

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 approximately 70% funded; 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.