

# FISCAL NOTE

**STATE OF ALASKA**  
**2008 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SB 153  
 (S) Publish Date: 2/25/08

Identifier (file name): SB153-DOA-DRB-2-14-08 Dept. Affected: Administration  
 Title: "An Act relating to the use of credited military service..." RDU: Centralized Administrative Services  
 Component: Division of Retirement and Benefits  
 Sponsor: FRENCH, Davis, McGuire, Ellis  
 Requester: \_\_\_\_\_ Component Number: 64

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims		347.0	0.0	427.7	508.4	589.1	605.4	605.4
Miscellaneous								
<b>TOTAL OPERATING</b>		<b>347.0</b>	<b>0.0</b>	<b>427.7</b>	<b>508.4</b>	<b>589.1</b>	<b>605.4</b>	<b>605.4</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES ( )</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF		347.0	0.0	427.7	508.4	589.1	605.4	605.4
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>		<b>347.0</b>	<b>0.0</b>	<b>427.7</b>	<b>508.4</b>	<b>589.1</b>	<b>605.4</b>	<b>605.4</b>

Estimate of any current year (FY2008) cost: \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

**ANALYSIS:** (Attach a separate page if necessary)  
 This bill would permit PERS Tier II and Tier III police officers and fire fighters with prior military service to count up to five years of that military service to qualify for retirement system paid medical benefits. The cost of this change is calculated actuarially based on the number of Police/Fire PERS members that have already claimed military service as currently permitted for pension only. We also assume a certain number of the PERS police/fire population with past military service who have not yet purchased military service time will elect to do so once the system paid medical benefit is added by passage of this measure. (continued on second page)

Prepared by: Pat Shier, Director Phone 465-4817  
 Division: Division of Retirement and Benefits Date/Time 2/14/08 12:00 AM  
 Approved by: Rachael Petro, Deputy Commissioner Date 2/14/2008  
Department of Administration

**ANALYSIS CONTINUATION**

Buck Consultants used data from the most recent draft retirement system valuation for the period ending June 30, 2007 to arrive at population numbers and cost estimates as follows:

Police/Fire Members: 2,361 (represents all Tiers)  
Number of Tier II/III with Military Time claimed: 203  
Percent of Members eligible (Tier II/III) with Military Time claimed: 8.6%  
Estimated growth in percent of members eligible per year: 2.0%, up to 15% total.

Year 1 of the fiscal note amount assumes all 203 members currently claiming military time for pension will benefit from this law change. Years 2-5 assume additional Tier II/III members either currently employed and/or persons with prior state service under Tier II/III returning to state service as police/fire members would elect to claim military time on account of the added medical benefit at a rate of 2% (or 47 members) added each year. This assumption is based on two main issues:

1. Some members with military service have not yet elected to buy the increased benefit due to cost. The addition of system-paid medical benefits for no additional member contribution is likely to motivate these members to elect and pay for the use of past military service.
2. Predicting the number of members with military service who will elect and pay for service credit is difficult because the election and payment for military service time can be made immediately prior to retirement, when there are deferred compensation and/or SBS fund balances available to pay for the service in a lump sum. Some may be able to "buy" military service through pension-deduction offset, with no cash out of pocket. It is likely that there may be a significant number of former military who will make the election and payment at the last minute immediately before retirement.

Based on the most likely scenario of a PERS cost share plan, this is entirely a State of Alaska liability.