

# COSTS OF MAINTAINING THE STATUS QUO

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HB 55 – PEACE OFFICER & FIREFIGHTER HYBRID RETIREMENT PLAN

# UNINTENDED CONSEQUENCES OF TIER IV FOR PUBLIC SAFETY

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

# RECRUITMENT & RETENTION DIFFICULTIES

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- “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 (ret.)*
- “Currently I serve as the Fire Chief of an organization that trains and educates the future of Alaska fire service. I frequently watch our young folks attain jobs in the lower 48, at a highly successful rate. They are leaving our state with the education and experience we desperately need to keep.”  
- *UFD Fire Chief Forrest Kuiper*
- “We are also seeing younger officers who are very mobile, very portable, with no pension plan tying them here, leave for other opportunities and other departments.” – *APD Chief Ken McCoy*

# RECRUITMENT & RETENTION DIFFICULTIES

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- “... 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 (ret.)*
- “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

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- 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

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- 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

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- 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?

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- **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

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

# 2% OF WORKFORCE LEAVING

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- $3,400 \times 0.02 = \mathbf{68}$  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

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- $3,400 \times 0.03 = \mathbf{102}$  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

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- 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 cost of HB 55**
- Other jurisdictions across the country have restored DB systems after experience such as this

# CONCLUSION

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- Labor and Management are united
- Adequate plan with reasonable costs, fair benefits, and shared risk

***Thank you***