

COSTS OF MAINTAINING THE STATUS QUO

HB 55 – SHARED RISK HYBRID RETIREMENT FOR PUBLIC SAFETY

UNINTENDED CONSEQUENCES OF TIER IV FOR PUBLIC SAFETY

- Recruitment Difficulties
- Retention Costs
- Workers Compensation Costs
- Unforeseen Costs

RECRUITMENT DIFFICULTIES

- “Alaska cannot compete with agencies offering defined benefit plans. This has left us with vacancies in multiple academies as applicants decide to pursue careers elsewhere.” – *APD Police Chief Justin Doll*
- “The number of individuals wanting to work at the Fairbanks Fire Department has declined drastically over the last several years” – *FFD Fire Chief Jim Styers*
- Our firefighter alumni populate most Alaska career fire departments. The 42 young men and women in my program are far more aware of financial planning and retirement concerns than I was at their age. It is troubling that the majority of them are testing and interviewing for jobs in other states.”
- *UFD Fire Chief Doug Schrage*

RETENTION

- “... the inability to provide a defined benefit retirement system have placed the department at critically low staffing levels.”
– *DPS Recruitment and Retention Plan Overview 2018-2023*
- ”We are seeing our highly trained, qualified, and experienced officers leave APD to work out of state for other law enforcement agencies offering competitive defined benefit retirement systems.” – *APD Police Chief Justin Doll*
- “The turnover of career staff appears to be higher... compared with other clients. Turnover not only has a financial effect on the department, but it also loses valuable experience.” – *Fitch & Associates consultant report Capital City Fire and Rescue*

WORKERS COMPENSATION COSTS

- Firefighters particularly prone to musculoskeletal disorders (MSDs)
- “FFs age 55 and older have an MSD injury rate that is more that double that of youngest FFs, and more than ten times greater than that of private-sector workers of same age”
- “It is apparent that older firefighters are associated with much higher rates of reported workplace injuries than both younger firefighters and private sector workers”
- “This is consistent with the notion that the rigorous physical demands of firefighting subject them to trauma throughout their working lives, making them more subject to MSDs in later years”

Rand Corporation study on California fire fighters workers compensation injuries

UNFORESEEN COSTS

- Increased overtime costs due to inadequate staffing
- Increased training costs
- Loss of operational capabilities
- Loss of experience and future leadership
- Rise in organizational stress levels

RECRUITMENT & RETENTION PROBLEMS WILL ONLY INCREASE

- Current recruitment & retention difficulties highlighted by DPS, DOC, and Chief Officers from across the state are occurring with 40-50% of workforce in DB system
- Tier 4 currently makes up 50-60% of public safety workforce
- **The problems will be magnified** as the Tier 4 workforce population grows
- A 100% portable public safety workforce is a frightening thought for Chief Officers around the state

3,400 = Number of public safety employees in Alaska

\$120,000 = Average training cost for public safety employees

- Some agencies report costs much higher, 120 is safe estimate on the more conservative side

WHAT IS THE “FISCAL NOTE” FOR MAINTAINING THE STATUS QUO?

- **DPS & DOC have testified to the Legislature of non-retirement separations greater than 6%**
- This is at a time when Tier 4 makes up less than 60% of overall public safety workforce
- **Here we will examine costs of Alaska losing 1%, 2% and 3% of a Tier 4 public safety workforce each year**
- We will use a conservative training cost of of \$120,000 , not increased for inflation over a 20-year period

1% OF WORKFORCE LEAVING

- $3,400 \times 0.01 = \mathbf{34 \text{ employees}}$
- $34 \times \$120,000 = \mathbf{\$4,080,000 \text{ cost per year}}$
- $5 \times \$4,080,000 = \mathbf{\$20,400,000 \text{ 5-year cost}}$
- $20 \times \$4,080,000 = \mathbf{\$81,600,000 \text{ 20-year cost}}$

2% OF WORKFORCE LEAVING

- $3,400 \times 0.02 = \mathbf{68}$ employees
- $68 \times \$120,000 = \mathbf{\$8,160,000}$ cost per year
- $5 \times \$8,160,000 = \mathbf{\$40,800,000}$ 5-year cost
- $20 \times \$8,160,000 = \mathbf{\$160,200,000}$ 20-year cost

3% OF WORKFORCE LEAVING

- $3,400 \times 0.03 = \mathbf{102}$ employees
- $102 \times \$120,000 = \mathbf{\$12,240,000}$ cost per year
- $5 \times \$12,240,000 = \mathbf{\$61,200,000}$ 5-year cost
- $20 \times \$12,240,000 = \mathbf{\$244,800,000}$ 20-year cost

CONCLUSION

- These costs do not fully represent the problems that will result from non-retirement separation of public safety employees, it is only one aspect
- **These costs far outweigh the expected cost of HB 55 – even a 1% improvement more than pays for this bill**
- Other jurisdictions across the country have restored DB systems after experience such as this

SHARED RISK HYBRID RETIREMENT SYSTEM

- Risk shared between employer, employees, and retirees
- Significant benefit reductions, reasonable costs
- Modeled after most successful plans in the country
- Safeguards to protect against adverse experience

CONCLUSION

Labor and Management are united in their support for this bill, We have a shared interest in ensuring quality public servants fill the ranks of Alaska's public safety agencies.

Adopting an adequate retirement plan with reasonable costs, fair benefits, and shared risk will help us in this mission.

Again, I'd like to thank the committee for your willingness to work on this important issue, and I'd be happy to answer any questions you might have.

