

Konrad Jackson

From: Tom Boutin <b0utin@alaska.net>
Sent: Wednesday, April 26, 2023 5:34 PM
To: Senate Labor and Commerce
Cc: Senate Finance Committee
Subject: SB 88

Follow Up Flag: Follow up
Flag Status: Flagged

Good afternoon,

I very much oppose returning public employees to defined benefit, and I oppose SB 88 specifically. Some of the reasons are as follows:

A central problem of the now pretty much closed DB tiers was that the state paid for the inconsistencies and the oversights but over 100 employers had the capability and the capacity to incur costs, and they did so. For example I'll bet I knew almost 100 school administrators and teachers who went to work for the North Slope Borough for their "high 3" over the decades. The extra cost in having that "high 3" inflate their benefit for them and the rest of their beneficiaries'(dependents') lives cost the NSB nothing extra but that unfunded liability is even now being paid every year by the state. If the state ever returned to DB that tier should only be available to the state, not to political subdivisions, NGOs, etc.

Also, we have all heard about a borough that sold a utility to private investors, including former legislators I think, but kept the PERS liability. Arguably the borough received more money in the sale for keeping the pension liability, and now the state is still paying for the liability – no the borough. If we ever did return state employees to DB there should be safeguards to prevent mischief and mistakes should the Alaska Legislature one day have members not as wise and as diligent as are members today.

Proponents of DB talk about the certainty of a pooled system to retirees but no one points out that the flip side of that is the uncertainty brought to employers, especially the state as the deepest pocket. Moreover, when investment returns have a period of above-average returns there is pressure put on people running for elected office to increase benefits even as we all know that results have volatility and what goes up can and will always one day go down. It's too easy for elected officials to be generous with other people's money, and apparently the temptations can be even much greater when one is running for elected office.

Even Republicans are now talking about a broad-based tax. So no one, absolutely no one, should even consider the uncertainty brought to state finances by DB until every single employer, from Klawock to Gustavus, from Tenakee to Tok, has a business and residential property tax in place and working. Asking people in Kenai, Juneau, Anchorage and Fairbanks to take on these clear risks while they pay for local government costs when people in Bethel and the NSB do not pay property taxes to pay for local services seems the best way to ensure that working people continue to find better economic situations outside of Alaska.

As we all know, right now we have lots of people wringing their hands about the slowness and perceived meagerness of SNAP, WIC and Medicaid even as both public and private sector employers having a Devil of a time filling jobs! This is exactly the wrong state to incur more fiscal risk. I don't know how to return Alaska to the very hard-working state I found when I moved here 50 years ago but increasing costs and risks to taxpayers doesn't seem to be the right strategy.

Congresswoman Mary Peltola, writing in The Hill several weeks ago, said that Alaskans accept that we are at the end of fossil fuels. I found that statement surprising but she talks to a lot more people than I do. We have nothing to replace that North Slope petroleum industry in terms of state revenues nor in terms of its importance to our economy. Nothing can possibly suggest that this is a good time to return public employees to DB. Alaska needs to have a much more reliable economy before incurring debt and new risks.

The closing of the DB tiers (not technically closed, but practically closed) set up an algorithm such that as the beneficiaries age more and more of them reach 65 years of age and Medicare becomes their first insurance. So the DB medical costs are trending downward even as the pension side of DB has a \$6 billion unfunded liability. That may change! MDs are no longer taking Medicare patients. My own personal doctor called and said he can no longer be my doctor as he has converted to a concierge (which doesn't mean, my wife explained to me, that he has become a men's room attendant in a Montreal hotel), and because of Medicare he couldn't ask if I wanted to go along. So public employee union NGOs are talking about litigating with the state over whether Medicare can any longer meet the constitutional requirement to provide for public employee health care: I have never seen the state prevail in any of the litigation of the past over retiree health care so conceivably the DB health care costs could begin growing again.

I jotted this down as I listened to the Senate Labor and Commerce Committee hearing of this afternoon. I am sure that given time I could compose a more thorough and better drafted list of concerns regarding SB 88 and a prospective return to DB.

At the same time, I am a forester by trade, and not an actuary. If there are holes in any of my concerns, or if the studied people you're working with can see that I am off the mark please have a staffer let me know how I am mistaken: Thank you for doing so.

Thank you for your time. Thank you for all the hard work you do for all Alaskans.

Tom Boutin
Juneau