

**Retired Public Employees of Alaska
Testimony on House Bill 30**

**House Labor and Commerce Committee
March 23, 2009**

Mr. Chairman and members of the Labor and Commerce Committee.

I'M A TIER IV RETIREE W/10 yrs.

My name is Bob Doll and I am the state President of the Retired Public Employees Association. I'm here this afternoon to testify on behalf of the RPEA and in support of HB 30. RPEA is a volunteer organization made up of some 2,200 retired teachers and other public employees.

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RPEA believes Alaska's public policy should support Alaska families from young to old. Alaska's leaders should encourage Alaskan's who built careers and families in Alaska to remain active members of the community as they retire and grow old.

RPEA supports HB 30 because it will restore the incentives the state can provide to public employees to continue living in Alaska after they retire. Without the changes proposed in HB 30, there are few, if any, incentives for state employees covered by the current defined contribution plan to stay and contribute to Alaska after they retire.

There are currently over 18,000 retired public employees living in Alaska. According to a September 2006 study by the University of Alaska's Institute of Social and

Economic Research¹. 23% of Alaska's retired population are public employee retirees. The study found that in 2004 all of Alaska's retirees brought an estimated \$1.46 billion into the state that was ^{QUOTE} "roughly equal to what fisherman were paid in 2005 for their Alaska seafood harvests, or the value of zinc, gold, and other metals mined in Alaska in 2004." ^{UNQUOTE} Simply stated, Alaska's retired public employees make a significant contribution to Alaska's economy. Their spending creates many year-^{JOB}round ^Sstatewide ~~jobs~~, from low-wage jobs in trade and services to high-paying jobs in health care. In addition to their substantial financial contributions to Alaska's economy, they also provide significant volunteer work, both locally and statewide. If for no other reason than the strength and future health of Alaska's economy, Alaska's public employees should be encouraged to live out their retirement years in Alaska and not relocate to some other state or country that would reap the economic benefits of their retired investments.

Others have testified that the defined benefits program provides a more secure financial safety net for retirees than what is offered by a defined contribution system.

RPEA's testimony would like to draw the Committee's attention to the ~~positive~~ ^{POTENTIAL} provisions found in HB 30 to restore the 10 % Alaska cost of living allowance, post retirement pension adjustment, and post retirement health care benefits.

Retired public employees, under the defined benefits pension program, receive the Alaska Cost-of-Living Allowance (COLA) that was established in 1966 as an allowance to assist retirees, who elect to remain in state, to defray the higher cost of living in Alaska. The amount of COLA a defined benefits member receives is 10% of

¹ Sept. 2006, UA Research Summary No. 7, "\$1.5 Billion A Year and Growing: Economic Contributions of Older Alaskans", by Scott Goldsmith and Jane Angvik

their base retirement benefit (or a minimum of \$50 per month, whichever is larger).

No COLA is provided to an employee under the defined contribution program in state law.

A retired public employee under the defined benefits pension program is also entitled to a Post Retirement Pension Adjustment when the cost of living increases, based on the consumer price index for Anchorage. Like the COLA benefit for staying in Alaska, current state law does not provide a post retirement pension adjustment to public employees covered by the defined contribution program.

Perhaps the most important benefit early-tier retirees receive under the defined benefit program is health care coverage until the age of 65. After the age of 65 the state's health insurance coverage becomes secondary to Medicare. Unfortunately, public employees covered under the defined contribution program run a much greater risk of finding themselves with far less coverage for health insurance when they retire. To be eligible for any retirement medical benefit, a retiree under the defined contribution program must have at least 30 years of service [25 yrs. for peace/fire], or be at normal retirement age under social security with at least 10 years of service, and must have worked continuously for the state for at least the last 12 months before retirement. Public employees that have a break in service, or do not retire directly from the state would not have access to state health care coverage.

Finally the security of any post retirement health care insurance for defined contribution retirees ^{IS UNDERMINED} if broken by the current provision under AS 14.25.490(c), where

QUOTE

^ "The state may, in its discretion, terminate the plan in whole or part at any time

UNQUOTE

without liability for termination." How can a public employee plan for a secure retirement with such a provision governing the state as the employer?

Alaskans who make it to age 65 often have to prepare financially for a long time in retirement. Twenty-nine percent of women who reach age 65 will also reach age 90. Eighteen percent of men who reach age 65 will make it to age 90. With the very limited medical benefits under the defined contribution plan, no Post Retirement Pension Adjustment to help offset inflation and no Cost-of-Living Allowance for living in Alaska, RPEA fears the exodus of retirees from Alaska will increase, seriously affecting the Alaska economy and Alaska jobs.

Fifty years ago Alaskans achieved what was, for many of them, a life-long dream. They gained the legal status as a state in the union that could determine its own future and how its resources might be developed. To actually reach those goals required, as it does today, a work force that could make the case on Alaska's behalf. The Alaskans of that day attracted and retained the talent necessary to give us the advantages we now enjoy. But that effort has not ended and if we want to continue to compete with our sister states we need to find the same kinds of talent. We are at

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disadvantage, however. A person starting a career with the state of Alaska today is denied a reliable retirement pension ^{WITH} ~~without~~ very limited access to post retirement health care coverage and no cost of living adjustments.

To encourage Alaska's public employees to live out their retirement years contributing as an Alaska citizen, RPEA asks the Labor and Commerce Committee to

^{MOVE} act favorably on HB 30. OUT OF COMMITTEE WITH A FAVORABLE RECOMMENDATION.

THANK YOU MR. CHAIRMAN