



"Village with a Past, City with a Future"

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April 8, 2011

Senator Joe Paskvan
State of Alaska
State Capitol, Room 115
Juneau, AK 99801-1182

RE: **RESOLUTION NO. 2011-27**
City of Kenai

Dear Senator Paskvan:

At its April 6, 2011 meeting, the Kenai City Council unanimously passed its Resolution No. 2011-27 supporting Senate Bill 100, which if passed, will end requirements for termination studies (in limited circumstances) for PERS employers who terminate some or all participation in the Public Employees' Retirement System of Alaska to pay termination costs as well as continue to pay the past service rate on the salaries of the terminated employees until the unfunded liability of the system is paid off.

A copy of Resolution No. 2011-27 is enclosed for your information and record.

If you have any questions with regard to the action taken by our City Council in supporting Senate Bill 100, please contact our offices.

CITY OF KENAI

Carol L. Freas
City Clerk

clf

Enclosure

cc: Senator Tom Wagoner
Representative Mike Chenault
Representative Kurt Olson



Suggested by: Administration

CITY OF KENAI

RESOLUTION NO. 2011-27

A RESOLUTION OF THE COUNCIL OF THE CITY OF KENAI, ALASKA SUPPORTING SENATE BILL 100, WHICH WOULD END REQUIREMENTS FOR TERMINATION STUDIES IN LIMITED CIRCUMSTANCES.

WHEREAS, legislation passed by the State of Alaska in 2008 changed the Public Employee Retirement System (PERS) to a cost-sharing plan and established that municipalities and school districts would pay 22% of eligible payroll to PERS; and,

WHEREAS, after adopting regulations, the State of Alaska recently began enforcing provisions in State statutes which require employers that terminate a department, group or other classification (group) from participation in PERS to pay the costs determined by a termination study completed by the State's actuary as well as continue to pay the past service rate on the salaries of the terminated employees until the unfunded liability of the system is paid off; and,

WHEREAS, these costs can amount to hundreds of thousands of dollars even on a single position; and,

WHEREAS, in small municipalities a group is often made up of a single position, therefore small municipalities are impacted by these regulations far more often than larger municipalities; and,

WHEREAS, small municipalities are finding it difficult to make appropriate staffing decisions due to the substantial cost of termination studies and past service payments on terminated positions; and,

WHEREAS, the State of Alaska Department of Administration, Division of Retirement and Benefits has stated that a vacant position, if it constitutes a group, is the same as a group formally eliminated by amendment of the participation agreement with PERS; and,

WHEREAS, a single vacant position can subject the municipality or school district to large and unknown future liability even though there is no continuing salary for the position; and,

WHEREAS, municipalities are statutorily bound to make PERS contributions on no less than the June 30, 2008 salary base thus protecting other plan members from underpayment of the past service liability; and,

WHEREAS, PERS employers that terminate all participation would still be subject to termination costs and past service liability payments; and,

WHEREAS, recent enforcement of the regulations has put municipalities in the untenable position of not being able to properly manage staffing levels, which means not being able to deal with budget shortfalls and because the application of the regulations are so blatantly unfair to small municipalities.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA, supports passage of Senate Bill 100 which eliminates termination studies required by AS 39.35.625 and which makes other changes which protect the State of Alaska and other PERS employers from an employer that terminates coverage completely or reduces eligible payroll below the 2008 salary base.

PASSED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA, this sixth day of April, 2011.



MIKE BOYLE, VICE MAYOR

ATTEST:



Carol L. Freas, City Clerk