



217 Second Street, Suite 200 • Juneau, Alaska 99801
Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

**ALASKA MUNICIPAL LEAGUE
RESOLUTION #2011-03**

**A RESOLUTION SUPPORTING A SUSTAINABLE SALARY BASE TO PAY OFF THE
PERS UNFUNDED OBLIGATIONS AND REPEALING AS 39.35.625, A STATUTE
REQUIRING TERMINATION STUDIES**

WHEREAS, the Alaska State Legislature has helped Alaska's municipalities tremendously in adopting the 22% rate of salary to help fund the current costs and the unfunded liability of the PERS/TRS system; and

WHEREAS, AS 39.35.625 states that:

- (a) Notwithstanding AS 39.35.255, an employer that terminates participation of a department, group, or other classification of employees in the plan, under AS 39.35.615 or that terminates participation in the plan under AS 39.35.620, shall pay to the plan each payroll period until the past service liability of the plan is extinguished, an amount calculated by applying the current past service contribution rate adopted by the board, to the greater of total base salaries paid.....
 - (1) during the payroll period to employees in positions for which coverage has been terminated;
 - (2) at the time of termination to employees in positions for which coverage has been terminated; or
 - (3) during the corresponding payroll period for the fiscal year ending June 30, 2008, to employees in positions for which coverage has been terminated.
- (b) Notwithstanding (a) of this section, the administrator may enter into a payment plan acceptable to the administrator for payment of an employer's liability for termination costs. 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).
- (c) An employer requesting termination of all participation in the plan, termination of participation in the plan of a department, group, or other classification of employees, or a payment plan for payment of termination costs, shall pay the cost associated with obtaining a termination cost study associated with the employer's termination; and

WHEREAS, the Alaska Municipal League believes that the above statute should be repealed, as it removes equitable and consistent application of state law; and



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WHEREAS, this application also creates an inequitable impact on small PERS employers versus larger PERS employers; and

WHEREAS, grant funded positions may become subject to termination studies, thus raising the question as to whether municipalities should accept grants that will entail personnel; and

WHEREAS, municipalities, in the future, will find themselves paying more towards the unfunded obligation every pay period for positions that no longer exist, than they will for existing and/or current positions.

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League, while supporting a sustainable salary base to pay of the PERS unfunded obligation, believe that AS 39.35.625 and any other similar statutes or regulations that require termination studies, should be repealed.

BE IT FURTHER RESOLVED that the Alaska Municipal League urges the Legislature to amend AS 39.35.255(a)(2), with inflation adjustment language, to provide a more efficient, cost-effective and equitable method of ensuring that the required PERS salary base is maintained.

PASSED AND APPROVED by the Alaska Municipal League on this 19th day of November, 2010.

Signed: Hal Smalley
Hal Smalley, President, Alaska Municipal League

Attest: Kathie Wasserman
Kathie Wasserman, Executive Director, Alaska Municipal League

**ALASKA GOVERNMENT
FINANCE OFFICERS ASSOCIATION**

RESOLUTION NO. 11-01

**A RESOLUTION OF THE ALASKA GOVERNMENT FINANCE OFFICERS ASSOCIATION
SUPPORTING SENATE BILL 100 TO END REQUIREMENTS THAT EMPLOYERS WHO TERMINATE
SOME OR ALL PARTICIPATION IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF
ALASKA PAY TERMINATION COSTS, AND MAKING THE CHANGES RETROACTIVE**

WHEREAS, the Alaska State Legislature, in SB 125, assisted Alaska's PERS employers tremendously by adopting the flat statutory 22% rate of salary to help fund current costs and the unfunded liability of the PERS system; and

WHEREAS, 2 AAC 35.235. Calculation of termination costs states: (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. And (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; and

WHEREAS, the above could potentially cost a PERS employer a great deal of expense for the reduction of even one employee 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 future financial stability of PERS employers, and their ability to efficiently and effectively manage the delivery of their programs and services, is being directly and negatively impacted by 2 AAC 35.235; and

NOW, THEREFORE, BE IT RESOLVED, that the Alaska Government Finance Officers Association, while supporting the June 30, 2008 sustainable salary base to pay off the PERS unfunded obligation, supports the adoption and passage of Senate Bill 100.

DATED this 6th day of April, 2011



APPROVED:


Elizabeth Hartley, President
Alaska Government Finance Officers Association

ATTEST:


Walter Sapp, President Elect
Alaska Government Finance Officers Association

Presented By:

Mayor

Action Taken:

Yes 5 No 0

Abstain 0

CITY OF NOME, ALASKA

RESOLUTION NO. R-11-03-02

**A RESOLUTION SUPPORTING A BILL TO END REQUIREMENTS THAT
EMPLOYERS WHO TERMINATE SOME OR ALL PARTICIPATION IN THE PUBLIC
EMPLOYEES' RETIREMENT SYSTEM OF ALASKA PAY TERMINATION COSTS,
AND MAKING THE CHANGES RETROACTIVE**

WHEREAS, the Alaska State Legislature, in SB 125, helped Alaska's PERS employers tremendously by adopting the flat statutory 22% rate of salary to help fund current costs and the unfunded liability of the PERS system, and

WHEREAS, our legislators, in crafting SB 125 struggled hard to come up with a fair and equitable solution to a problem that most of them did not create. Further, in crafting SB 125, legislators never envisioned, intended, nor did they want to create any inequitable financial damage to any PERS member employer, nor negatively interfere with the current or future delivery of any member's services or programs because of SB 125, which the termination studies law does do, and

WHEREAS, 2 AAC 35.235. Calculation of termination costs states: (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. And (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, and

WHEREAS, if a PERS employer reduces its employee count because it made a decision to alter or suspend one of its programs or services, per 2 AAC 35.235 PERS might send it three bills. The first bill 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 third bill, the big bill, is the one that will require the employer to pay the past service cost (PSC) on each position's salary PERS said needed to be opted out of PERS. The employer will be required to pay the PSC (currently 18.63%) on the salary(s) of the position(s) PERS said the employer needed to opt out, until the unfunded obligation is paid off, maybe 30 years from now. These three bills cumulatively can run from hundreds of thousands of dollars to several millions of dollars, and

WHEREAS, the underlying fear that certain employers would purposely act in a manner that jeopardized payment of the unfunded obligation, and thus shrink the salary base that pays off the unfunded obligations, has simply not happened. The total PERS salary base must be sustained and have reasonable growth, which it has to the tune of about 19% since the 6/30/2008 last pay period floor was set, and

WHEREAS, 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 2 AAC 35.235, and

WHEREAS, 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, yet the Division of Retirement and Benefits has taken the position that the State, with half of the PERS salary base is exempt from termination studies and their financial impacts, and

WHEREAS, 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," and

WHEREAS, 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 an employer accepts a grant it is possible, depending upon the circumstances, that once those grant funded positions are ended that employer will need to use other dollars to pay the PSC on those former grant funded salaries that the employer is no longer paying, and

WHEREAS, 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, and

WHEREAS, over time, more and more resources will go toward paying for positions that no longer exist 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, and

WHEREAS, 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, and

WHEREAS, termination studies nullify the intent of SB 125 that employers pay the exact same rate. 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, and

WHEREAS, the ^{City}~~Borough~~ supports a sustainable salary base to pay off the PERS unfunded obligations, and

WHEREAS, the termination language in SB 125 was a solution to a problem that never materialized, and it's not needed. The negative consequences, the additional charges and the payments that result from the termination language, were never contemplated or intended by the legislature, and they are destructive, and

WHEREAS, A.S. 39.35.625, that requires termination studies, and any other similar statutes or regulations, should be repealed.

NOW, THEREFORE, BE IT RESOLVED that the City of Nome while supporting a sustainable salary base to pay off the PERS unfunded obligation, believe that AS 39.35.625 and any other similar statutes or regulations that require termination studies, should be repealed and supports adoption and passage of a bill removing termination study requirements from the law.

PASSED AND SIGNED THIS 28TH DAY OF March, 2011.


DENISE MICHELS, Mayor

ATTEST:


CAMILLE TEN EYCK, Acting City Clerk

By: Luke Hopkins, Mayor
Introduced: 03/31/11
Adopted: 03/31/11

FAIRBANKS NORTH STAR BOROUGH

RESOLUTION NO. 2011 - 15

A RESOLUTION SUPPORTING A BILL TO END REQUIREMENTS THAT EMPLOYERS WHO TERMINATE SOME OR ALL PARTICIPATION IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF ALASKA PAY TERMINATION COSTS, AND MAKING THE CHANGES RETROACTIVE

WHEREAS, the Alaska State Legislature, in SB 125, helped Alaska's PERS employers tremendously by adopting the flat statutory 22% rate of salary to help fund current costs and the unfunded liability of the PERS system, and

WHEREAS, our legislators, in crafting SB 125 struggled hard to come up with a fair and equitable solution to a problem that most of them did not create. Further, in crafting SB 125, legislators never envisioned, intended, nor did they want to create any inequitable financial damage to any PERS member employer, nor negatively interfere with the current or future delivery of any member's services or programs because of SB 125, which the termination studies law does do, and

WHEREAS, 2 AAC 35.235. Calculation of termination costs states: (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. And (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, and

WHEREAS, if a PERS employer reduces its employee count because it made a decision to alter or suspend one of its programs or services, per 2 AAC 35.235 PERS might send it three bills. The first bill 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 third bill, the big bill, is the one that will require the employer to pay the past service cost (PSC) on each position's salary PERS said needed to be opted out of PERS. The employer will be required to pay the PSC (currently 18.63%) on the salary(s) of the position(s) PERS said the employer needed to opt out, until the unfunded obligation is paid

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47 thousands of dollars to several millions of dollars, and
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51 base that pays off the unfunded obligations, has simply not happened. The total PERS
52 salary base must be sustained and have reasonable growth, which it has to the tune of
53 about 19% since the 6/30/2008 last pay period floor was set, and
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60 not seem to be occurring, nor likely can it ever occur given the uniqueness of all PERS
61 employers' positions. A law like this that has such a material financial impact on PERS
62 employers should at a minimum be able to be fairly, equitably, and consistently applied to all
63 PERS employers, yet the Division of Retirement and Benefits has taken the position that the
64 State, with half of the PERS salary base is exempt from termination studies and their
65 financial impacts, and
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67 WHEREAS, there is an inescapably inequitable impact to small PERS employers.
68 This State law, or its application by PERS creates a clear and unconscionable inequitable
69 impact on small PERS employers, versus larger PERS employers. Many smaller
70 communities only have "one" employee for a program or service. If they lose a grant, or
71 simply are faced with budget constraints and they have to cut a person, say a nurse in a
72 school, they'd be required to have a termination study done, then pay all of the related costs
73 because they actually cut a "function or a group," and
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75 WHEREAS, termination studies negatively impact our decision, and our ability to
76 accept grants because of the potential future liability. Grant funded positions may become
77 subject to the termination studies, once the positions are terminated due to grant funding
78 ending. Employers will find themselves paying the past service cost rate on former grant
79 funded position salaries with other revenues. Essentially, if an employer accepts a grant it is
80 possible, depending upon the circumstances, that once those grant funded positions are
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82 funded salaries that the employer is no longer paying, and
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85 for decreases in other areas. In other words, the ability for entities to adjust their programs
86 and services to meet their constituent's needs is negatively impacted. If an employer needs
87 to cut in Area A, and add in Area B, that employer could find itself paying the PSC rate times
88 the salary(s) it is no longer paying in Area A because it shifted its employees to Area B
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91 WHEREAS, over time, more and more resources will go toward paying for positions
92 that no longer exist than go to the delivery of services such as fire protection, law
93 enforcement, teaching, recreational services, landfill services, library services, flood control
94 services, emergency response services, and the list goes on from here. Once you start
95 shifting employee resources from one area of responsibility to another, you start a negative
96 downward spiraling in your programs and services, and
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98 WHEREAS, an employer will pay more toward the unfunded obligation every
99 pay period on positions that no longer exist than they will for existing paid positions. This is
100 true because the rate set by statute is capped at 22%. The 22% first covers the current
101 normal cost rate then the difference is applied to the unfunded obligation. The current (FY
102 '11) normal cost rate is 9.33%; therefore, an employer pays 11.67% times the working
103 employee's salary toward the unfunded obligation. This same employer is required to pay
104 18.63% times the salary of an employee they are no longer paying toward the unfunded
105 obligation. That employer is paying almost 7% more for positions that no longer exist
106 because of the unfunded obligation than it pays on salary dollars for existing positions, and
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108 WHEREAS, termination studies nullify the intent of SB 125 that employers pay
109 the exact same rate. It is clear that one result of these termination studies is that different
110 employers will in fact be paying different net rates, and therefore, there will not be a single
111 uniform contribution rate for PERS employers. The adoption of SB 125 was based on the
112 acknowledgement that we do not have a single-agent, multiple employer PERS system, but
113 rather we have had a consolidated un-equitable cost share system. The intent of SB 125
114 was that all employers would pay the same exact rate. That cannot happen when each
115 employer pays a different termination cost amount, or pays none at all, and
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117 WHEREAS, the Borough supports a sustainable salary base to pay off the
118 PERS unfunded obligations, and
119

120 WHEREAS, the termination language in SB 125 was a solution to a problem
121 that never materialized, and it's not needed. The negative consequences, the additional
122 charges and the payments that result from the termination language, were never
123 contemplated or intended by the legislature, and they are destructive, and
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125 WHEREAS, A.S. 39.35.625, that requires termination studies, and any other
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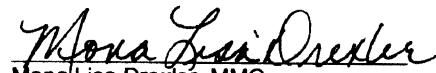
128 NOW, THEREFORE, BE IT RESOLVED that the Assembly of the Fairbanks
129 North Star Borough while supporting a sustainable salary base to pay off the PERS
130 unfunded obligation, believe that AS 39.35.625 and any other similar statutes or regulations
131 that require termination studies, should be repealed and supports adoption and passage of
132 a bill removing termination study requirements from the law.
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PASSED AND APPROVED THIS 31 DAY OF March, 2011.


Joseph C. Blanchard II
Presiding Officer

ATTEST:


Mona Lisa Drexler, MMC
Municipal Borough Clerk

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Ayes: Hutchison, Howard, Dukes, Want, Kassel, Musick, Blanchard II
Noes: None
Excused: Beck, Winters



DeLena Johnson
Mayor

Phone (907) 745-3271
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Fax (907) 745-0930
Email delena@palmer.ak.gov

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March 24, 2011

Senator Joe Paskvan
Alaska State Capitol, Room #115
Juneau, AK 99801

Dear Senator Paskvan:

As the Mayor of the City of Palmer, please accept the City's support for Senate Bill 100: An Act Relating to Employer Contributions to the Public Employees' Retirement System of Alaska; Relating to Requirements that Employers who Terminate Some or All Participation in the Public Employees' Retirement System of Alaska Pay Termination Costs; and Making the Changes Retroactive.

The City recognizes the work of previous legislators in crafting Senate Bill (SB) 125 and their efforts to find fair and equitable solutions concerning the unfunded PERS mandate and support the adoption of the flat statutory 22% rate of salary to fund current and unfunded costs. *However we do not support the unintended negative consequences of the language which has inflicted financial damage on PERS member employers and interfered with the current and future delivery of services of programs.*

For example, in 2010, the Palmer City Council began the recruitment process for a new city manager. After a lengthy process, the council hired the most qualified candidate, who happened to be a PERS retiree. We contacted the proper authorities and were told that the City must pay for and complete a termination study. We went through the study process and then received a bill for \$2500 for the study and a \$12,000 termination fee. Additionally, we are required to pay 18.63% of the Manager's salary into PERS each pay period for the position for the entire time that the position was opted out of PERS and/or until the unfunded obligation was paid.

Without questioning the costs, we accepted the process and moved forward. However, in a blatant attempt to interfere with our delivery of services, now PERS has contacted us regarding long standing contracts with our contracted service providers. PERS maintains that the City is attempting to avoid paying PERS costs through the contracts. We simply are not.

City of Palmer



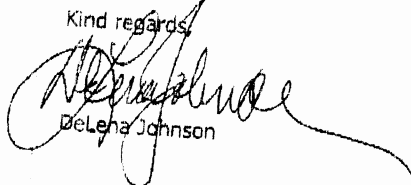
We understand the underlying concern that some municipalities, in an effort to thwart the system, eliminate PERS positions to avoid paying the related PERS costs, thus reducing the overall salary base. However, this simply has not happened. The PERS salary base has had a 19% growth since June 30, 2008.

The current law assumes government administration always expands. When restructuring a department or cutting personnel budget, our city retains an ongoing PERS liability for each position, even the eliminated positions, for an estimated 30 years.

The language in SB 125 takes away our ability to run our City in a manner in which we see fit. The language limits our ability to adjust our programs and services to meet our resident's needs.

The City of Palmer encourages your support of SB 100 and requests that the Bill, as written, remain intact because we believe it rectifies the unintended consequences. Thank you for your assistance in this matter.

Kind regards,



DeLena Johnson

City of Palmer



CITY OF FAIRBANKS

Jerry Cleworth, Mayor

800 CUSHMAN STREET
FAIRBANKS, ALASKA 99701-4615

OFFICE: 907-459-6793

FAX: 907-459-6787

jcleworth@ci.fairbanks.ak.us

March 25, 2011

Honorable Interior Delegates of the Alaska State Legislature –

Senator John Coghill

Representative David Guttenberg

Representative Bob Miller

Representative Steve Thompson

Representative Alan Dick

Representative Scott Kawasaki

Senator Joe Paskvan

Representative Tammie Wilson

Representative Eric Feige

Senator Albert Kookesh

Senator Joe Thomas

Re: Support for Senate Bill 100

Dear Honorable Legislators:

Over the past decade, the State Legislature and Administration took the initiative to tackle the PERS liability in a variety of ways, including a complete revamping of the system by passage of SB 125 in 2008 and successful litigation against the prior system actuary. Dramatic changes have been made, all with the goal of eventually reducing the PERS future liability.

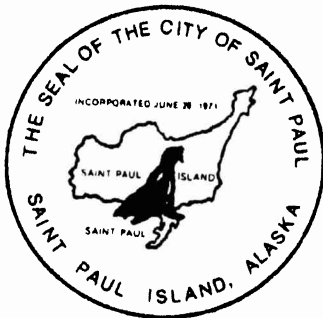
Senate Bill 100 fine tunes part of the remodeling process. It recognizes that municipalities may need to eliminate particular programs or shift emphasis from one function to another so long as overall PERS payroll does not drop below the June 30, 2008 level. I recognize that there are divergent points of view regarding the PERS structure. Fixing this small issue is prudent and independent of the larger debates.

I am introducing a Resolution in support of SB 100 at the April 11th City Council meeting.

Thank you for your work on this and the many other difficult issues facing our state.

Sincerely,

Mayor Jerry Cleworth



CITY OF SAINT PAUL

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99660-0901
(907) 546-3121 Finance Dept.
(907) 546-3110 Administration
(907) 546-2331 General Mail Box
FAX (907) 546-3199
ALT FAX (907) 546-3112

E-Mail: stpaulak@hotmail.com

March 28, 2011

SENT VIA EMAIL TO: Sen.Joe.Paskvan@legis.state.ak.us

Senator Joe Paskvan
Alaska State Capitol, Room #115
Juneau, Alaska 99801

Dear Senator Paskvan:

It is my understanding that Senate Bill No. 100 will come up for discussion tomorrow. I would like to extend the City's of Saint Paul's overwhelming support of this bill as it stands; unchanged and unaltered.

I keep this letter short to avoid any confusion on our position.

Sincerely,

THE CITY OF SAINT PAUL

Linda Snow
City Manager



March 29, 2011

Honorable Dennis Egan
State Capitol, Room 510
Juneau, AK 99811-1182
Fax: 907-465-2108

Honorable Joe Paskvan
State Capitol, Room 24
Juneau, AK 99811-1182
Fax: 907-465-4714

RE: Senate Bill 100 – PERS Termination Costs

Dear Senators Egan and Paskvan:

Please be advised that the City of Ketchikan would like to go on record as being in support of Senate Bill 100.

Since the adoption of Senate Bill 125, the City has been required to undertake two PERS termination studies to address PERS termination costs arising from the spin-off of its mental health and substance abuse clinic and the potential sale of its telecommunications utility. In May 2010, the City transferred the operations of its mental health and substance abuse clinic to another entity better suited to serve the patients of the clinic. The City was required to pay \$5,000 for a termination study, \$10,364 in termination costs at the time of the transfer and \$89,852 in past service costs for the remaining eight months of 2010. Under current statutes, the City will be required to pay approximately \$136,000 annually for the past service cost of the 13 employees who were terminated for the next 25-30 years. The City has identified a buyer for its telecommunications utility but has yet to reach an agreement.

The City believes that the current statutory requirements for the determination and payment of termination and past service costs affects the future financial stability of municipal governments and their ability to efficiently and effectively manage the delivery of their programs and services. It also appears that the statutes are not being applied in an equitable and consistent manner. The City believes that the current law is seriously flawed and that SB 100 is a good faith effort to correct the deficiencies and provide a reasonable basis for addressing the costs associated with the sound management of the municipal labor force.

We thank you for bringing this bill forth for consideration by the Alaska State Legislature and hope that it will receive the support that it deserves.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert E. Newell, Jr.', with a long horizontal flourish extending to the right.

Robert E. Newell, Jr., CPA
Finance Director

Cc: Karl R. Amylon, City Manager



CITY OF WASILLA

Finance Department
290 East Herning Avenue
Wasilla, Alaska 99654-7091
Phone (907) 373-9080 Fax (907) 373-9085

March 29, 2011

To: The Alaska Legislature
Senate Labor & Commerce

Re: SB100 - PERS Termination Study

To whom this may concern:

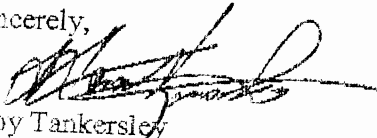
The City of Wasilla is most troubled by the ridiculous unmanageable and most unaffordable onset of the PERS Termination Study has caused.

Limited type funding, such as grants or donations can produce excellent opportunities for municipalities to create jobs and produce additional quality of life service to its local residents and surrounding population. When the funding ceases to exist (at no fault of the municipality), the municipality is FORCED into notifying PERS, which triggers a termination study. This costs between \$12,000 to \$15,000, (which is never budgeted and must come from the municipalities fund balances) just for the study. Then ADD an additional 18.96% (current rate) of the individual's past service cost in perpetuity. This amount can be extremely unbearable by a municipality. Additionally PERS ultimately controls the when, how, and who a municipality can hire or programs a municipality may administer. Municipalities will be forced NOT to accept funds whereby funding may be impaired. This will result in lost jobs and municipalities using current resources to provide better quality of life services to its residents.

What is additionally troublesome to this municipality is when our questions have arisen and contact is made to the R&B office, R&B is unable to answer the questions and we are redirected to the Department of Law for a determination. If the office managing the system can't answer the questions, how are the municipalities suppose to manage its ongoing programs? How is this system going to get the unfunded liability PERS has resolved? It won't! How is this system helping Alaska create jobs and attract new hires to government service? It won't!

The City of Wasilla urges this committee and the entire Alaska Legislature to remove this termination study implication.

Sincerely,


Troy Tankersley
Director of Finance