

**ALASKA STATE LEGISLATURE**  
**SENATE STATE AFFAIRS STANDING COMMITTEE**

March 1, 2018

3:34 p.m.

**MEMBERS PRESENT**

Senator Kevin Meyer, Chair  
Senator David Wilson  
Senator Cathy Giessel  
Senator John Coghill  
Senator Dennis Egan

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 212

"An Act relating to participation of certain peace officers and firefighters in the defined benefit and defined contribution plans of the Public Employees' Retirement System of Alaska; relating to eligibility of peace officers and firefighters for medical benefits; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 212

SHORT TITLE: PEACE OFFICER/FIREFIGHTER RETIRE BENEFITS

SPONSOR(S): SENATOR(S) KELLY

02/19/18	(S)	READ THE FIRST TIME - REFERRALS
02/19/18	(S)	STA, FIN
03/01/18	(S)	STA AT 3:30 PM BUTROVICH 205

**WITNESS REGISTER**

SENATOR PETE KELLY  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Sponsor of SB 212, provided an overview.

JOSEPH BYRNES, Staff  
Senator Kelly  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided an overview of SB 212.

DOUG SCHRAGE, Advocate  
Alaska Fire Chiefs Association  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of SB 212.

COLONEL HANS BRINKE, Director  
Alaska State Troopers  
Alaska Department of Public Safety  
Anchorage, Alaska

**POSITION STATEMENT:** Did not provide a position on SB 212.

MAJOR BERNARD CHASTAIN, Deputy Director  
Division of Alaska Wildlife Troopers  
Alaska Department of Public Safety  
Anchorage, Alaska

**POSITION STATEMENT:** Offered to answer questions on SB 212.

PAUL MIRANDA, Vice President-South Central  
Alaska Professional Firefighters Association  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SB 212.

ALEX BOYD, Assistant Chief of Training  
Anchorage Fire Department  
Municipality of Anchorage  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SB 212.

AMANDA WRAITH, representing self  
Wasilla, Alaska

**POSITION STATEMENT:** Testified in support of SB 212.

LANE WRAITH, representing self  
Wasilla, Alaska

**POSITION STATEMENT:** Testified in support of SB 212.

BRYAN BARLOW, Deputy Director  
Alaska State Troopers  
Alaska Department of Public Safety  
Anchorage, Alaska

**POSITION STATEMENT:** Offered to answer questions on SB 212.

DEREK DEGRAAF, Supervisor-Trooper Recruitment  
Alaska State Troopers  
Alaska Department of Public Safety  
Anchorage, Alaska

**POSITION STATEMENT:** Offered to answer questions on SB 212.

CHIEF JUSTIN DOLL, Chief of Police  
Anchorage Police Department  
Municipality of Anchorage  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SB 212.

SERGEANT MIKE JENSEN, Recruiter Supervisor  
Anchorage Police Department  
Municipality of Anchorage  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SB 212.

HUNTER BOMAR, representing self  
Boise, Idaho

**POSITION STATEMENT:** Testified in support of SB 212.

TYLER STUART, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of SB 212.

KATHY LEA, Deputy Director and Chief Pension Officer  
Alaska Division of Retirement and Benefits  
Alaska Department of Administration  
Anchorage, Alaska

**POSITION STATEMENT:** Addressed the fiscal note for SB 212.

#### **ACTION NARRATIVE**

[3:34:27 PM](#)

**CHAIR KEVIN MEYER** called the Senate State Affairs Standing Committee meeting to order at 3:34 p.m. Present at the call to order were Senators Wilson, Giessel, Coghill, Egan, and Chair Meyer.

#### **SB 212-PEACE OFFICER/FIREFIGHTER RETIRE BENEFITS**

[3:35:00 PM](#)

**CHAIR MEYER** announced the consideration of Senate Bill 212 (SB 212).

3:35:30 PM

SENATOR PETE KELLY, Alaska State Legislature, Juneau, Alaska, sponsor of SB 212, read the first paragraph of his sponsor statement as follows:

SB 212 would create a new defined benefit pension option for state and municipal peace officers and firefighters under the Alaska Public Employees' Retirement System (PERS) with new protections for the state against unforeseen future pension liabilities.

He explained that one of the reasons the Legislature has not changed any portion of the retirement system back to a defined system is that there never have been appropriate safeguards that would keep the system whole. He remarked that herculean efforts have been made to improve the liability in the retirement system and the peace officers' proposal to initiate safeguards within a new system is worthy of a look.

He referenced his sponsor statement to explain details in the bill that might give the Senate State Affairs and other committees a level of confidence to carve out a piece for public safety while maintaining safeguards within the retirement system:

Since ending defined benefit plans in 2006, one of Alaska's greatest public safety challenges has become employee retention and recruitment. Alaska is one of the few jurisdictions that does not presently offer a defined benefit type retirement for new public safety employees. Additionally, many municipal public employees do not participate in Social Security or the Supplemental Annuity Plan (SBS-AP).

Since 2011, 126 Alaska State Troopers have left state service, and 72 percent of them moved to law enforcement agencies with better pay and benefits. Recruitment remains one of the greatest challenges facing the Department of Public Safety today. With an average cost of \$190,000 per trooper to recruit, train, and send out into our communities, these separations have an enormous cost to Alaska. Similarly, in Fairbanks the average length of service for each new firefighter is 1.9 years.

SB 212 is crafted to retain and attract quality peace officers and firefighters while protecting the state from undue financial risks in the future. The proposed option would allow future peace officers and firefighters under the PERS system and current ones under the PERS Tier IV plan to join the defined benefit plan. The proposal includes several safeguards modeled after the most fiscally responsible plans in the nation. These safeguards provide stability and would help protect the state from undue financial risks in the future. These provisions include a minimum retirement age of 55 with 20 years of service, flexibility setting employee contribution rates, minimum 12-percent employer contribution rates, mechanisms to prevent costly "pension spiking," and the ability to withhold post-pension retirement adjustments should the plan's funding drop below 90 percent. The plan mirrors much of the PERS Tier III benefits for public safety, though it retains the current Tier IV defined contribution retirement plan's health reimbursement arrangement (HRA) and absence of cost of living adjustments as an important cost savings measures.

Alaska smartly ended the defined benefit plan in 2006 after we discovered how underfunded those accounts were to meet anticipated retiree obligations. Knowing that Alaska must meet our obligation to retirees, we cannot afford to return to defined benefit retirements workforce wide; however, the nature of the jobs that peace officers and firefighters hold are uniquely physically demanding and hazardous compared to other public employees, and all Alaskans pay the cost for understaffed public safety agencies.

SENATOR KELLY noted that he referenced the Alaska State Troopers in his sponsor statement but affirmed that the bill is a public safety carve-out. He asserted that the state has a retention issue in public safety and the issue is a problem that must be addressed. He said there is an overarching moral mandate in the state constitution to provide for Alaska's public safety; however, he pointed out that there are financial reasons as well. He stated that the \$190,000 cost per trooper and 2 years lost in training is something that the Legislature must address.

SENATOR KELLY set forth that SB 212 is an option to start the conversation in how the state deals with retention issues in

public safety. He said he is willing to discuss modification to SB 212 to meet the best interest of the state, law enforcement employees, and to keep peace officers and firefighters for a longer time. He summarized that a retirement change is one of the tools that can be used to address the public safety retention issue.

3:41:15 PM

CHAIR MEYER noted Senator Kelly's reference to the high turnover rate in public safety and asked if retirement is the reason or due to a preference to work in an urban versus rural area. He pointed out that Anchorage continues to hire police officers with the current retirement program.

SENATOR KELLY conceded that the problem is a little bit of both. He opined that some conclusions can be drawn that if the people are quitting and going to work in other law enforcement areas, they are going with training and a certification that they received on the "state's dime." He opined that the issue is not necessarily related to the difference in work, but something else going on. He admitted that he did not know if the Department of Public Safety will be completely behind the legislation and conceded that there are a lot of unanswered questions in the bill. He reiterated that the legislation gets the conversation started. He noted that preliminary actuarial analysis indicated that the proposal is "not too bad." He said there is a benefit in the legislation over Tier III, much of it because a medical issue is addressed. He summarized that answering some of the specific questions will be difficult for him because not all the answers are known.

3:45:02 PM

CHAIR MEYER pointed out that Senator Egan had a bill that made defined contributions an option. He noted that retired military personnel that join law enforcement typically are interested in defined contributions. He asked if the bill would have an option for defined contribution or defined benefit.

SENATOR KELLY replied that Senate State Affairs is the first committee of referral and referenced the Legislature's recent history in addressing the state's retirement system. He emphasized that his intent is not to introduce a bill that would usurp the previous work done by the Legislature to create a healthy retirement system. He asserted that SB 212 will keep the state's retirement system healthy while addressing public safety's retention issue.

CHAIR MEYER agreed with Senator Kelly. He asserted that the biggest part of the state's unfunded liability is the medical-side and he likes SB 212 because it deals with the medical issue.

SENATOR EGAN pointed out that his bill was "still alive." He noted that HB 83 was in the other body and the bill had a lot of public hearings with no opposition.

[3:48:05 PM](#)

CHAIR MEYER opened public testimony.

[3:48:19 PM](#)

JOSEPH BYRNES, Staff, Senator Kelly, Alaska State Legislature, Juneau, Alaska, clarified that the Alaska Professional Firefighters Association brought the issue forward, not the peace officers.

CHAIR MEYER announced that the committee will forgo the sectional analysis for SB 212.

[3:49:23 PM](#)

DOUG SCHRAGE, Advocate, Alaska Fire Chiefs Association, Fairbanks, Alaska, testified in support of SB 212. He set forth that the Alaska Fire Chiefs Association has long recognized the growing trend of experienced, trained fire fighters leaving the state's departments for similar departments in other states, particularly in the Pacific Northwest. He noted that firefighting jobs in Alaska have historically been a "dream job." He said departments with better retirement packages in the Lower 48 have increasingly resorted to lateral-hiring because there is a pool of well-trained firefighters in Alaska. He summarized that recruiting, training and equipping firefighters is expensive.

[3:52:30 PM](#)

COLONEL HANS BRINKE, Director, Alaska State Troopers, Alaska Department of Public Safety, Anchorage, Alaska, detailed that the Alaska State Troopers and the Alaska Wildlife Troopers have a combined total-authorized positions of 389 with a combined position vacancy of 45. He disclosed that over the past 2 years the department has lost 30 to 40 troopers per year and hired only 12, a net loss of 15 to 20 trooper per year. He provided retirement statistics as follows:

- 38 percent of all troopers are eligible for retirement within the next 5 years.

- 80 percent of the command staff are eligible to retire in the next year.
- 94 percent of command staff are eligible to retire within the next 5 years.
- An average of 15 to 20 retirements are expected per year through 2026, a total of 120 to 160 trooper retirements.

COLONEL BRINKE addressed non-retirement trooper separations as follows:

- 2014 to 2017 combined separations have averaged 24 troopers per year, totaling approximately 126 troopers.
- Reasons for leaving:
  - Lack of a defined benefits package.
  - Being overworked.
  - Pay disparities compared to other agencies throughout the state and the Lower 48.
  - Poor internal communications.

He disclosed that feedback from exiting-trooper interviews as to what would keep them in their previous positions as follows:

- Defined benefit package.
- Wages that are comparable to other agencies.
- Restoration of a training budget.

He said he emphasizes trooper retainment versus recruitment. He disclosed that the department will have to hire 40 troopers per year for the next 8 years just to get back to even for the authorized positions.

[3:58:23 PM](#)

SENATOR WILSON asked if the Alaska State Troopers support the bill.

COLONEL BRINKE replied that the department is not at the point to endorse the bill but added that the department supports the concept of defined benefit packages.

SENATOR GIESSEL addressed Colonel Brinke's staffing challenge and noted that her district had included the Kenai Peninsula. She noted that she had discussions with the Alaska State Troopers on staffing challenges in remote areas and remarked that the Alaska State Troopers have been hurting from staffing issues for a number of years.

[4:00:32 PM](#)

MAJOR BERNARD CHASTAIN, Deputy Director, Division of Alaska Wildlife Troopers, Alaska Department of Public Safety, Anchorage, Alaska, announced that he was available to answer questions on SB 212.

[4:00:56 PM](#)

PAUL MIRANDA, Vice President-South Central, Alaska Professional Firefighters Association, Anchorage, Alaska, testified in support of SB 212. He detailed that Alaska began placing all new state and municipal employees into the defined contribution plan known as PERS Tier IV in 2006; however, the state has experienced many unintended consequences. He asserted that the clearest consequence is the competitive disadvantage the state is now facing in recruiting and retaining public safety employees. He pointed out that Alaska is one of the only states to only offer a defined contribution retirement plan to public safety employees. He noted that several jurisdictions in the Lower 48 have switched from a defined contribution plan back to a defined benefit plan specifically to address the same problems that Alaska is now facing. He added that another unintended consequence from the switch to Tier IV is the lack of retirement security provided for public safety employees. He said SB 212 will make Alaska competitive in public safety hiring and retention. He addressed benefit details and noted that Tier IV medical benefits will be provided as opposed to providing full pre-Medicare coverage.

[4:05:41 PM](#)

SENATOR GIESSEL asked what the definition is for a "firefighter." She said her concern is the legislation ripples-out without constraint and suddenly, "Secretaries at desks are included."

MR. MIRANDA replied that the definition is classified as a P-Class position that is used for frontline responders, peace officers and firefighters.

SENATOR WILSON noted that Senator Egan brought up a point on allowing the choice of opting in or out and asked Mr. Miranda if he was in support of the ability to choose.

MR. MIRANDA replied that SB 212 provides a 90-day period to opt into the new retirement plan versus staying in PERS Tier IV.

[4:08:14 PM](#)

SENATOR EGAN noted that the state troopers and firefighters did endorse his bill. He detailed that his bill provides a choice between defined benefit and defined contribution. He explained that the reason for providing an option was for families that transfer.

He addressed SB 212 and pointed out that he likes the bill's conversion option because of its familiarity. He detailed that if an unfunded liability opens, the bill has two ways employees help close the liability. He noted that retirees skip their inflation adjustments and active employees pay more out of their wages. He asked if the two ways employees help close the liability is equitable.

MR. MIRANDA replied that Washington state has similar provisions in its law enforcement officers and firefighter's retirement plan. He opined that the senator's question regarding the two ways employees would help close a liability will be addressed in an upcoming actuarial report.

[4:11:00 PM](#)

SENATOR EGAN added that there are states that have recently gone back to direct benefit or allowed employees to choose between defined contribution and defined benefit.

SENATOR COGHILL noted that Senator Kelly brought up the cost of training state troopers and asked how much it costs to train firefighters. He opined that cost recovery should be based on a formula that considers the number of individuals that are trained and the number of trained employees that leave.

MR. MIRANDA replied that the Anchorage Fire Department's training cost is \$100,000 to \$165,000 for an individual that is hired.

SENATOR COGHILL explained that knowing the training costs is vital in getting cost recovery.

CHAIR MEYER asked if new recruits are trained in both emergency medical technician (EMT) and firefighter training.

MR. MIRANDA replied that all firefighters in Anchorage are cross-trained in both fire and emergency medical services (EMS) and other jurisdictions throughout the state do the same.

SENATOR GIESSEL disclosed that the committee members did not receive any cost numeration from the Alaska Professional Firefighters Association.

MR. MIRANDA replied that he previously referenced firefighter cost from the Anchorage Fire Department but would provide additional information to the committee.

[4:15:54 PM](#)

ALEX BOYD, Assistant Chief of Training, Anchorage Fire Department, Municipality of Anchorage, Anchorage, Alaska, testified in support of SB 212. He stated that firefighter recruitment and retainment has become increasingly difficult. He said the department has seen an increase in declines for employment due to other agencies that offer a defined benefit system. He disclosed that the cost of training a new hire employee is \$169,000 per employee for initial training and deployment. He revealed that a recent survey indicates that approximately 38 employees in the department are seeking outside employment and the result would be a potential \$6.4 million investment loss if all 38 left the department, an amount that would have to be added to the department's annual operating budget to cover academy costs.

[4:19:20 PM](#)

AMANDA WRAITH, representing self, Wasilla, Alaska, testified in support of SB 212. She said she is increasingly concerned with the level of decline and the lack of adequate support to recruit and retain well qualified officers. She concurred with previous testimony that many state troopers have left Alaska for jobs that offer defined benefits in the Lower 48.

[4:22:12 PM](#)

LANE WRAITH, representing self, Wasilla, Alaska, testified in support of SB 212. He disclosed that he is an Alaska State Trooper. He said state troopers are taking their training and leaving Alaska for jobs with defined benefits. He added that the state's academies are receiving fewer applicants and turning out fewer recruits. He said SB 212 goes a long way in fixing the retirement system that is currently not working as an incentive to bring people in or to keep the ones that have joined.

[4:25:36 PM](#)

BRYAN BARLOW, Deputy Director, Alaska State Troopers, Alaska Department of Public Safety, Anchorage, Alaska, announced being available to answer questions on SB 212.

[4:25:59 PM](#)

DEREK DEGRAAF, Supervisor, Trooper Recruitment, Alaska State Troopers, Alaska Department of Public Safety, Anchorage, Alaska, announced being available to answer questions on SB 212.

[4:26:38 PM](#)

CHIEF JUSTIN DOLL, Chief of Police, Anchorage Police Department, Municipality of Anchorage, Anchorage, Alaska, testified in support of SB 212. He disclosed that the department is running an uphill recruitment battle with Lower 48 departments that offer a defined benefits system. He pointed out that within the state, rural departments face a tremendous challenge in hiring and retaining officers. He said his primary concern is retaining officers that are in their mid-career phase. He disclosed that the cost for a first-year officer's training at the department is \$170,000 to \$200,000. He said SB 212 is the step in the right direction and will help the department recruit and retain law enforcement officers across the state, especially in Alaska's rural areas.

[4:32:49 PM](#)

CHAIR MEYER noted that the Anchorage Police Department has hired many new police officers. He asked where the new hires are coming from.

CHIEF DOLL replied that a few people have been hired locally as well as individuals from out of state. He said he is concerned with training and losing out-of-state applicants. He revealed that most states have officer-certification reciprocity with other states where an applicant can be hired in their home state after receiving certification in Alaska and that is huge concern for the department. He noted that PERS portability is another concern that he has, and SB 212 would allow departments to have influence over departures.

CHAIR MEYER asked where the local hires are coming from. He inquired if hires are coming from the Alaska State Troopers.

CHIEF DOLL answered that some hires have come from the Alaska State Troopers, but not within the last year.

[4:36:01 PM](#)

SERGEANT MIKE JENSEN, Recruiter Supervisor, Anchorage Police Department, Municipality of Anchorage, Anchorage, Alaska, testified in support of SB 212. He concurred with Chief Doll that the department has hired a few officers from the Alaska State Troopers.

CHAIR MEYER asked if the department has an outreach process to attract rural-area applicants, especially Alaska Natives.

SERGEANT JENSEN answered yes. He noted that the department recruited at the recent Alaska Federation of Natives (AFN) Convention. He disclosed that one of his recruiting staff members is an Alaska native. He said in addition to target-recruiting Alaska natives, the department also target-recruits women.

[4:38:42 PM](#)

HUNTER BOMAR, representing self, Boise, Idaho, testified in support of SB 212. He disclosed that he was a firefighter for the Anchorage Fire Department and is currently working for the fire department in Boise, primarily because of their defined benefit retirement program. He asserted that Alaska is losing more qualified candidates to states that offer better retirement programs. He provided the committee with malady statistics that tend to inflict firefighters and stressed the importance of retirement programs for firefighters.

[4:43:48 PM](#)

TYLER STUART, representing self, Fairbanks, Alaska, testified in support of SB 212. He disclosed that he has been an Alaska State Trooper for six years. He revealed that many of his friends and co-workers from various state agencies have left Alaska because they do not have a defined benefit retirement program. He said the current Tier IV retirement system leaves uncertainty for future planning for himself and his family. He said SB 212 is a move in the right direction towards a defined benefit program and would provide a lot of confidence to troopers and firefighters.

[4:47:31 PM](#)

CHAIR MEYER closed public testimony.

He disclosed that he has done ride-alongs with the Anchorage Police Department and noted his appreciation for the work that the police officers do. He said his eyes have been opened in revisiting the retirement system that is being addressed. He admitted that there are a lot of questions that need to be worked out. He asked Mr. Byrnes to address the bill's sectional analysis at a future committee meeting to know in detail what the legislation does. He added that the bill's fiscal notes are indeterminate awaiting an upcoming actuarial report.

MR. BYRNES replied that Kathy Lea from the Alaska Division of Retirement and Benefits can address questions regarding the retirement system and the fiscal note. He concurred that the division's fiscal note is indeterminate due to the actuarial report but suggested that the Senate Finance Committee could address a determinant fiscal note.

CHAIR MEYER asked Ms. Lea to address the bill's fiscal note, specifically when the actuarial report will be finished. He pointed out that the legislation's cost will be a major factor. He said the committee members would like to know what the bill's financial implications are prior to going to the next committee of assignment. He admitted that the resistance in the past has strictly been the unfunded liability portion.

[4:51:05 PM](#)

KATHY LEA, Deputy Director and Chief Pension Officer, Alaska Division of Retirement and Benefits, Alaska Department of Administration, Anchorage, Alaska, explained that an actuarial fiscal note is generally ordered when a bill gets to either Senate Finance or House Finance due to the cost involved in producing the actuarial evaluation; however, Senate leadership can direct the division to order an actuarial fiscal note if the feeling is the bill is going to go forward enough to warrant one.

CHAIR MEYER replied that the committee will be in contact with Senator Kelly and the Senate Finance Committee co-chairs regarding the bill's fiscal note. He addressed the fiscal note that addressed the administrative costs and noted that the legislation would require hiring a full-time person and five temporary people to administer the new program.

MS. LEA answered correct. She specified that the division is looking at several non-permanent positions to handle the conversion, the accounting for the conversion, counseling, answering questions from the police/fire group as well as other groups who may be wondering if they are eligible or how they get to be eligible. She detailed that the division is not necessarily anticipating that permanent positions will be needed other than the one permanent position for a retirements and benefits specialist to counsel. She explained that the division's current counseling services for the defined benefit plan is at maximum.

SENATOR COGHILL asked how many potential beneficiaries would be anticipated from the bill.

MS. LEA replied approximately 2500.

SENATOR COGHILL commented that the number of potential beneficiaries is a concept that should be addressed by the committee.

[4:54:24 PM](#)

SENATOR GIESSEL addressed sections 3 and 33 that provided the definition for "peace officer" and "firefighter." She referenced AS 39.35.680(30) as follows:

"Peace officer" or "firefighter" means an employee occupying a position as a peace officer, chief of police, regional public safety officer, correctional officer, correctional superintendent, firefighter, fire chief, or probation officer, but does not include a village public safety officer employed by a village public safety officer program established under AS 18.65.670.

She asked for more information on the definition of corrections and probation officers.

She addressed Section 29 in the bill that referenced AS 39.35.680(18)(C)(ii):

On or after July 1, 2006, with respect to employees who are not peace officers or firefighters [ASSUMES LIABILITY UNDER THE PLAN OF A POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION DESCRIBED IN (B) OF THIS PARAGRAPH].

She said that for the sectional analysis she needed more information on employees who are not peace officers or firefighters.

[4:56:09 PM](#)

MR. BYRNES addressed AS 39.35.680(30) and said the definition would only apply to "frontline personnel." He opined that the Division of Retirement and Benefits may be able to properly answer Senator Giessel's definition questions, especially regarding non-frontline personnel. He noted that there are different benefits provided for in Tier III for police officers and firefighters.

CHAIR MEYER asked Mr. Byrnes to research the definitions that Senator Giessel questioned and provide answers at a future committee meeting.

[CHAIR MEYER held SB 212 in committee.]

[4:58:52 PM](#)

There being no further business to come before the committee, Chair Meyer adjourned the State Affairs Standing Committee at 4:58 p.m.