

MEMORANDUM



DATE: January 27, 2023
TO: Assembly Finance Committee
FROM: Jeff Rogers, Finance Director

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SUBJECT: Update on Deferred Compensation Retirement Plan Match Proposal

This memo follows on a related memo from the January 4, 2023 Finance Committee meeting.

In response to questions and feedback from the committee, staff are recommending an additional matching tier at 10+ years of service. The additional cost of adding this tier is modest, less than \$100,000 annually, even at full utilization. This additional matching tier attempts to mitigate the “5 year cliff” currently experienced with Tier IV employees.

Years of Service	Employee Contribution	Employer Match
0 – 2 years	2% voluntary	1% match
2 – 5 years	4% voluntary	2% match
5 – 10 years	6% voluntary	3% match
10+ years	8% voluntary	4% match

Years of Service	Vesting
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5+ years	100%

A cost model has been developed using actual deferred compensation contribution data (CBJ employees only). Here are some results:

- Tier IV employees currently contribute approximately \$597,000 annually to their own deferred compensation (457) accounts
- Based on the 1% to 4% employer match schedule described above, the total cost *today* of the proposed match would be just \$167,000 (all funds)
- If 100% of today’s Tier IV employees participated fully, the total cost of the proposed match would be \$609,000 (all funds)
- If all CBJ employees were Tier IV (which will happen within the next 20 or so years) and 100% employees participated fully, the total cost of proposed match would be \$1.2 million (all funds)
- If all CBJ employees were Tier IV and program participation was 85%, the total general fund cost is roughly \$750,000 (GF only) – you might consider this the “final state cost” of the matching program, but those costs will not fully manifest until many decades into the future

If endorsed by the Assembly, staff would build these costs into the FY24 budget based on a reasonable estimation of program participation. These estimates could be high or low, but they are most likely to add to or reduce lapsing funds rather than require a supplemental appropriation after-the-fact.

Other mechanical details of program implementation are being worked out by staff in consultation with MissionSquare Retirement and HYAS Consulting.

Recommended Action

I recommend that the Assembly Finance Committee direct staff to build the cost of the proposed deferred compensation match into the FY24 budget and implement the proposed program effective July 1, 2023. Additionally, the committee could direct staff to attempt implementation as soon as practical, to be funded by available FY23 lapsing funds.