



Retired Public Employees of Alaska, APEA/AFT

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March 27, 2013

The Honorable Charlie Huggins
President, Alaska State Senate
Alaska State Capitol, Rm #3
Juneau AK 99801-1182

Dear Senator Huggins,

On behalf of the Retired Public Employees of Alaska (“RPEA”), I am writing to you today to once again address the very important issue of the PERS/TRS unfunded liability (“UL”). By now you should have received, and hopefully have read, the special edition of the RPEA newsletter that was forwarded to you in late February. If you have not yet had a chance to look at it, I encourage you to do so. This special edition was devoted to a single topic – the UL – and includes the “white paper” produced by RPEA on this matter. As you will see, the white paper not only discusses the long term potential threat to retiree benefits, but it also focuses on the significant near term concern for escalating annual state and local government payments into the PERS/TRS trust funds. This escalation is being caused in large measure by the ever-increasing magnitude of the UL. As the white paper points out, based on calculations of the Alaska Retirement Management Board (“ARMB”), the State’s annual appropriation to PERS/TRS will soon exceed \$1 billion. Payments at this level, which will only continue to grow as the UL advances beyond its current \$12 billion level, will simply not be sustainable, by neither the state nor by local government employers. A benefits crisis may not be right around the corner; an employer contributions crisis is.

Recognizing the severity of this problem, at a special meeting held March 15, 2013, the ARMB unanimously adopted and transmitted to the Legislature and the Governor its Resolution No. 2013-02 (copy attached). In that resolution, the ARMB recommends that the Legislature and the Governor include a special \$500 million appropriation to the PERS/TRS trust funds in the budget currently under review and again in each of the following three fiscal years. Clearly, investments made now will not only begin to reduce the negative impacts of a growing UL, but will also save the State millions of dollars over the life of the funds. The RPEA strongly endorses ARMB Resolution No. 2013-02 and urges the Legislature and the Governor to implement this proposal.

The RPEA thanks the ARMB members for advancing Resolution No. 2013-02 which was supported by all members voting, including an ex-officio member of the Administration. The ARMB has also recently adopted a new “level dollar pay” amortization methodology which will have the effect of accelerating the pay down of the UL. The RPEA supports both of these measures and encourages all interested parties to consider other options such as Pension Obligations Bonds which were authorized by the Legislature in 2008, but have not yet been issued.

Protecting and Enriching Your Retirement Years

A multi-pronged approach to resolving the serious problems that result from a growing UL holds out the best opportunity for success.

Sincerely,

A handwritten signature in blue ink that reads "Jay Dulany". The signature is written in a cursive style with a small flourish at the end.

Jay Dulany
President

cc: Honorable Sean Parnell, Governor
Trustees, Alaska Retirement Management Board

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD

Relating to the Unfunded Liability of the State Retirement Systems

Resolution 2013-02

WHEREAS, the State of Alaska, pursuant to the State's Constitution, established the Alaska Public Employees' Retirement System and the Alaska Teachers' Retirement System as set forth in Alaska Statutes 39.35, 14.25 and 39.30; and

WHEREAS, the Alaska Retirement Management Board (Board) was established by Alaska Statute 37.10 to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, the combined unfunded liabilities of these two retirement systems have grown from approximately \$6.9 billion dollars in 2005 when the defined benefit systems were closed to entry by new participants, to approximately \$11.9 billion by June 2012; and

WHEREAS, it is anticipated that the annual amount of state assistance required to manage and pay down the combined unfunded liabilities of the two retirement systems will soon exceed \$1 billion; and

NOW, THEREFORE BE IT RESOLVED that the Alaska Retirement Management Board hereby reaffirms its prior requests that the Legislature appropriate funds to enable the systems to responsibly meet their retirement liability obligations; and

BE IT FURTHER RESOLVED that the Board respectfully requests the Legislature, with the support of the Governor, to appropriate, in addition to state assistance, the sum of \$500 million dollars in this legislative session and each of the next three legislative sessions, toward the retirement of the unfunded liabilities of the Alaska Public Employees' and the Alaska Teachers' Retirement Systems.

DATED this 15th day of March, 2013.



Chair