



February 14, 2014

Representative Steve Thompson
Juneau, Alaska

Dear Representative Thompson:

This letter is in support of the repeal of the required PERS termination study and resulting decades-long annual payments to meet the PERS-calculated unfunded past service liability of employees no longer working for the PERS employer.

The past service liability penalizes municipalities for otherwise prudent reductions in personnel costs. In any number of communities it is not uncommon to find only one employee per classification, and as needs change the communities cannot "terminate" a classification without the fear of paying for the PERS contribution for years to come. If positions are no longer needed or are replaced with another classification the past service liability places a burden on the community for the PERS contribution, with no benefit to the community. In communities like Craig where personnel costs are 65% of the operating budgets there is always the struggle to fund the needed personnel with limited local resources without the additional cost of PERS debt for nonexistent employees.

Often cities are forced to provide services that are not in the normal duties of a municipality. The City of Craig, for example, assumed operation of a local medical clinic in 2002 when the long-standing private sector operator abruptly closed the facility. The city subsequently found in 2009, after years of searching, another private entity to operate the clinic. When the employees transferred to the new clinic operator, and were no longer contributing to the public retirement system, the city was tagged by PERS with a burdensome financial obligation of \$50,000 per year. The city can find many productive uses for that \$50,000 in its annual budget.

The PERS past service liability requirement eliminates much of the financial benefit derived from prudent municipal management of personnel costs. The City of Craig encourages repeal of the termination study and past service liability requirement imposed on PERS employers.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Bolling". The signature is fluid and cursive, written over a light background.

Jon Bolling
City Administrator