline - Level Dollar Amortization over 25 years and 12.5% Investment Return in FY13, 8% in FY14 and later years

Fiscal Year End	Investment Return: 8.00%				Flow Amounts During Following 12 Months								Recognized Asset Gain(Loss)	Ending Actuarial Assets	41.70% Municipal Er Cont's	58.30% State Er Cont's	State Assist Cont's	State Cont's	Total Er/State Cont's
	Valuation Amounts on July 1 (Beginning of Fiscal Year)	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Total Salaries	Employer Contribs	State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs							
2013	\$11,832,030	\$19,292,361	61.3%	(\$7,460,331)	\$2,245,686	\$426,731	\$310,528	\$118,879	\$856,138	\$973,954	(\$117,816)	\$1,399,035	(\$924,132)	\$12,189,117	\$177,947	\$248,784	\$310,528	\$559,312	\$737,259
2014	12,189,117	20,109,112	60.6%	(7,919,995)	2,295,881	422,343	312,473	120,633	855,449	1,056,528	(201,079)	994,291	195,922	13,178,251	176,117	246,226	312,473	558,699	734,816
2015	13,178,251	20,885,260	63.1%	(7,707,009)	2,357,693	419,865	519,676	114,150	1,053,691	1,140,515	(86,824)	1,061,950	162,400	14,315,777	175,084	244,781	519,676	764,457	939,541
2016	14,315,777	21,614,302	66.2%	(7,298,525)	2,428,744	418,974	563,210	107,781	1,089,965	1,225,841	(135,876)	1,137,751	(76,850)	15,240,802	174,712	244,262	563,210	807,472	982,184
2017	15,240,802	22,291,137	68.4%	(7,050,335)	2,508,301	419,623	555,103	101,655	1,076,381	1,305,131	(228,750)	1,213,993	100,740	16,326,785	174,983	244,640	555,103	799,743	974,726
2018	16,326,785	22,919,638	71.2%	(6,592,853)	2,595,896	421,668	528,170	95,970	1,045,808	1,380,741	(334,933)	1,288,394	0	17,280,246	175,836	245,832	528,170	774,002	949,838
2019	17,280,246	23,501,895	73.5%	(6,221,649)	2,692,279	425,077	517,221	90,469	1,032,767	1,456,528	(423,761)	1,360,934	0	18,217,419	177,257	247,820	517,221	765,041	942,298
2020	18,217,419	24,035,658	75.8%	(5,818,239)	2,792,589	429,205	487,881	85,274	1,002,360	1,537,884	(535,524)	1,431,251	0	19,113,146	178,978	250,227	487,881	738,108	917,086
2021	19,113,146	24,512,466	78.0%	(5,399,320)	2,898,156	434,392	466,935	80,182	981,509	1,621,417	(639,908)	1,498,536	0	19,971,774	181,141	253,251	466,935	720,186	901,327
2022	19,971,774	24,925,074	80.1%	(4,953,300)	3,008,108	440,335	445,553	75,193	961,081	1,698,588	(737,507)	1,563,139	0	20,797,406	183,620	256,715	445,553	702,288	885,888
2023	20,797,406	25,278,587	82.3%	(4,481,181)	3,123,760	447,292	424,549	56,540	928,381	1,771,109	(842,728)	1,624,820	0	21,579,498	186,521	260,771	424,549	685,320	871,841
2024	21,579,498	25,570,418	84.4%	(3,990,920)	3,248,785	455,655	404,298	51,656	911,609	1,835,920	(924,311)	1,683,971	0	22,339,158	190,008	265,647	404,298	669,945	859,953
2025	22,339,158	25,795,109	86.6%	(3,455,951)	3,379,794	465,089	383,915	46,641	895,645	1,924,239	(1,028,594)	1,740,357	0	23,050,921	193,942	271,147	383,915	655,062	849,004
2026	23,050,921	25,934,450	88.9%	(2,883,529)	3,517,793	475,818	363,879	42,214	881,911	1,991,781	(1,109,870)	1,793,885	0	23,734,936	198,416	277,402	363,879	641,281	839,697
2027	23,734,936	26,004,608	91.3%	(2,269,672)	3,662,757	487,669	342,312	38,093	868,074	2,062,704	(1,194,630)	1,845,044	0	24,385,350	203,358	284,311	342,312	626,623	829,981
2028	24,385,350	25,997,577	93.8%	(1,612,227)	3,815,471	500,820	320,269	33,958	855,047	2,123,646	(1,268,601)	1,893,972	0	25,010,721	208,842	291,978	320,269	612,247	821,089
2029	25,010,721	25,917,989	96.5%	(907,268)	3,975,899	515,334	296,545	30,217	842,096	2,177,117	(1,335,021)	1,941,217	0	25,616,917	214,894	300,440	296,545	596,985	811,879
2030	25,616,917	25,769,017	99.4%	(152,100)	4,143,703	181,909	0	26,520	208,429	2,226,897	(2,018,468)	1,962,735	0	25,561,184	75,856	106,053	0	106,053	181,909
2031	25,561,184	25,549,181	100.0%	12,003	4,320,656	7,777	0	23,332	31,109	2,303,286	(2,272,177)	1,948,068	0	25,237,075	3,243	4,534	0	4,534	7,777
2032	25,237,075	25,227,017	100.0%	10,058	4,506,592	5,408	0	20,730	26,138	2,351,333	(2,325,195)	1,919,899	0	24,831,779	2,255	3,153	0	3,153	5,408
2033	24,831,779	24,821,687	100.0%	10,092	4,702,683	4,232	0	17,870	22,102	2,374,058	(2,351,956)	1,886,350	0	24,366,173	1,765	2,467	0	2,467	4,232
2034	24,366,173	24,357,984	100.0%	8,189	4,915,446	3,441	0	15,238	18,679	2,405,178	(2,386,499)	1,847,642	0	23,827,316	1,435	2,006	0	2,006	3,441
2035	23,827,316	23,817,428	100.0%	9,888	5,135,408	2,054	0	13,352	15,406	2,427,129	(2,411,723)	1,803,471	0	23,219,064	857	1,197	0	1,197	2,054
2036	23,219,064	23,210,536	100.0%	8,528	5,363,274	1,073	0	11,263	12,336	2,461,663	(2,449,327)	1,753,220	0	22,522,957	447	626	0	626	1,073
2037	22,522,957	22,515,424	100.0%	7,533	5,600,200	560	0	9,520	10,080	2,462,456	(2,452,376)	1,697,409	0	21,767,990	234	326	0	326	560
2038	21,767,990	21,761,882	100.0%	6,108	5,846,914	0	0	7,601	7,601	2,440,642	(2,433,041)	1,637,843	0	20,972,792	0	0	0	0	0
2039	20,972,792	20,968,326	100.0%	4,466	6,103,819	0	0	6,104	6,104	2,415,802	(2,409,698)	1,575,226	0	20,138,320	0	0	0	0	0
2040	20,138,320	20,135,179	100.0%	3,141	6,368,696	0	0	5,095	5,095	2,423,877	(2,418,782)	1,508,085	0	19,227,623	0	0	0	0	0
2041	19,227,623	19,225,406	100.0%	2,217	6,645,068	0	0	3,987	3,987	2,364,529	(2,360,542)	1,437,712	0	18,304,793	0	0	0	0	0
2042	18,304,793	18,303,380	100.0%	1,413	6,931,674	0	0	2,773	2,773	2,308,626	(2,305,853)	1,366,218	0	17,365,158	0	0	0	0	0
2043	17,365,158	17,364,761	100.0%	397	7,230,997	0	0	2,169	2,169	2,249,003	(2,246,834)	1,293,940	0	16,412,264	0	0	0	0	0
Totals 2015 & After	\$	\$			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
					6,963,270	6,619,516	1,215,547	14,798,333						21.38%			78.62%	100.00%	

Exhibit 4

State of Alaska PERS
 Financial Projections (in Thousands)

Level Percent of Pay Amortization over 25 years and 12.5% Investment Return in FY13, 8% in FY14 and later years
 \$1B State Contribution in FY15; Re-initialize amortization and asset balances in FY15; Calculated State Contributions in future years

Fiscal Year End	Investment Return: 8.00%				Flow Amounts During Following 12 Months								Recognized Asset Gain/(Loss)	Ending Actuarial Assets	41.70% Municipal Er Cont's	58.30% State Er Cont's	State Assist Cont's	State Cont's	Total Er/State Cont's
	Valuation Amounts on July 1 (Beginning of Fiscal Year)	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Total Salaries	Employer Cont'rs	State Cont'rs	Employee Cont'rs	Total Cont'rs	Benefit Payments	Net Cont'rs							
2013	\$11,832,030	\$19,292,361	61.3%	(\$7,460,331)	\$2,245,686	\$426,731	\$310,528	\$118,879	\$856,138	\$973,954	(\$117,816)	\$1,399,035	(\$924,132)	\$12,189,117	\$177,947	\$248,784	\$310,528	\$559,312	\$737,259
2014	12,189,117	20,109,112	60.6%	(7,919,995)	2,295,881	422,343	312,473	120,633	855,449	1,056,528	(201,079)	994,291	195,922	13,178,251	176,117	246,226	312,473	558,699	734,816
2015	13,364,540	20,885,260	63.1%	(7,707,009)	2,357,693	419,865	1,000,000	114,150	1,534,015	1,140,515	393,500	1,121,563	0	14,879,603	175,084	244,781	1,000,000	1,244,781	1,419,865
2016	14,879,603	21,614,302	68.8%	(6,734,699)	2,428,744	418,974	188,455	107,781	715,210	1,225,841	(510,631)	1,173,927	0	15,542,899	174,712	244,262	188,455	432,717	607,429
2017	15,542,899	22,291,137	69.7%	(6,748,238)	2,508,301	419,623	186,132	101,655	707,410	1,305,131	(597,721)	1,223,215	0	16,168,393	174,983	244,640	186,132	430,772	605,755
2018	16,168,393	22,919,638	70.5%	(6,751,245)	2,595,896	421,668	182,657	95,970	700,295	1,380,741	(680,446)	1,269,615	0	16,757,562	175,836	245,832	182,657	428,489	604,325
2019	16,757,562	23,501,895	71.3%	(6,744,333)	2,692,279	425,077	179,070	90,469	694,616	1,456,528	(761,912)	1,313,154	0	17,308,804	177,257	247,820	179,070	426,890	604,147
2020	17,308,804	24,035,658	72.0%	(6,726,854)	2,792,589	429,205	177,066	85,274	691,545	1,537,884	(846,339)	1,353,588	0	17,816,053	178,978	250,227	177,066	427,293	606,271
2021	17,816,053	24,512,466	72.7%	(6,696,413)	2,898,156	434,392	175,380	80,182	689,954	1,621,417	(931,463)	1,390,481	0	18,275,071	181,141	253,251	175,380	428,631	609,772
2022	18,275,071	24,925,074	73.3%	(6,650,003)	3,008,108	440,335	174,823	75,193	690,351	1,698,588	(1,008,237)	1,423,910	0	18,690,744	183,620	256,715	174,823	431,538	615,158
2023	18,690,744	25,278,587	73.9%	(6,587,843)	3,123,760	447,292	174,336	56,540	678,168	1,771,109	(1,092,941)	1,453,579	0	19,051,382	186,521	260,771	174,336	435,107	621,628
2024	19,051,382	25,570,418	74.5%	(6,519,036)	3,248,785	455,655	174,934	51,656	682,245	1,835,920	(1,153,675)	1,479,855	0	19,377,562	190,008	265,647	174,934	440,581	630,589
2025	19,377,562	25,795,109	75.1%	(6,417,547)	3,379,794	465,089	175,382	46,641	687,112	1,924,239	(1,237,127)	1,502,399	0	19,642,834	193,942	271,147	175,382	446,529	640,471
2026	19,642,834	25,934,450	75.7%	(6,291,616)	3,517,793	475,818	176,029	42,214	694,061	1,991,781	(1,297,720)	1,521,045	0	19,866,159	198,416	277,402	176,029	453,431	651,847
2027	19,866,159	26,004,608	76.4%	(6,138,449)	3,662,757	487,669	176,023	38,093	701,785	2,062,704	(1,360,919)	1,536,195	0	20,041,435	203,358	284,311	176,023	460,334	663,692
2028	20,041,435	25,997,577	77.1%	(5,956,142)	3,815,471	500,820	176,808	33,958	711,586	2,123,648	(1,412,062)	1,548,039	0	20,177,412	208,842	291,978	176,808	468,786	677,628
2029	20,177,412	25,917,989	77.9%	(5,740,577)	3,975,899	515,334	177,268	30,217	722,819	2,177,117	(1,454,298)	1,557,100	0	20,280,214	214,894	300,440	177,268	477,708	692,602
2030	20,280,214	25,769,017	78.7%	(5,488,803)	4,143,703	531,126	177,862	26,520	735,508	2,226,897	(1,491,389)	1,563,727	0	20,352,552	221,480	309,646	177,862	487,508	708,988
2031	20,352,552	25,549,181	79.7%	(5,196,629)	4,320,656	548,390	178,344	23,332	750,066	2,303,286	(1,553,220)	1,566,854	0	20,366,186	228,679	319,711	178,344	498,055	726,734
2032	20,366,186	25,227,017	80.7%	(4,860,831)	4,506,592	567,044	178,346	20,730	766,120	2,351,333	(1,585,213)	1,566,529	0	20,347,502	236,457	330,587	178,346	508,933	745,390
2033	20,347,502	24,821,687	82.0%	(4,474,185)	4,702,683	587,220	178,377	17,870	783,467	2,374,058	(1,590,591)	1,564,749	0	20,321,660	244,871	342,349	178,377	520,726	765,597
2034	20,321,660	24,357,984	83.4%	(4,036,324)	4,915,446	609,685	176,786	15,238	801,709	2,405,178	(1,603,469)	1,562,007	0	20,280,198	254,239	355,446	176,786	532,232	786,471
2035	20,280,198	23,817,428	85.1%	(3,537,230)	5,135,408	633,351	174,962	13,352	821,665	2,427,129	(1,605,464)	1,558,464	0	20,233,198	264,107	369,244	174,962	544,206	808,313
2036	20,233,198	23,210,536	87.2%	(2,977,338)	5,363,274	658,242	173,065	11,263	842,570	2,461,663	(1,619,093)	1,553,977	0	20,168,082	274,487	383,755	173,065	556,820	831,307
2037	20,168,082	22,515,424	89.6%	(2,347,342)	5,600,200	684,516	170,075	9,520	864,111	2,462,456	(1,598,345)	1,549,457	0	20,119,194	285,443	399,073	170,075	569,148	854,591
2038	20,119,194	21,761,882	92.5%	(1,642,688)	5,846,914	712,157	164,880	7,601	884,638	2,440,642	(1,556,004)	1,547,068	0	20,110,258	296,969	415,188	164,880	580,068	877,037
2039	20,110,258	20,968,326	95.9%	(858,068)	6,103,819	741,393	149,765	6,104	897,262	2,415,802	(1,518,540)	1,547,290	0	20,139,008	309,161	432,232	149,765	581,997	891,158
2040	20,139,008	20,135,179	100.0%	3,829	6,368,696	0	0	5,095	5,095	2,423,877	(2,418,782)	1,508,140	0	19,228,366	0	0	0	0	0
2041	19,228,366	19,225,406	100.0%	2,960	6,645,068	0	0	3,987	3,987	2,364,529	(2,360,542)	1,437,772	0	18,305,596	0	0	0	0	0
2042	18,305,596	18,303,380	100.0%	2,216	6,931,674	0	0	2,773	2,773	2,308,626	(2,305,853)	1,366,282	0	17,366,025	0	0	0	0	0
2043	17,366,025	17,364,761	100.0%	1,264	7,230,997	0	0	2,169	2,169	2,249,003	(2,246,834)	1,293,631	0	16,412,822	0	0	0	0	0
Totals 2015 & After					\$ 13,029,940	\$ 5,216,825	\$ 1,215,547	\$ 19,462,312						\$ 5,433,485	\$ 7,596,455	\$ 5,216,825	\$ 12,813,280	\$ 18,246,765	
														29.78%			70.22%	100.00%	

Exhibit 5

State of Alaska TRS
 Financial Projections (in Thousands)

Baseline - Level Dollar Amortization over 25 years and 12.5% Investment Return in FY13, 8% in FY14 and later years

Fiscal Year End	Investment Return: 8.00% Valuation Amounts on July 1 (Beginning of Fiscal Year)				Flow Amounts During Following 12 Months									Recognized Asset Gain/(Loss)	Ending Actuarial Assets
	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Total Salaries	Employer/State Ctb Rate	Employer Contrbs	State Contrbs	Employee Contrbs	Total Contrbs	Benefit Payments	Net Contrbs	Investment Earnings		
2013	\$4,869,154	\$9,346,444	52.1%	(\$4,477,290)	\$743,957	49.56%	\$70,604	\$298,101	\$53,263	\$421,968	\$525,672	(\$103,704)	\$570,927	(\$393,887)	\$4,942,490
2014	4,942,490	9,651,582	51.2%	(4,709,092)	762,692	50.10%	67,056	316,847	54,446	438,349	556,844	(118,495)	402,046	90,090	5,316,131
2015	5,316,131	9,944,626	53.5%	(4,628,495)	783,438	66.31%	63,594	455,904	52,102	571,600	586,966	(15,366)	428,675	72,872	5,802,312
2016	5,802,312	10,223,597	56.8%	(4,421,285)	805,914	67.76%	60,182	485,905	49,736	595,823	618,454	(22,631)	461,350	(29,854)	6,211,177
2017	6,211,177	10,485,997	59.2%	(4,274,820)	830,268	66.16%	56,857	492,448	47,420	596,725	648,576	(51,851)	495,200	43,566	6,698,092
2018	6,698,092	10,731,508	62.4%	(4,033,416)	855,825	63.28%	53,492	488,074	45,199	586,765	675,904	(89,139)	529,114	0	7,138,067
2019	7,138,067	10,963,107	65.1%	(3,825,040)	882,669	61.18%	50,127	489,890	42,905	582,922	705,092	(122,170)	562,919	0	7,578,816
2020	7,578,816	11,177,357	67.8%	(3,598,541)	911,010	58.30%	46,741	484,378	40,631	571,750	739,563	(167,813)	596,273	0	8,007,276
2021	8,007,276	11,367,833	70.4%	(3,360,557)	940,957	56.00%	43,341	483,595	38,284	565,220	771,294	(206,074)	628,943	0	8,430,145
2022	8,430,145	11,533,410	73.1%	(3,103,265)	973,382	53.73%	40,113	482,885	35,978	558,976	799,992	(241,016)	661,306	0	8,850,435
2023	8,850,435	11,678,589	75.8%	(2,828,154)	1,008,495	51.55%	37,146	482,733	26,120	545,999	825,117	(279,118)	693,351	0	9,264,668
2024	9,264,668	11,804,774	78.5%	(2,540,106)	1,045,905	49.38%	34,243	482,225	23,847	540,315	847,540	(307,225)	725,312	0	9,682,755
2025	9,682,755	11,906,243	81.3%	(2,223,488)	1,085,268	47.26%	31,420	481,478	21,488	534,386	877,945	(343,559)	757,232	0	10,096,428
2026	10,096,428	11,978,919	84.3%	(1,882,491)	1,126,840	45.26%	28,735	481,273	19,269	529,277	915,165	(385,888)	788,541	0	10,499,081
2027	10,499,081	12,014,999	87.4%	(1,515,918)	1,170,697	43.27%	26,156	480,405	17,092	523,653	942,377	(418,724)	819,374	0	10,899,731
2028	10,899,731	12,019,893	90.7%	(1,120,162)	1,217,232	41.35%	23,808	479,517	14,972	518,297	965,075	(446,778)	850,250	0	11,303,203
2029	11,303,203	11,999,271	94.2%	(696,068)	1,266,672	39.47%	21,748	478,207	13,047	513,002	988,765	(475,763)	881,311	0	11,708,751
2030	11,708,751	11,947,250	98.0%	(238,499)	1,318,359	20.47%	19,918	249,950	11,338	281,206	1,015,267	(734,061)	903,533	0	11,878,223
2031	11,878,223	11,862,365	100.1%	15,858	1,373,136	0.24%	3,296	0	9,749	13,045	1,052,765	(1,039,720)	904,975	0	11,743,478
2032	11,743,478	11,727,157	100.1%	16,321	1,430,917	0.17%	2,433	0	8,442	10,875	1,071,218	(1,060,343)	893,325	0	11,576,460
2033	11,576,460	11,561,467	100.1%	14,993	1,491,916	0.13%	1,939	0	7,161	9,100	1,076,092	(1,066,992)	879,686	0	11,389,154
2034	11,389,154	11,375,441	100.1%	13,713	1,556,143	0.10%	1,556	0	6,069	7,625	1,087,071	(1,079,446)	864,176	0	11,173,884
2035	11,173,884	11,161,401	100.1%	12,483	1,622,872	0.07%	1,136	0	5,031	6,167	1,110,566	(1,104,399)	845,897	0	10,915,382
2036	10,915,382	10,904,315	100.1%	11,067	1,692,489	0.05%	846	0	4,231	5,077	1,108,805	(1,103,728)	825,250	0	10,636,904
2037	10,636,904	10,627,228	100.1%	9,676	1,764,921	0.03%	529	0	3,530	4,059	1,104,345	(1,100,286)	803,121	0	10,339,739
2038	10,339,739	10,331,515	100.1%	8,224	1,840,538	0.02%	368	0	2,945	3,313	1,098,370	(1,095,057)	779,573	0	10,024,255
2039	10,024,255	10,017,472	100.1%	6,783	1,919,401	0.02%	384	0	2,303	2,687	1,092,046	(1,089,359)	754,579	0	9,689,475
2040	9,689,475	9,684,161	100.1%	5,314	2,000,850	0.02%	400	0	1,801	2,201	1,079,552	(1,077,351)	728,309	0	9,340,433
2041	9,340,433	9,336,574	100.0%	3,859	2,085,904	0.01%	209	0	1,460	1,669	1,066,437	(1,064,768)	700,923	0	8,976,588
2042	8,976,588	8,974,342	100.0%	2,246	2,174,467	0.01%	217	0	1,087	1,304	1,048,163	(1,046,859)	672,579	0	8,602,308
2043	8,602,308	8,601,721	100.0%	587	2,266,698	0.00%	0	0	907	907	1,020,993	(1,020,086)	644,587	0	8,226,809
					Totals 2015 & After	\$	650,934	\$	7,478,867	\$	554,144	\$	8,683,945		

Exhibit 6

State of Alaska TRS
 Financial Projections (in Thousands)

Level Percent of Pay Amortization over 25 years and 12.5% Investment Return in FY13, 8% in FY14 and later years
 \$2B State Contribution in FY15; Re-initialize amortization and asset balances in FY15; Calculated State Contributions in future years

Fiscal Year End	Valuation Amounts on July 1 (Beginning of Fiscal Year)				Flow Amounts During Following 12 Months								Recognized Asset Gain/(Loss)	Ending Actuarial Assets	
	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Total Salaries	Employer/State Ctb Rate	Employer Contribs	State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs			Investment Earnings
2013	\$4,869,154	\$9,346,444	52.1%	(\$4,477,290)	\$743,957	49.56%	\$70,604	\$298,101	\$53,263	\$421,968	\$525,672	(\$103,704)	\$570,927	(\$393,887)	\$4,942,490
2014	4,942,490	9,651,582	51.2%	(4,709,092)	762,692	50.34%	67,056	316,847	54,446	438,349	556,844	(118,495)	402,046	90,090	5,316,131
2015	5,390,462	9,944,626	53.5%	(4,628,495)	783,438	263.40%	63,594	2,000,000	52,102	2,115,696	586,966	1,528,730	570,790	0	7,489,982
2016	7,489,982	10,223,597	73.3%	(2,733,615)	805,914	26.86%	60,182	156,287	49,736	266,205	618,454	(352,249)	589,687	0	7,727,420
2017	7,727,420	10,485,997	73.7%	(2,758,577)	830,268	26.44%	56,857	162,666	47,420	266,943	648,576	(381,633)	607,689	0	7,953,476
2018	7,953,476	10,731,508	74.1%	(2,778,032)	855,825	26.06%	53,492	169,536	45,199	268,227	675,904	(407,677)	624,941	0	8,170,740
2019	8,170,740	10,963,107	74.5%	(2,792,367)	882,669	25.71%	50,127	176,807	42,905	269,839	705,092	(435,253)	641,439	0	8,376,926
2020	8,376,926	11,177,357	74.9%	(2,800,431)	911,010	25.39%	46,741	184,564	40,631	271,936	739,563	(467,627)	656,865	0	8,566,164
2021	8,566,164	11,367,833	75.4%	(2,801,669)	940,957	25.06%	43,341	192,463	38,284	274,088	771,294	(497,206)	671,060	0	8,740,018
2022	8,740,018	11,533,410	75.8%	(2,793,392)	973,382	24.72%	40,113	200,507	35,978	276,598	799,992	(523,394)	684,173	0	8,900,797
2023	8,900,797	11,678,589	76.2%	(2,777,792)	1,008,495	24.41%	37,146	209,028	26,120	272,294	825,117	(552,823)	696,144	0	9,044,118
2024	9,044,118	11,804,774	76.6%	(2,760,656)	1,045,905	24.17%	34,243	218,552	23,847	276,642	847,540	(570,898)	707,214	0	9,180,434
2025	9,180,434	11,906,243	77.1%	(2,725,809)	1,085,268	23.87%	31,420	227,633	21,488	280,541	877,945	(597,404)	717,348	0	9,300,378
2026	9,300,378	11,978,919	77.6%	(2,678,541)	1,126,840	23.58%	28,735	236,974	19,269	284,978	915,165	(630,187)	725,914	0	9,396,105
2027	9,396,105	12,014,999	78.2%	(2,618,894)	1,170,697	23.27%	26,156	246,265	17,092	289,513	942,377	(652,864)	732,971	0	9,476,212
2028	9,476,212	12,019,893	78.8%	(2,543,681)	1,217,232	22.99%	23,808	256,034	14,972	294,814	965,075	(670,261)	739,019	0	9,544,970
2029	9,544,970	11,999,271	79.5%	(2,454,301)	1,266,672	22.71%	21,748	265,913	13,047	300,708	988,765	(688,057)	744,146	0	9,601,059
2030	9,601,059	11,947,250	80.4%	(2,346,191)	1,318,359	22.43%	19,918	275,790	11,338	307,046	1,015,267	(708,221)	748,156	0	9,640,994
2031	9,640,994	11,862,365	81.3%	(2,221,371)	1,373,136	22.16%	18,342	285,945	9,749	314,036	1,052,765	(738,729)	750,443	0	9,652,708
2032	9,652,708	11,727,157	82.3%	(2,074,449)	1,430,917	21.84%	16,962	295,550	8,442	320,954	1,071,218	(750,264)	751,257	0	9,653,701
2033	9,653,701	11,561,467	83.5%	(1,907,766)	1,491,916	21.55%	15,796	305,712	7,161	328,669	1,076,092	(747,423)	751,846	0	9,658,124
2034	9,658,124	11,375,441	84.9%	(1,717,317)	1,556,143	21.25%	14,836	315,844	6,069	336,749	1,087,071	(750,322)	752,463	0	9,660,265
2035	9,660,265	11,161,401	86.6%	(1,501,136)	1,622,872	20.92%	14,047	325,458	5,031	344,536	1,110,566	(766,030)	752,331	0	9,646,566
2036	9,646,566	10,904,315	88.5%	(1,257,749)	1,692,489	20.57%	13,438	334,707	4,231	352,376	1,108,805	(756,429)	751,995	0	9,642,132
2037	9,642,132	10,627,228	90.7%	(985,096)	1,764,921	20.17%	12,979	343,006	3,530	359,515	1,104,345	(744,830)	752,449	0	9,649,751
2038	9,649,751	10,331,515	93.4%	(681,764)	1,840,538	19.67%	12,660	349,374	2,945	364,979	1,098,370	(733,391)	753,786	0	9,670,146
2039	9,670,146	10,017,472	96.5%	(347,326)	1,919,401	18.35%	12,472	339,738	2,303	354,513	1,092,046	(737,533)	754,864	0	9,687,497
2040	9,687,497	9,684,161	100.0%	3,336	2,000,850	0.02%	400	0	1,801	2,201	1,079,552	(1,077,351)	729,131	0	9,339,277
2041	9,339,277	9,336,574	100.0%	2,703	2,085,904	0.01%	209	0	1,460	1,669	1,066,437	(1,064,768)	701,811	0	8,976,320
2042	8,976,320	8,974,342	100.0%	1,978	2,174,467	0.01%	217	0	1,087	1,304	1,048,163	(1,046,859)	673,538	0	8,602,999
2043	8,602,999	8,601,721	100.0%	1,278	2,266,698	0.00%	0	0	907	907	1,020,993	(1,020,086)	644,814	0	8,227,727
Totals 2015 & After					\$	769,979	\$	8,074,353	\$	554,144	\$	9,398,476			

SENATE CONCURRENT RESOLUTION NO.
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Introduced:
Referred:

A RESOLUTION

1 **Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State**
2 **Legislature, concerning House Bill No. 385, relating to additional state contributions to**
3 **the teachers' defined benefit retirement plan and the public employees' defined benefit**
4 **retirement plan.**

5 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 That under Rule 54, Uniform Rules of the Alaska State Legislature, the provisions of
7 Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, regarding
8 changes to the title of a bill, are suspended in consideration of House Bill No. 385, relating to
9 additional state contributions to the teachers' defined benefit retirement plan and the public
10 employees' defined benefit retirement plan.

ADOPTED

9/19/14

28-GH2241\U
Wayne
4/17/14

SENATE CS FOR HOUSE BILL NO. 385(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the past service liabilities of the defined benefit plan in the teachers'**
2 **retirement system and the defined benefit plan in the public employees' retirement**
3 **system; and providing for an effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 *** Section 1.** AS 37.10.220(a) is amended to read:

6 (a) The board shall

7 (1) hold regular and special meetings at the call of the chair or of at
8 least five members; meetings are open to the public, and the board shall keep a full
9 record of all its proceedings;

10 (2) after reviewing recommendations from the Department of
11 Revenue, adopt investment policies for each of the funds entrusted to the board;

12 (3) determine the appropriate investment objectives for the defined
13 benefit plans established under the teachers' retirement system under AS 14.25 and the
14 public employees' retirement system under AS 39.35;

1 (4) assist in prescribing the policies for the proper operation of the
2 systems and take other actions necessary to carry out the intent and purpose of the
3 systems in accordance with AS 37.10.210 - 37.10.390;

4 (5) provide a range of investment options and establish the rules by
5 which participants can direct their investments among those options with respect to
6 accounts established under

7 (A) AS 14.25.340 - 14.25.350 (teachers' retirement system
8 defined contribution individual accounts);

9 (B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary
10 Annuity Plan);

11 (C) AS 39.35.730 - 39.35.750 (public employees' retirement
12 system defined contribution individual accounts); and

13 (D) AS 39.45.010 - 39.45.060 (public employees' deferred
14 compensation program);

15 (6) establish the rate of interest that shall be annually credited to each
16 member's individual contribution account in accordance with AS 14.25.145 and
17 AS 39.35.100 and the rate of interest that shall be annually credited to each member's
18 account in the health reimbursement arrangement plan under AS 39.30.300 -
19 39.30.495; the rate of interest shall be adopted on the basis of the probable effective
20 rate of interest on a long-term basis, and the rate may be changed from time to time;

21 (7) adopt a contribution surcharge as necessary under AS 39.35.160(c);

22 (8) coordinate with the retirement system administrator to have an
23 annual actuarial valuation of each retirement system prepared to determine system
24 assets, accrued liabilities, and funding ratios and to certify to the appropriate
25 budgetary authority of each employer in the system

26 (A) an appropriate contribution rate for normal costs; and

27 (B) an appropriate contribution rate for liquidating any past
28 service liability; in this subparagraph, the appropriate contribution rate
29 for liquidating the past service liability of the defined benefit retirement
30 plan under AS 14.25.009 - 14.25.220 or the past service liability of the
31 defined benefit retirement plan under AS 39.35.095 - 39.35.680 must be

1 **determined by a level percent of pay method based on amortization of the**
2 **past service liability for a closed term of 25 years;**

3 (9) review actuarial assumptions prepared and certified by a member
4 of the American Academy of Actuaries and conduct experience analyses of the
5 retirement systems not less than once every four years, except for health cost
6 assumptions, which shall be reviewed annually; the results of all actuarial assumptions
7 prepared under this paragraph shall be reviewed and certified by a second member of
8 the American Academy of Actuaries before presentation to the board;

9 (10) contract for an independent audit of the state's actuary not less
10 than once every four years;

11 (11) contract for an independent audit of the state's performance
12 consultant not less than once every four years;

13 (12) obtain an external performance review to evaluate the investment
14 policies of each fund entrusted to the board and report the results of the review to the
15 appropriate fund fiduciary;

16 (13) by the first day of each regular legislative session, report to the
17 governor, the legislature, and the individual employers participating in the state's
18 retirement systems on the financial condition of the systems in regard to

19 (A) the valuation of trust fund assets and liabilities;

20 (B) current investment policies adopted by the board;

21 (C) a summary of assets held in trust listed by the categories of
22 investment;

23 (D) the income and expenditures for the previous fiscal year;

24 (E) the return projections for the next calendar year;

25 (F) one-year, three-year, five-year, and 10-year investment
26 performance for each of the funds entrusted to the board; and

27 (G) other statistical data necessary for a proper understanding
28 of the financial status of the systems;

29 (14) submit quarterly updates of the investment performance reports to
30 the Legislative Budget and Audit Committee;

31 (15) develop an annual operating budget; and

1 (16) administer pension forfeitures required under AS 37.10.310 using
2 the procedures of AS 44.62 (Administrative Procedure Act).

3 * **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to
4 read:

5 TRANSITION: REINITIALIZE AMORTIZATION OF PAST SERVICE LIABILITY
6 OF RETIREMENT SYSTEMS. The Alaska Retirement Management Board shall, based on a
7 level percent of pay method, reinitialize the amortization of the past service liability of

8 (1) the defined benefit retirement plan under AS 14.25.009 - 14.25.220 for a
9 term beginning July 1, 2014, and ending June 30, 2039;

10 (2) the defined benefit retirement plan under AS 39.35.095 - 39.35.680 for a
11 term beginning July 1, 2014, and ending June 30, 2039.

12 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
13 read:

14 RETROACTIVITY. Sections 1 and 2 of this Act are retroactive to April 21, 2014.

15 * **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).