

CITY OF BETHEL, ALASKA

Resolution #14-01

A RESOLUTION BY THE BETHEL CITY COUNCIL, EXPRESSING STONG 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 Employees Retirement System (PERS) and Teachers Retirement System (TRS) is 11.8 Billion at June 30, 2012;

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

WHEREAS, the Governor has identified the State's unfunded pension liability as Alaska 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;

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

WHEREAS, Governor Parnell's plan is in the best interest 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 further 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 productions 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 that:

Section 1. The Bethel City Council 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.

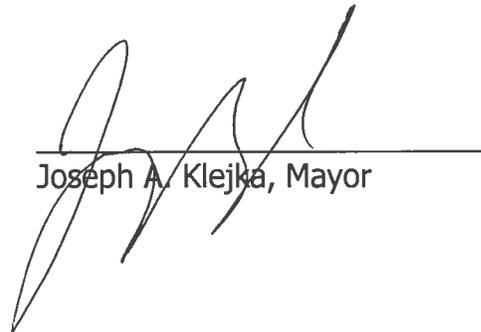
Section 2. The City Council expresses concern for any proposal to place the proposed \$3 Billion into a Reserve Fund rather than directly into the retirement trust funds. The purpose of a Reserve Fund is to provide future flexibility to allow monies to be used for purposes other than the provision of 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 government and school districts having to pay the 22% (PERS) and 12.56% (TRS) employer contribution rate for many more years than the otherwise would, and significantly shifting costs for the State to its municipalities.

PASSED AND APPROVED THIS 14 DAY OF JANUARY 2014, BY A VOTE OF 6 IN FAVOR AND 0 OPPOSED.

ATTEST:


Lori Strickler, City Clerk


Joseph A. Klejka, Mayor