

ALASKA STATE LEGISLATURE

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Session

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SPONSOR STATEMENT

SB 48 - PERS CONTRIBUTIONS BY MUNICIPALITIES

SB 48 seeks to provide relief to those communities that have faced hardship due to the PERS “salary floor” established in SB 125 of the 25th Legislature.

SB 125 changed the PERS system from a ‘multiple employer plan’ to a ‘cost share plan’. That is, SB 125 transferred the individual liability of the 160 PERS employers and consolidated that liability so that all the employers share in that liability.

SB 125 also created what is commonly referred to as the 2008 salary floor. That is, every PERS employer will have a penalty imposed on them if their salary base is below that of 2008. This was instituted to ensure that the system could not be “gamed”. This is to keep municipalities from hiring people on a contract basis and, therefore, allowing the base payments into the system from shrinking.

Many municipalities, due to circumstances beyond their control, have found themselves under the 2008 floor for a number of years. Most of these are very small remote communities. Some of the affected communities are simply trying to lower their budgets by actively laying-off or not re-hiring due to attrition. Some communities lost employees due to a base closure or a regional clinic closure.

To further make the point, there is currently one community that owes \$420,000 at 12% interest. SB 48 was introduced to help communities in this situation.

SB 48 will address this issue in two ways:

1. Calculate the PERS contribution to their current active employees of those communities that have lost 25% of their population between 2000 and 2010.
2. Provides relief to those communities that are delinquent in transferring contribution if their population decreased by more than 25% between 2000 and 2012.

SB 48 does not intend to repeat the “2008 floor” debate, but rather provide relief to those communities affected by the arbitrary line that debate created.

I urge your support of this legislation.