RESOLUTION #2023-05

A resolution opposing any changes to PERS/TRS that increase the unfunded liability and supporting additional State contributions that reduce the non-state employer share in order to increase the efficacy of recruitment and retention in Alaska.

WHEREAS, the State-managed pension system PERS/TRS is a critical tool for recruitment and retention in Alaska; and

WHEREAS, not only do PERS payments represent a significant portion of a local government's or school district's personnel budget but it places constraints on local governments and other employers that lessen their ability to successfully recruit and retain staff; 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 (future costs) and onto the balance sheets of all employers; and

WHEREAS, the current unfunded liability is more than $5 billion, and the pension plan itself is less than 70% funded, even as gains have been made in more recent years; and

WHEREAS, while currently there exists only a defined contribution pension option, there are increasingly calls for a defined benefit option presented as a solution to hiring and retention by school districts and public safety professionals; and

WHEREAS, there is merit to an argument that defined benefit is a preferred employee retirement plan; and

WHEREAS, it is also true that this is not the only option, and that for employers required to fund the net pension liability of the plan when assumptions fail, it is a risk-filled proposition; and

WHEREAS, the majority of what employers contribute to PERS/TRS (of the 22%) is for past cost, essentially trying to pay down the unfunded liability that was created in past years; and

WHEREAS, if the 22% were reduced, either based on higher levels of fundedness or by the State taking on an increased share as costs are reduced, then employers would have greater flexibility to fund beyond Tier IV requirements and/or to contribute to a deferred compensation plan; and

WHEREAS, the current law reduces the additional state contribution as the fundedness of the plan improves, without adjusting the non-state employer cap (unless the total cost falls below that cap); and

WHEREAS, a system of adjusting accordingly would ensure the State is always contributing an appropriate level while non-state employers have the opportunity to see benefits that could accrue to employees; and

WHEREAS, a change to current law could include a sliding scale for the non-state employer share such that it represents the actual cost and then an amount distant from the total cost that is otherwise contributed to by the State through its additional contribution; and

WHEREAS, this can be thought of in terms of a floor for non-State employers of the actual cost, for which their contribution could not be adjusted below, but the floor for the State to not be limited by the non-State employer cap of 22%; and

WHEREAS, the State's additional contribution would be maintained and increased relative to or expressed as a larger percentage of the past service cost; and

WHEREAS, under this formation, employers would have greater flexibility, and be in a better position to consider new pension plans or retirement benefits; and

WHEREAS, to the extent that new plans are proposed by the State then they should be optional at the employer level, segregated in their liability, and come with an additional state contribution to past costs that meaningfully reduces the overall net pension liability of all employers.

NOW THEREFORE BE IT RESOLVED that the Alaska Municipal League supports all tools possible for recruitment and retention and expresses concern about the introduction of a defined benefit plan to PERS/TRS, without the State addressing current net pension liability; and

BE IT FURTHER RESOLVED that the Legislature should amend statute to accommodate a reduction to the non-state employer cap, such that it reduces in relation to the total cost while the additional state contribution is maintained at levels that advance the reduction of the unfunded liability.