

**Alaska Municipal League  
Resolution #2020-05**

**Expressing support for reform to PERS that includes a complete pay-down of the unfunded liability; conditionally, requesting that the State also conduct termination studies, small or struggling employers be allowed to opt out of the system, and that the high interest rate on non-payment be eliminated.**

**WHEREAS**, PERS has been a priority policy issue for AML and its members for decades; and

**WHEREAS**, not only does PERS represent a significant portion of a member's budget but also it places constraints on local governments and other employers that lessen their ability to successfully recruit and retain staff; and

**WHEREAS**, many municipalities consider themselves a prisoner of PERS, such that they cannot afford to stay and can't afford to get out, and when non-payment occurs a 15% interest rate is charged, which compounds the challenge for those employers; and

**WHEREAS**, the State does not currently pay for termination studies or costs, and reductions in its workforce shift costs to the additional state contribution and onto the balance sheets of all employers; and

**WHEREAS**, PERS presents significant costs to the State's payroll and budget; and

**WHEREAS**, the current unfunded liability is more than \$5 billion, and the plan itself is less than 70% funded, with its sustainability in doubt; and

**WHEREAS**, a new solution is needed to reset the program, save the State in its expenditures, and provide greater flexibility for employers; and

**WHEREAS**, a transfer of the amount of the unfunded liability from the Earnings Reserve to the PERS pension assets would maintain those assets overall on the State's books, and assure credit agencies; and

**WHEREAS**, the value of the savings to the State would be \$475 million, which would offset the reduced POMV draw by more than \$100 million; and

**WHEREAS**, the savings to municipal employers would be found in the removal of the past service rate, which in FY21 will be 17%, or roughly \$45 million, and additionally the net pension liability would be removed from those employers' balance sheets.

**NOW, THEREFORE BE IT RESOLVED** that the Alaska Municipal League supports reform to PERS that includes a complete pay-down of the unfunded liability; and

**BE IT FURTHER RESOLVED** that the Alaska Municipal League conditionally requests that the State also conduct termination studies, small or struggling employers be allowed to opt out of the system, and that the high interest rate on non-payment be eliminated.

**PASSED AND APPROVED BY THE ALASKA MUNICIPAL LEAGUE ON THE 22<sup>nd</sup> DAY OF NOVEMBER 2019.**

Signed:   
President, Alaska Municipal League

Attest:   
Executive Director, Alaska Municipal League