

PERS/TRS Only Gets Worse If We Do Nothing

I was quite amazed at the recent *Don't Worry – Be Happy* October 11 ADN Compass piece from Pat Wellington about the huge PERS retirement system debt. Pat was a PERS board member when the Knowles Administration cut deposits into the retirement system from 12% of wages to the low of 6.75% in 2002. In that same year they finally updated the 1984 life span to the 1994 data, which recognized that employees were living about 10% longer. That meant an immediate 10% debt for the NEXT governor because no money was collected to pay an additional 2 years of benefits to every retiree and the contribution rates would not incorporate the change until 2003.

I agree that PERS/TRS is not a present crisis because the payments are not all due today. We could stick our heads in the sand and pass the burden on to our kids. I disagree with Mr. Wellington's recommendation for a new study - how many studies do we need to tell us the same thing before accepting reality? We've had Mercer Human Resources, Milliman's audit of Mercer, Actuarial Service Company's analysis of both, and our new actuary, Buck Consultants valuation - each telling us the projected debt is worse than the original actuarial analysis. Many people do not realize that a committee was formed to design a new tier in September of 2003 that included two PERS board members and two TRS board members. They were not able to find any acceptable defined benefit changes so they developed a defined contribution model. The boards failed to adopt this or any solution in November 2004 so the legislature proceeded to build on the committee's work and ended up with SB141 in 2005. Where are these "smart problem solvers" Mr. Wellington refers to and how many years do we give them since they chose not to participate in the public process of the tier design committee or the hearings of the legislature?

It is very strange that people who often promote long range fiscal revenue plans appear to be in a state of shock when long-term solutions are adopted for fiscal liability problems. Every Alaskan should remember that this debt is a Constitutional obligation and the payment schedule to State and local government employees is really \$15.6 billion - for which no money was collected. Those payments to retirees should be fully funded over the next 25 years. Forget the \$6.9 billion figure you hear; that is how much cash we needed to deposit into the PERS/TRS fund back on July 1, 2005 to have made the debt disappear. We did not do that. As a Constitutional obligation Alaskans WILL make those payments. The retirement system can collect the money during the next 25 years by using the higher employer contribution rates, as just instituted, or we can hope each year that the budget has 'extra' revenue available. But if not, Alaska will be paying the debt with Permanent Fund Earnings, the Budget Reserve, or funds from Power Cost Equalization, Alaska Housing, Student Loan funds or even PFDs - none of which are Constitutional obligations.

Everyone proposing that we return to the old defined benefit system that can generate a yearly operational debt larger than the entire school funding formula should tell you how far they are willing to diminish the system benefits to make it conform to a long range fiscal plan. Or are they willing to use the other funds, including your PFD, to pay the debt?

Paul Seaton, State Rep. District 35.