Attracting Talent

Systems Evaluation
When Boomers Bail

As the industrialized world recovers from the great recession, we face an even graver economic threat. A structural shortage of qualified workers is creating a zero-sum labor market that is forcing communities to steal talent from each other in order to survive and grow. The cause of this impending economic disaster: a baby boom generation who didn't have enough kids to replace themselves, and an education system that has failed to properly prepare students for the new demands of today's market. Add to that 78 million soon-to-be-retired Baby Boomers who will go from high-earning producers to resource-sapping dependents, and the situation worsens. Any community unable to attract and hold talent will join a growing number of economically doomed places where economic development is impossible. This suddenly makes deciding where to live or invest a much higher-stakes game.

Mark Lautman – Economic Architect – 2011
Alaska Unemployment by Industry – A Year Ago

Employment By Industry, December 2021

<table>
<thead>
<tr>
<th>Industry</th>
<th>Average Monthly Employment</th>
<th>Compared to Dec 2020</th>
<th>December 2019 Jobs</th>
<th>Chg. 12/19 to 12/21</th>
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</thead>
<tbody>
<tr>
<td>Total Nonfarm Employment</td>
<td>Dec 2021 2021 2020</td>
<td>Change Percent</td>
<td></td>
<td></td>
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<tr>
<td>Total Private</td>
<td>224,400 226,300 216,400</td>
<td>8,000 3.7%</td>
<td>314,500 -12,400</td>
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<tr>
<td>Mining and Logging</td>
<td>10,800 10,400 10,000</td>
<td>800 8.0%</td>
<td>13,500 -2,700</td>
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<tr>
<td>Oil and Gas</td>
<td>7,100 6,700 6,400</td>
<td>700 10.9%</td>
<td>10,100 -3,500</td>
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<tr>
<td>Construction</td>
<td>14,700 15,500 14,300</td>
<td>400 2.8%</td>
<td>14,900 -200</td>
<td></td>
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<tr>
<td>Manufacturing</td>
<td>7,600 8,600 7,200</td>
<td>400 5.6%</td>
<td>6,800 800</td>
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<tr>
<td>Trade, Transportation, and Utilities</td>
<td>61,600 61,100 60,100</td>
<td>1,500 2.5%</td>
<td>62,100 -500</td>
<td></td>
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<tr>
<td>Wholesale</td>
<td>6,200 6,200 6,000</td>
<td>200 3.3%</td>
<td>6,600 -400</td>
<td></td>
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<tr>
<td>Retail</td>
<td>35,000 34,900 34,800</td>
<td>200 0.6%</td>
<td>35,000 0</td>
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<tr>
<td>Transp, Warehousing, Utilities</td>
<td>20,400 20,000 19,300</td>
<td>1,100 5.7%</td>
<td>20,500 -100</td>
<td></td>
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<tr>
<td>Information</td>
<td>4,800 4,800 4,800</td>
<td>0 0.0%</td>
<td>5,300 -500</td>
<td></td>
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<tr>
<td>Financial Activities</td>
<td>10,800 10,700 10,600</td>
<td>200 1.9%</td>
<td>11,200 -400</td>
<td></td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>25,500 25,700 25,300</td>
<td>200 0.8%</td>
<td>27,000 -1,500</td>
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<tr>
<td>Education and Health</td>
<td>51,100 50,700 50,500</td>
<td>600 1.2%</td>
<td>51,400 -300</td>
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<tr>
<td>Health Care</td>
<td>39,200 38,900 38,900</td>
<td>300 0.8%</td>
<td>39,300 -100</td>
<td></td>
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<tr>
<td>Leisure and Hospitality</td>
<td>26,500 28,300 23,600</td>
<td>3,300 14.0%</td>
<td>31,400 -4,500</td>
<td></td>
</tr>
<tr>
<td>Other Services</td>
<td>10,600 10,500 10,000</td>
<td>600 6.0%</td>
<td>10,900 -300</td>
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<tr>
<td>Total Government</td>
<td>77,700 77,600 77,700</td>
<td>0 0%</td>
<td>80,000 -2,300</td>
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<tr>
<td>Federal</td>
<td>15,100 14,600 15,000</td>
<td>100 0.7%</td>
<td>14,700 400</td>
<td></td>
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<tr>
<td>State</td>
<td>22,100 22,400 22,800</td>
<td>-700 -3.1%</td>
<td>22,600 -600</td>
<td></td>
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<tr>
<td>Local</td>
<td>40,500 40,600 39,900</td>
<td>600 1.5%</td>
<td>42,700 -2,200</td>
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</tbody>
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NATIONALLY, JOB POSTINGS ARE INCREASING

Job postings

Early in the pandemic, LinkedIn noticed a huge decline in new job postings. Click the dropdown menu to see how job listings have changed since February 2020 in each industry.
Alaska Government Employment Trend

Bureau of Labor Statistics -
https://data.bls.gov/timeseries/SMS020000090000000001?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true
PERS Participation

PERS Active Over Time

FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22

PERS DB
PERS DC
TRS DB
TRS DC
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<thead>
<tr>
<th>Demographics</th>
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<tr>
<td>Circumstance</td>
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<td>Competition</td>
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AML Classifieds

2x as many as last year
Not all jobs are equal
Public v. Private

Wages and salaries and benefits for state and local government, 12-month percent change, not seasonally adjusted

Wages and salaries and benefits in private industry, 12-month percent change, not seasonally adjusted
Pensions Perspective - Employers

77 smallest make up 1% of annual payroll

University of Alaska is more than 4%

Other = housing authorities +

64 of 165 cities and boroughs participate
Pensions Perspectives – Rate Setting

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<tr>
<th></th>
<th>PERS</th>
<th>TRS</th>
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<tbody>
<tr>
<td></td>
<td>FY24 PERS Total Payroll</td>
<td>FY24 TRS Total Payroll</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Preliminary</td>
<td>Adopted</td>
<td>Adopted</td>
</tr>
<tr>
<td>DB Pension Plan - Normal Cost</td>
<td>2.14% 52,165,000</td>
<td>2.05% 15,623,000</td>
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<tr>
<td>DB Pension Plan - Past Service Cost</td>
<td>16.33% 398,063,000</td>
<td>16.44% 125,287,000</td>
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<tr>
<td>DB Health Plan - Normal Cost</td>
<td>2.50% 60,940,000</td>
<td>2.41% 18,366,000</td>
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<tr>
<td>OCR Plan</td>
<td>6.63% 161,614,000</td>
<td>7.03% 53,575,000</td>
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<tr>
<td></td>
<td>27.60% 672,782,000</td>
<td>27.93% 212,851,000</td>
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<tr>
<td></td>
<td>25.10% 611,842,000</td>
<td>25.52% 194,484,000</td>
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</tbody>
</table>

State Of Alaska Contributions:
- 27.60% 334,978,000
- 25.10% 304,636,000

Non-State Employer Contributions:
- 22.00% 269,264,000
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Additional State Contributions:
- 5.60% 68,540,000
- 3.10% 37,942,000

Reduction of 2.5% for non-State employers = $24.3m
Savings from reduction to Additional State Contribution by ARM board action = $30.6m
Pensions Perspectives – System Issues

• Salary floor (2008) adds another $1.5-2.5 million to employer costs
  • No incentive for right-sizing or efficiency
• Employers in arrearages about $26.2 million
  • Prisoners of PERS – can’t afford to stay in, nor get out
• Employer delinquencies about $3.5 million
  • Evaluate over time to see stressors on employers
• 11-15% penalty for late payment
• Termination studies apply only to non-State employers
  • By class, which for small employers could be one employee
• Net pension liability follows employee, making retiree hiring difficult
Current AML proposals

• Update to 2008 floor – move forward and rolling average
• Termination studies for State and by employee
  • Evaluate vacancy rates
• 22% a cap not a floor
  • Pay down net pension liability by increased additional state contribution = $10 million for 1%
• Retiree hiring ability without accrued liability
• Opt-out for small or stressed employers – exit strategy
• Five-year audit of terminated employer net pension liability
  • State contribution to avoid spread, based on % of payroll
• Adjust high interest rate on past due payments to reasonable amount
• Locked in net pension liability option, ability to pay down, and exit date
In considering DB...

- AML members divided on question
- Real and valid concerns expressed by educators and public safety employees
- Resolution expressing concern about liability exposure
- If specific to employee group, opt in at employer level
- For employers it applies to, ringfence liability

Fundamentally:
- Address systems issues
- Free up greater % of employer payrolls
Questioning Assumptions

• What does employee need?
  • Do all types of employees need the same thing?
• What does employer need?
  • How do we differentiate between employers?
• What is the role of the State?
• Are there pension system issues to be addressed?
• How do we evaluate benefits and costs of DB and DC?
• What is fair allocation of liability, cost, and benefit?
• What are the full suite of options available for retirement?
• How does retirement fit into recruitment and retention?
• What are we missing?
Are Pensions the Answer to Public Sector Worker Shortages?

“Recently, state and local governments have offered more incentives like sign-on bonuses and other benefits in the hiring phase to get more applicants in the door. But these are short-term fixes that may temporarily help with attracting applicants but not with retention. Given the high costs associated with employee turnover, a long-term solution is needed.”
Are we competing for talent?
Most Alaska students are not proficient in reading and math, state test scores show.

Are we competing?

Health Affairs report shows Alaskans spent more out-of-pocket dollars on health care than residents in any other state in 2019.

Shane Ersland | Aug 16, 2022 | Alaska
Tackling Competition

1. Incentivize and support solutions to address child care deficit
2. Incentivize and support solutions to address housing affordability and sufficiency
3. Right size education funding, including to address maintenance backlog
4. Lifecycle approach for community and economic development
5. Lower energy and healthcare costs – transactional costs of living and doing business
6. Establish consistent fiscal policy that envisions growth
7. Ensure public sector employers have capacity to increase compensation packages
8. Maximize ability to leverage federal infrastructure investment
An Alaska that will Grow

We bequeath to you a state that will be glorious in her achievements, a homeland filled with opportunities for living, a land where you can worship and pray, a country where ambitions will be bright and real, an Alaska that will grow with you as you grow.

We trust you; you are our future. We ask you to take tomorrow and dream; we know that you will see visions we do not see.

We are certain that in capturing today for you, you can plan and build.

You are Alaska's children...
Thank you

Strengthening Local Governments

Questions: Nils Andreassen, Executive Director * nils@akml.org