

SOUTHEAST CONFERENCE 2007

A Resolution Urging the State to Provide for a Statutory Maximum Employer Contribution Rate and Allow Employers the Option of Refinancing their PERS/TERS Debt

Resolution 07-04

WHEREAS, the Legislature of Alaska created TERS in 1955 and the Public Employees Retirement System (PERS) in 1961 to provide a retirement system for participating municipal and educational employees; and

WHEREAS, many cities and boroughs have participated in PERS for many years; and

WHEREAS, the basic premise of a defined benefit pension plan is that employer and/or employee contributions are invested by the plan administrator in accord with sound actuarial principle so that adequate funds are available for retiree pensions and health care benefits; and

WHEREAS, the PERS system is seriously underfunded on a statewide basis; the plan's assets are roughly equal to only 70% of the projected plan expenses; and

WHEREAS, in response to the under funding, PERS administrators have indicated that the employer PERS contribution rate will increase by 5% compounded annually every year for many years; and

WHEREAS, this past March, the Senate Finance Committee of the Alaska Legislature found the following reasons for PERS under funding:

- * Inaccurate assumptions
- * Historical understatements of system liabilities
- * Rising health costs
- * 3-year "bear" market downturn
- * Declining interest rates
- * Unfavorable demographic changes
- * Timing of the recognition of market losses
- * Artificially low contribution rates in good times
- * Legislation that has increased benefits
- * Awarding of Post Pension Retirement Adjustments

WHEREAS, by passage of Senate Bill 141, the State has taken a significant step towards a long-term resolution of the statewide PERS shortfall; effective July 1, 2006, the existing defined benefit plan will become a defined contribution plan for employees hired on or after that date; under a defined contribution plan, the liability of the employers is limited to making contributions; and

WHEREAS, all municipalities and local taxpayers face eventual fiscal calamity as the employer rate increases by 5% of total salaries paid per year; and

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WHEREAS, establishing a maximum employer PERS rate will enable municipalities to afford to continue to provide essential public services; and

WHEREAS, the State government has vastly superior revenue resources compared to municipal governments; and

WHEREAS, statutory changes to allow municipalities and the state to refinance the existing debt could potentially save several percentage points of interest charges each years.

NOW, THEREFORE BE IT RESOLVED Southeast Conference agrees to the following:

- To avoid penalizing local southeast Alaska taxpayers and students, the PERS statues should be amended to provide for a maximum employer contribution rate of 20%, with any amount above 20% to be paid by the State, as part of the changes to resolve the plan under funding;
- That the state allow employers the option of refinancing their existing PERS/TRS debt in order to use financing methods that are available at a rate lower than 8.25%
- Southeast Conference supports Governor Murkowski's proposal to pay the PERS//TERS increased contribution amount of \$505 million in FY08 and supports the additional \$500 million deposit into the retirement system to help pay down the state's unfunded liability.

**ADOPTED BY THE SOUTHEAST CONFERENCE MEMBERSHIP ON
SEPTEMBER 21, 2006, at Ketchikan, Alaska.**

Witnessed by:



Carol Rushmore
President

Attested by:



Murray Walsh
Executive Director