

Resolution 14-014 Support for Governor Parnell's Proposal to Appropriate \$3 Billion into the Alaska Retirement Trust Funds in 2015

Resolution ID: 14-014

Resolution Status: Adopted

Resolution Effective Date: Mon Jan 13th, 2014

Resolution Summary:

A Resolution of the City Council of Homer, Alaska, Expressing Strong Support for Governor Parnell's Proposal to Appropriate \$3 Billion from the Constitutional Budget Reserve into the Alaska Retirement Trust Funds in 2015.
Mayor/City Council.

CITY OF HOMER

HOMER, ALASKA

Mayor/City Council

RESOLUTION 14-014

A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA, EXPRESSING STRONG SUPPORT FOR GOVERNOR PARNELL'S PROPOSAL TO APPROPRIATE \$3 BILLION FROM THE CONSTITUTIONAL BUDGET RESERVE INTO THE ALASKA RETIREMENT TRUST FUNDS IN 2015.

WHEREAS, The combined unfunded liability of Alaska's Public Employee's Retirement System (PERS) and Teacher's Retirement System (TRS) is \$11.8 Billion at June 30, 2012; and

WHEREAS, The funded ratio of PERS is 61.3% and TRS is 52.1% at June 30, 2012; and

WHEREAS, The Governor has identified the State's unfunded pension liability as Alaska's biggest budget driver, with annual State Assistance payments expected to exceed \$1 Billion per year without a substantial cash infusion directly into the retirement trust funds; and

WHEREAS, State Assistance payments on behalf of municipalities provide significant rate relief to local taxpayers, provide budget predictability and stability to local governments, and are crucial to the financial health of Alaska's municipalities and school districts; and

WHEREAS, Governor Parnell's plan is in the best interests of the retirement systems, the State of Alaska and its municipalities by honoring Alaska's constitutional obligations, reducing annual state assistance contributions to a more predictable and sustainable \$500 Million per year, increasing the funded status of the PERS and TRS by 10%, honoring the State's previous commitment to pay employer contribution rates in excess of 22%, allowing for future interest earnings to offset future contribution requirements, reducing pressure on future State and local

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government budgets, strengthening the credit rating of the State of Alaska and its municipalities, increasing future flexibility at a time when oil production is anticipated to decline, and solving the problem now when reserves are available rather than passing the problem to future generations of Alaskans.

NOW, THEREFORE, BE IT RESOLVED by the City Council of Homer, Alaska, that:

Section 1. The City Council of the Homer, Alaska, expresses strong support for Governor Parnell's proposed transfer of \$3 Billion from the State's Constitutional Budget Reserve directly into the retirement trust funds.

Section 2. The City Council expresses concern for any proposal to place the proposed \$3 Billion into a Reserve Fund rather than directly into the retirement trust funds. The purpose of a Reserve Fund is to provide future flexibility to allow monies to be used for purposes other than the provision of pension benefits. The existence of the Reserve Fund gives a potentially false assurance that funded levels of the retirement trust funds are adequate to pay pension benefits, thereby reducing required employer contributions into the system. Future tapping of the Reserve Fund however, would significantly exacerbate the unfunded liability at a time when Alaska has diminished flexibility to address the problem due to lower oil production and likely lower reserves.

Section 3. The City Council further expresses strong support for the Governor's proposal to continue to provide \$500 Million per year in State Assistance payments on behalf of municipalities and school districts. State Assistance payments should not be further diminished. Any further reduction in State Assistance necessarily extends the amortization of the unfunded liability resulting in local governments and school districts having to pay the 22% (PERS) and 12.56% (TRS) employer contribution rate for many more years than they otherwise would, and significantly shifting costs from the State to its municipalities.

Section 4. This resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED by the Homer City Council this 13th day of January, 2014.

CITY OF HOMER

MARY E. WYTHE, MAYOR

ATTEST:

JO JOHNSON, MMC, CITY CLERK

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Fiscal Note: N/A

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