

**A Resolution of the Haines Borough Assembly expressing 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 percent and TRS is 52.1 percent 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 percent, honoring the State's previous commitment to pay employer contribution rates in excess of 22 percent, allowing for future interest earnings to offset future contribution requirements, reducing pressure on future State and local 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 HAINES BOROUGH ASSEMBLY:**

Section 1. The Haines Borough Assembly expresses 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 Haines Borough Assembly 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 Haines Borough Assembly expresses 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 percent (PERS) and 12.56 percent (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.

Adopted by a duly-constituted quorum of the Haines Borough Assembly on this 28th day of January, 2014.

  
Stephanie Scott, Borough Mayor



Attest:

  
Michelle L. Webb, Interim Borough Clerk