

PRESIDENT'S MESSAGE

The State of Alaska owes \$4 billion to the Teachers' Retirement System and more than \$6 billion to the Public Employees Retirement System.

Those debts represent deposits which the state should have made into PRS/TRS, but did not, and interest which it should have earned on the trust funds, but has not. As bad as it may be at the moment, the state's obligation will only increase in the years to come. If nothing changes, for the year 2025 the state will have to appropriate some \$600 billion dollars to PERS and almost the same amount to TRS in order to keep the systems solvent. (If you want to see the evidence for all of this, go to the RPEA website to view the Department of Administration presentation to the Senate Finance Committee in February of 2011 under Hot Topics.)

Public employees meanwhile have made their share of contributions on time as required by law, and active employees continue to make those contributions.

If reduced oil revenue forced the state in past years to shortchange the pension system, that motive no longer exists. Alaska has enjoyed revenue surpluses over the last several years and can look forward to more in the future. Anyone who has ever paid on a real estate mortgage or installment debt is well aware that paying more than the minimum amount is the best way to not only pay it off but also reduce the ultimate cost of borrowing. Yet the Alaska legislature has for most of the past decade paid only the minimum amounts into both retirement systems. The ultimate shortfall in the out years continues to increase.

The RPEA view is that now, while the state enjoys budget surpluses, is the time to make up for past under-funding. Now is also the time to avoid reductions in oil taxes so that the state will continue to have the capacity to meet its future pension obligations. And now is the time to reinstate a defined pension benefit so that there will be future payers into the system who will return it to what was intended—an incentive to spend one's entire career in public employment.

Bob Doll