

FISCAL NOTE

No: 1

STATE OF ALASKA
2000 LEGISLATIVE SESSION

Bill Version: CSHB 230 (STA)
(H) Publish Date: 2/4/00

Revision Date 2/2/00 Dept. Affected Administration
 Title An act granting dispatchers in police or fire BRU Centralized Administrative Services
 departments or for the state troopers status as peace officers Component Retirement and Benefits
 Sponsor (H) JUD
 Requester (H) STA Component No. 64

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

POSITIONS	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

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 Division Retirement and Benefits Date/Time 2/2/00 2:20 PM
 Approved by Commissioner Robert Poe Jr. Date 2/2/00
 Agency Department of Administration

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CS for House Bill 230 (State Affairs)

Under the proposed committee substitute for House Bill 230, the definition of "peace officer" or "fire fighter" is expanded to include dispatchers in a police or fire department or in a state trooper office. Current PERS members in these positions could convert their "Others" service to peace officer service by paying the full actuarial cost of this conversion. From the date of passage forward, these employees would pay the higher peace officer contribution rate (an increase from 6.75% of salary to 7.5% of salary).

Since the bill requires each affected member to pay the full actuarial cost there would be no measurable change in the System funded status or average employer contribution rate.

Approximately 274 PERS members would be affected by this bill. This would increase the Police/Fire membership by 10%. Also introduced this session are 2 other bills that would add other groups to the Police/Fire category. If all 3 groups were added, it is estimated that this occupational category will increase in membership by more than 20 percent.

Only two PERS employers have separate rates for Police/Fire versus Other employees: the State of Alaska and the Municipality of Anchorage. For FY 01 their rates are as follows:

	<u>Police/Fire</u>	<u>Other</u>
State of Alaska	7.69%	8.09%
Municipality of Anchorage	8.75%	6.52%

All other employers have combined employer rates for Police/Fire and Other employees. By shifting police dispatchers to the Police/Fire category, the State and the Municipality of Anchorage will see the above rate adjustments in FY 01 for the affected employees.

Historically, the Police/Fire employer contribution rate has been higher than the rate for all other employees. For any given employee the contribution necessary to fund Police/Fire benefits exceeds the contribution needed for Others benefits. This is due in particular to the ability of Police/Fire members to take normal retirement after 20 years in PERS versus the Other's requirement of 30 years.

Due to a set of extraordinary factors, the State of Alaska's Police/Fire rate has been lower than the Other's rate since FY-99. It is projected to remain lower for the next few years. However, our actuaries believe that eventually the employer rate will adjust and be higher, as it has been historically.

The lower Police/Fire rate is primarily a function of two factors: 1) the funded status of the system, and 2) current system demographics.

- Current accrued assets of the System exceed accrued liabilities. Since Police/Fire provisions are more generous than Others provisions, the Police/Fire accrued liability represents a larger percent of payroll than for Others. This means that a larger percentage of the system's assets accrue to the Police/Fire category, producing a lower past service rate.
- Under the current actuarial assumptions and with the current demographics, the consolidated rate for the Police/Fire membership is less than the consolidated rate for the "Others" membership. The consolidated rate is a function of the average age, average service, tier mix and many other items specific to each group.

As recently as June 30, 1995, the System was in an unfunded position. We expect the System to revert to this prior scenario at some point in the future, resulting in higher rates associated with the Police/Fire membership relative to the Others membership.

We must conclude that there is no way to accurately predict the future liabilities for this group and hence, the long-term fiscal impact of this legislation.