PERS III:
The Termination Studies

Prepared By:
Michael E. Lamb, CPA, CGFM
Chief Financial Officer
Fairbanks North Star Borough
P.O. Box 71267
Fairbanks, AK 99707-1267
(907) 459-1370
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PERS Termination Studies

What Is The Issue?

PERS says: If you reduce your employee count because you made a decision to alter or suspend one of your programs or services, we just might send you three bills*. It doesn't matter to us (PERS) why the reduction occurred, nor, does it matter that you are a small employer that could end up having to reduce your programs and services because you owe us hundreds of thousands of dollars, to millions of dollars.

One bill we (PERS) will send you will be for the cost of doing a termination study. The second bill will be what the study says you owe the System, due to the employee change(s) you made. The big bill we'll send you, number three, is the one that may require you to pay the past service cost (PSC) on each position we said you needed to opt out of PERS. Just to be clear, you will be required to pay the PSC (currently 18.63%) on the salary(s) we said you needed to opt out until the unfunded obligation goes away, maybe 30 years from now.

The future financial stability of PERS employers, and their ability to efficiently and effectively manage the delivery of their programs and services, is being directly impacted and undermined by how PERS interprets 2 AAC 35.235.

What Employers Are Subject To The Termination Study Regulation?

All PERS employers: the State, boroughs, cities, school districts, and the university system. There are no statutory exclusions for any PERS employer. We are all -- subject to the negative compounding effect that the 2 AAC 35.235 imposes.

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* **2 AAC 35.235. Calculation of termination costs**: ***(a) An employer that proposes to terminate coverage of a department, group, or other classification of employees*** under AS 39.35.615 or 39.35.957, or terminate participation of the employer under AS 39.35.620 or 39.35.958, ***must have a termination study completed by the plan actuary*** to determine the actuarial cost to the employer for future benefits due employees whose coverage is terminated.
(b) In addition to the costs calculated in (a) …***the employer*** under AS 39.35.620 or 39.35.958, ***is required to pay to the plan until the past service liability of the plan is extinguished an amount calculated by applying the current past service rate adopted by the board to salaries of the terminated employees as required by AS 39.35.625*** (a). ***This payment shall be made each payroll period*** or the employer may enter into a payment plan acceptable to the administrator for each fiscal year.

What Is The Abbreviated History That Led To The Studies?

Due to a variety of historical circumstances and decisions, the PERS and TRS defined benefit systems evolved from being fully funded to being in a state of being billions of dollars underfunded.

The main questions became: Whose debt is it, and how will "we" pay the unfunded obligation down? Great consideration and weight were given the concepts of predictable, affordable, and stable rates.

In the end, the resolution embraced by all parties as acceptable (meaning most affected parties were equally unhappy), and generally incorporated into SB 125:

- set in law that the PERS system is a consolidated system,
- set in law that there would be a flat maximum PERS employer combined normal rate and past service cost rate of 22%,
- set in law that the State would pay the difference in the actuarially determined combined rate and the 22%,
- set in law that PERS employers would pay 22% on defined contribution (DC) salaries as well, with the difference between the 22% and specific DC benefits (approximately 10%) would go toward paying down the DB unfunded obligation,
- and set in law that the State would pay all of the past service cost rate for the TRS system.

If That Was The History, Then Why The Termination Studies?

The combined DB and DC salary base will be required to pay down the unfunded obligation, and sustain predictable, affordable, and stable employer rates. This understanding takes into account that over time the defined benefit (DB) salaries would decrease, due to the establishment of the defined contribution (DC) plan, PERS Tier IV.

Paying off the unfunded obligation is predicated upon a stable and a reasonably growing salary base. A concern at the time SB 125 was adopted was that PERS employers might en-masse elect to convert PERS salaried positions to contracted positions to avoid/reduce their PERS cost.

If enough employers made enough wholesale major changes in the way they deliver their programs and services by converting from a salary based labor force to contract based labor force, the salary base to pay off the PERS unfunded obligation would shrink. Shrinking the PERS salary base jeopardizes the ability to pay off the unfunded obligation.

<u>How Did SB 125 Address The Salary Base Shrinkage Concern?</u>

PERS employers pay 22% on the total of their current combined DB and DC salaries, ***<u>or</u>*, pay the greater of 22% times the payroll period that ended on <u>6/30/08</u>.** This basically ***set the minimum contribution*** amount that a PERS employer would pay, once PERS converted to a consolidated system. ***This provision sets a future, per pay period, contribution floor for all PERS employers, and it was, and is, appropriate and fair. This provision deals with an employer's need to modify their programs!***

However, other language was added to deal with employers that might try to <u>purposely</u> reduce their benefit costs, and therefore, reduce their fair share contribution toward paying off the unfunded obligation.

So, The Concern Was A Shrinking Salary Base. Has It Shrunk?

No. *In fact, it has grown steadily*. The fear that employers would act in a manner that jeopardized payment of the unfunded obligation has not materialized. The table below clearly shows a strong salary base growth, not a decline.

	PERS Defined Benefit Salaries Only (in thousands)								Defined Benefit and Defined Contribution Salaries		
Report Date	6/30/1999	6/30/2000	6/30/2001	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008	6/30/2009
FY Applies	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Total DB Salaries	1,283,549	1,321,480	1,360,401	1,402,686	1,460,783	1,472,987	1,586,891	1,676,318	1,689,969	1,657,186	1,662,781
Total DC Salaries									115,329	221,931	340,360
Salary Base That Pays Unfunded	1,283,549	1,321,480	1,360,401	1,402,686	1,460,783	1,472,987	1,586,891	1,676,318	1,805,298	1,879,117	2,003,141
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Annual % Increase over PY		3.0%	2.9%	3.1%	4.1%	0.8%	7.7%	5.6%	7.7%	4.1%	6.6%
% Increase 6/30/06 - 6/30/09											19.5%
								6/30/09 Salaries	2,003,141		
								FY 6/30/06 Salaries	1,676,318		
								Salary Growth	326,823		
								Divided By FY 6/30/06 Salaries	1,676,318		
								Equals % Growth	19.5%		

Take note: The underlying fear that certain employers would shrink the salary base has simply not happened! ***The termination language was a solution to a problem that never materialized**, and it's not needed.* But even worse, the negative consequences, ***the additional charges and payments that result from what PERS interprets as being required from the termination language, were never contemplated or intended, and they are destructive***.

What Are Some Termination Study Fact Pattern Examples?

City of Ketchikan:

Terminated Position(s): Eight employees of Gateway Center for Human Services.

Positions(s) Funding Source: Grants, patient fees, and sales taxes.

Reason for Termination(s): In addition to reduced federal and state grant funding, the City Council determined that it was no longer appropriate for the City of Ketchikan to operate a health care clinic. The mental health and substance abuse treatment services offered by Gateway Center for Human Services were not typical local government services and the City was ill equipped to deliver the services in a cost effective and efficient manner.

Termination Cost:

1) $ 5,000 to Buck for the termination study,
2) 10,364 to the State for liability increase to the System
3) 2,235,421 = ($399,968/yr) x (18.63% PSC rate) x (30 years) = estimate

$ 2,250,785

Observations:

The City Council was forced to alter its services as a direct result of reductions in critical grant funding, and the questioned appropriateness of the City continuing this program. The loss of grant funding levels has led to a potential $2.3 million obligation. The City plans to divert resources, approximately $74,514/year, from its Hospital Sales Tax Fund to make the annual past service cost payments, thus negatively impacting future hospital funding and possibly other paid positions.

What about communities that rely on law enforcement grants, domestic violence grants, fire fighting grants, Homeland Security grants, education grants, etc.? Will entities need to stop accepting critical grants out of fear that the grant will end sometime in the future, and then, they’ll have to pay benefits on salaries they no longer get grant funding for?

City of Craig:

Terminated Position(s): Five and a half employees were transferred to the City to staff the Craig Clinic, a primary health care clinic (2 DB and 3.5 DC employees).

Positions(s) Funding Source: Fees for services with shortfall covered by general government funds.

Reason for Termination(s): In 2000, the City of Craig assumed operation of a clinic. Two prior operators of the clinic had abruptly halted their operation of the clinic, citing the inability to collect revenues sufficient to cover their operating costs. The City Council directed staff to develop a plan to keep the clinic open.

Financially, the clinic was a mixed bag for the City of Craig. Some years revenues exceeded expenses, in other years expenses exceeded revenues. The trend for the past four years was one of operating losses. The City never wanted to be in the clinic business, and got out of it as soon as it could, while still ensuring that the service would continue to be available locally. In April, 2010, the City of Craig turned over operation of the clinic to a private non-profit corporation. The City is not paying the new clinic operator to run the clinic, nor is the operator paying the City to run the clinic.

Termination Cost:

1) $? to Buck for the termination studies
2) ? to the State for liability increase to the System
3) <u>2,065,694</u> = ($396,600/yr) x (18.63% PSC rate) x (30 years) = estimate $2,065,694 plus unknown study and termination liability costs

Observations: This was not a “municipal service” that was “contracted out” to the private sector, nor was this a service the City decided to contract out to avoid PERS costs. It was a medically necessary service that the City provided on a temporary basis between 2000 and 2010. In short, the clinic was an operation not suited for the City. For community based health and safety reasons, the City took over for a temporary period. Staff were not long term PERS participants, but a combination of Tier III and IV members, and therefore, the City could not have built up any huge obligation to the DB system for the two DB employees. But, the City is faced with possibly having to pay into the System over $2 million for those temporary clinic positions. Where will the funding come from? The PSC rate (18.63%) times 5.5 employees salaries ($68,756/year) equates to possibly terminating another employee in order to have enough funds to pay the System.

Other Issues for the City of Craig:

Not as a consequence of, but, at about the same time that the City stopped operating the Clinic, the City of Craig's EMS Coordinator applied for a transfer from the EMS Department to the Police Department, to work as a dispatcher. The City Administrator is considering refilling the EMS Coordinator position with a part time employee, rather than a full-time employee. He asked PERS staff if this transition, in their view, might also trigger some sort of payment to the PERS system. PERS staff stated that it might, and said they would need to make a determination on the matter.

City of Skagway:

Terminated Position(s): Single position, Fire Chief

Positions(s) Funding Source: General government funds

Reason for Termination(s): Skagway changed its Fire Chief position from paid to volunteer due to budget reasons. The fire department will have a paid administrator position instead. Extract from State e-mail: "As a volunteer, *the position is no longer eligible for PERS. Therefore, you must amend your participation agreement to exclude the Fire Chief." "Even if the Fire Chief position is vacant, the termination study must still be done."*

Termination Cost:

1) $ 2,500 to Buck for the termination study,
2) 17,470 to the State for liability increase to the System
3) 416,643 = ($74,547/yr) x (18.63% PSC rate) x (30 years) = estimate $436,613

- ***Observations:*** Here was a PERS employee that only worked for Skagway for 4.73 years. Skagway didn't even have this person employed long enough for this employee to become vested if the person had worked as a PERS employee only for Skagway. Yet, Skagway will have to pay huge sums in the future as though they were that person's sole PERS employer, and as if, the entire benefits due that employee were created during their years of service at Skagway; but that's not the case! Skagway's future payments will cover past service costs for other employers, costs that should be paid (under a single-agent, multiple employer system) by the other employer(s), not by Skagway. This was one of the very issues (one employer's decisions financially affecting another employer) that was the basis for going to a consolidated system. Extract from State e-mail: "Benefits due to terminated employees must be funded by the employer…" "In addition to this cost, you will continue to make contributions toward the unfunded liability for this position (Tiers I, II and III) each pay period by the amount determined by applying the past service rate times the salary of the individual you are removing, or the salary of the person that last held the position. The current past service rate is 18.19%. The past service rate changes every fiscal year."

Ketchikan Gateway Borough:

Terminated Position(s): Single position, Borough Manager

Positions(s) Funding Source: General government funds

Reason for Termination(s): 34+ year PERS employee that wanted to draw retirement. The Assembly wanted to keep the manager, so it changed the position from employee to contracted.

Termination Cost:

1) $ 2,500 to Buck for the termination study,
2) 12,392 to the State for liability increase to the System
3) <u>676,269</u> = ($121,000/yr) x (18.63% PSC rate) x (30 years) = estimate $691,161

Observations: Here was a PERS employee that only worked for the KGB for less than three years of their over 34 years in the System. For a little over 27 years the person was employed by the State. The employee and the employee's employers paid <u>into</u> the System four years beyond when that employee had reached 30 years of employment, able to retire with full benefits. This also means the employee did not draw on the System for over four years that they could have, had they retired at 30 years. And yet, KGB still owed money to the System for this person. KGB didn't even have this person employed long enough to vest, yet, it could possibly have to pay $700,000 into the System for this employee? It is interesting that although this person and the employers paid into the System for 34 years, KGB might have to pay into the System for another 30 years, and therefore the System will have received just under 65 years of contributions to fund this person's retirement! Something just does not seem right about this!!

City of Palmer:

Terminated Position(s): City Manager

Positions(s) Funding Source: General Fund

Reason for Termination(s): Change in managers with newly hired manager wishing to retain current retirement status.

Termination Cost:

1) $ 2,500 to Buck for the termination study,
2) 12,483 to the State for liability increase to the System
3) <u>582,212</u> = ($104,171/yr) x (18.63% PSC rate) x (30 years) = estimate

$ 597,195

Observations: The termination costs are based on the wages of the <u>last individual</u> holding the position being removed from PERS. In the City of Palmer's case, the former manager had approximately 17 years in the PERS system equally distributed between the State of Alaska, Fairbanks North Star Borough and the City of Palmer. The last employer is the entity with the financial burden even though only three years of service were provided to the City.

City of Cordova:

Terminated Position(s): Police Chief

Positions(s) Funding Source: General Fund

Reason for Termination(s): Change in Police Chief with new proposed Chief wishing to retain current retirement status. Previous Chief was employed for two years. Proposed new Chief is a retired State Trooper.

Termination Cost:

1) $?? to Buck for the termination study,
2) ?? to the State for liability increase to the System
3) 381,768 = ($68,307/yr) x (18.63% PSC rate) x (30 years) = est.

$ 381,767 + one-time cost to be determined to PERS

Observations: The termination costs are based on the wages of the last individual holding the position being removed from PERS. In the City of Cordova's case, this individual came from Louisiana, had approximately two years in the PERS system, was not vested, and moved back to Louisiana. The City began a search and determined that the best candidate for the position was a retired State Trooper. The City had no knowledge of the changes in PERS rules and proceeded to ask the State what needed to be done to remove the Chief position from PERS. The City was informed about the changes in the process that includes the termination study and liability payments. The City was unable to fund those amounts, the City is currently operating with an Interim Chief (Temporary employee) while hoping the Legislature will remove the termination study and liability during the 2011 legislative session.

2 AAC 35.235 says that an employer ***"… must have a termination study completed by the plan actuary to determine the actuarial cost to the employer for future benefits due employees whose coverage is terminated."*** In this case, there is absolutely no additional cost to the PERS System as a result of the Louisiana individual's termination, yet the City is being charged anyway.

The result of the new PERS rule is that a highly qualified Alaska State Trooper can go to work in any other state without impact to his/her Alaska retirement, and without impact to his/her non-Alaska employer. However, if the Trooper wants to work in Alaska they must give up their retirement while working in Alaska, or their Alaska employer must pay excessive costs to PERS for a study and liability expense. The consequence of this is that the most qualified employees are being driven out of Alaska if they want to continue to work.

What Are Some Of The Unintended Termination Study Consequences?

1) Equitable and consistent application of the State's termination law does not seem to be occurring, nor likely can it ever occur given the uniqueness of all PERS employers' positions. A law like this that has such a material financial impact on PERS employers should at a minimum be able to be fairly, equitably, and consistently applied to all PERS employers. Looking at which entities have had termination studies done, and what drove those studies to be done, versus studies not done and the reasons behind them not being done, there is a clear and valid question as to is there really any equal treatment under the law?

How is the State complying with these termination laws, how has it applied the termination laws unto itself, as the administrator of the PERS System? You may also wonder: How many termination studies has the State had conducted on itself? When thinking about what the answer should be, keep in mind that the State is the largest PERS employer, with about 50% of the salary base, about $1 billion per year. Keep in mind that the State opens and closes offices all the time, and contracts out work which it cannot hire salaried staff to do. So again, how many studies? According to the State, none have been done for State positions**!** ***Further, according to the State, they don't even know how they'd administer the law, these regulations, unto themselves.***

Does it seem like an equitable and consistent application of the law when the entity that drafted the regulations, and has the largest salary base in the System, doesn't even apply the regulations to itself, and yet, it imposes them on others?

2) There is an inescapably inequitable impact to small PERS employers. This State law, or its application by PERS creates a clear and unconscionable inequitable impact on small PERS employers, versus larger PERS employers. Many smaller communities only have "one" employee for a program or service. If they lose a grant, or simply are faced with budget constraints and they have to cut a person, say a nurse in a school, they'd be required to have a termination study done, then pay all of the related costs because they actually cut a "function or a group." However, applying the law to a larger PERS employer that loses some grant money or is faced with budget constraints does not result in the same impact from the loss of the only nurse. The larger employer has more than one nurse, so they are not required to do a termination study.

So, the small employer gets financially punished with the requirement to opt that position (function/group of one) out of PERS. Then they get hit with all of the related termination costs that the large employer doesn't get. Even though they both paid, say, $50,000 a year for those nurse employees they had to lay off, one gets a bill for the salaries they aren't paying, and the other one doesn't get a bill. Both are not paying an equal $50,000 into the PERS system!

Imagine now that the large employer cut five nurses and therefore, reduced by $250,000 the salary used to pay down the unfunded obligation. The small employer impacted the System by $50,000, the large employer by $250,000. No termination study or past service costs for the large employer, the small employer, they're (excuse the language) screwed. Going back to consequence #1 just made above, does this seem like a fair and equitable application of the law, or the intent of the law? Obviously, no. But worse, there is clearly not a fair and equitable financial impact on these two different employers for taking the exact same action, for the exact same reason, with the exact same impact on the System? The little PERS employer gets financially punished for taking the same action as the larger employer!

3) Termination studies negatively impact our decision, and our ability to accept grants because of the potential future liability. Grant funded positions may become subject to the termination studies, once the positions are terminated due to grant funding ending. Employers will find themselves paying the past service cost rate on former grant funded position salaries with other revenues. Essentially, if you accept a grant it is possible, depending upon the circumstances, that once those grant funded positions are ended that you'll need to use other dollars to pay the PSC on those former grant funded salaries that you're no longer paying. This will force diverting dollars from the actual delivery of other necessary services and programs to paying benefits on grant salaries no longer being paid until the unfunded obligation is gone. This result clearly raises the question of whether or not an entity should accept any grants that might have new positions attached to them. Look at the City of Ketchikan set of facts. Shall we talk about public safety grants, shall we talk about Homeland Security grants, shall we talk about Emergency Medical Services grants, shall we talk about air quality grants, shall we talk about, say ARRA grant funded positions at our schools and the university system?

4) As administered, there are no offsets taken into account for salary increases in one area, for decreases in other areas. In other words, the ability for entities to adjust their programs and services to meet their constituent's needs is negatively impacted. If an employer needs to cut in Area A, and add in Area B, that employer could find itself paying the PSC rate times the salary(s) it is no longer paying in Area A because it shifted its employees to Area B where there is more need, whether driven by local need or a mandate. An employer could keep/maintain the exact same salary base, but, by stopping some service completely and simply moving those employees to an existing or a new service, they could get hit with a demand for a termination study as that group is no longer providing that program or service (such as your only EMS Coordinator going to the Police Department). As currently administered, the PERS program only really allows for an upwards spiraling increase in PERS salaries, and those total salary dollars will be subject to either the statutory 22%, or, the PSC rate on opted out salaries.

5) Over time, more and more resources will go toward paying down the unfunded obligation than go to the delivery of services such as fire protection, law enforcement, teaching, recreational services, landfill services, library services, flood control services, emergency response services, and the list goes on from here. Once you start shifting employee resources from one area of responsibility to another, you start a negative downward spiraling in your programs and services. If an employer, for example, lost their grant funding for a healthcare program that had 6 staff that averaged $50,000 per year, they could possibly have to cut another position to cover the termination costs. The math is: $50k x 6 employees x 18.63% PSC rate = $57k/year in past service costs on salaries no longer being paid. To get the $57k an employer could very well need to lay off another employee. Over time, there is a terrible compounding effect and an undermining of an entity's ability to deliver its programs and services.

6) An employer will pay more toward the unfunded obligation every pay period on positions that no longer exist than they will for existing paid positions. This is true because the rate set by statute is capped at 22%. The 22% first covers the current normal cost rate then the difference is applied to the unfunded obligation. The current (FY '11) normal cost rate is 9.33%, therefore, an employer pays 11.67% times the working employee's salary toward the unfunded obligation. This same employer is required to pay 18.63% times the salary of an employee they are no longer paying toward the unfunded obligation. That employer is paying almost 7% more for positions that no longer exist because of the unfunded obligation than it pays on salary dollars for existing positions.

7) Termination studies nullify the intent of SB 125 that employers pay the exact same rate. ***"INTENT.*** *It is the intent of this Act to change the public employees' retirement system to a cost-sharing plan and provide for one integrated system of accounting for all employers. Under the integrated system, the public employees' retirement system defined benefit plan's unfunded liability will be shared among all employers, and* ***each employer will pay a single, uniform contribution rate*** *of 22 percent.* It is clear that one result of these termination studies is that different employers will in fact be paying different net rates, and therefore, there will not be a single uniform contribution rate for PERS employers. The adoption of SB 125 was based on the acknowledgement that we do not have a single-agent, multiple employer PERS system, but rather we have had a consolidated un-equitable cost share system. The intent of SB 125 was that all employers would pay the same exact rate. That cannot happen when each employer pays a different termination cost amount, or pays none at all.

8) Will "terminated" salaries pay a higher rate than that set in Statute? What happens to these "termination" payments when the PSC rate is greater than the 22% employer rate set out in Statute, which is projected to be the case for FY 2012?

Are There Things That We All Agree On?

Clearly, and absolutely, the answer is yes. We agree on most everything:

- We all agree that we want to see the unfunded obligation paid off.
- We all agree that the entire PERS salary base is needed to pay off the unfunded obligation, and that it must be sustained and have reasonable growth, which it has to the tune of about 19% since the floor was set.
- We all agree after looking at the history that PERS employers have been loyal to the System and have not made material and purposeful changes in the way they deliver their programs and services from employees to contracted persons.
- We all want and need predictable, affordable, and stable PERS rates.
- We all agree, given the PERS history, that PERS is a consolidated system, and we all need to share as fairly as is reasonably possible in paying off the unfunded obligation.
- We all agree that we want to effectively and efficiently as possible deliver our programs and services. But, we all want and need the ability to adjust our programs and services over time as deemed prudent and necessary, without adding the financial penalty that the termination studies thrust upon us.
- We all agree that the fear of a shrinking salary base has not materialized, and thus the termination studies are not needed.
- We all agree that our legislators, in struggling hard to come up with a fair and equitable solution to a problem that most of them didn't create; never envisioned, intended, nor wanted to see any inequitable financial damage nor any inequitable application of the termination studies law.

Remember: The Termination Language Was A Solution To A Problem That Never Materialized, It's Simply Not Needed!

	PERS Defined Benefit Salaries Only (in thousands)								Defined Benefit and Defined Contribution Salaries		
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								FY 6/30/06 Salaries	1,676,318		
								Salary Growth	326,823		
								Divided By FY 6/30/06 Salaries	1,676,318		
								Equals % Growth	**19.5%**		

What Should Be Done? What Does AML Support As A Solution?

1) AML supports a sustainable salary base to pay off the PERS unfunded obligations.
2) A.S. 39.35.625, that requires termination studies, and any other similar statutes or regulations, should be repealed.
3) Amending A.S. 39.35.255(a)(2) (***this is the 6/30/08 salary floor language***) to include inflation adjustment language will provide a more efficient, cost effective, and equitable method of ensuring that the required PERS salary base is maintained.
4) Talk with your legislators. They never wanted to harm our communities! Ask them to remove the termination language this legislative session.

Appendix

2 AAC 35.235. Calculation of termination costs (Impacts DB & DC employees, not just DB EE's)

(a) An employer that proposes to terminate coverage of a department, group, or other classification of employees under AS 39.35.615 or 39.35.957, or terminate participation of the employer under AS 39.35.620 or 39.35.958, ***must have a termination study completed by the plan actuary*** to determine the actuarial cost to the employer for future benefits due employees whose coverage is terminated. ***The employer shall pay the termination costs determined by the study*** either in a lump sum or under a payment plan acceptable to the administrator. ***The employer shall pay the cost of the study***.

(b) In addition to the costs calculated in (a) of this section, an employer that proposes to terminate coverage of a department, group, or other classification of employees under AS 39.35.615 or 39.35.957. or termination of participation of ***the employer*** under AS 39.35.620 or 39.35.958, ***is required to pay to the plan until the past service liability of the plan is extinguished an amount calculated by applying the current past service rate adopted by the board to salaries of the terminated employees as required by AS 39.35.625*** (a). This payment shall be made each payroll period or the employer may enter into a payment plan acceptable to the administrator for each fiscal year.

(c) Interest as provided under AS 39.35.610 (a) is applied to the termination costs if an employer defaults in the payments under (a) or (b) of this section.

History: Eff. 1/13/2010, Register 193

Authority:
AS 39.35.615 **Effect of termination by amendment of agreement** *(DB Plan)*
AS 39.35.620 **Termination of participation** *(DB Plan)*
AS 39.35.625 **Termination costs** *(DB Plan)*
(Note Extracted 39.35.625 Language: Termination costs not paid as prescribed by (a) of this section or in accordance with an approved payment plan may be collected by the administrator in accordance with AS 39.35.610(b).**)**
"INTENT. *It is the intent of this Act to change the public employees' retirement system to a cost-sharing plan and provide for one integrated system of accounting for all employers. Under the integrated system, the public employees' retirement system defined benefit plan's unfunded liability will be shared among all employers, and **each employer will pay a single, uniform contribution rate** of 22 percent. …*
AS 39.35.957 **Designation of eligible employees, agreement to contribute, and amendment of participation** *(DC Plan)*
AS 39.35.958 **Termination of participation in the plan** *(DC Plan)*

Other Relevant Reference:

AS 39.35.610. Transmittal of contributions to administrator; claims against funds of an employer

(b) If contributions are not submitted within the prescribed time limit, the amount of contributions and interest due may be claimed by the administrator from any agency of the state or political subdivision that has in its possession funds of the employer or that is authorized to disburse funds to the employer that are not restricted by statute or appropriation to a specific purpose. …