

HB

91

SFIN

FILE

HB 91

was referred to the
Senate Finance
Committee

No hearing was held
on this bill

Alaska State Legislature

House of Representatives



Official Business

State Capitol
Juneau, AK 99801-1182

SPONSOR STATEMENT FOR CSHB 91 (FIN) BY: Representative Tom Anderson

TITLE: An Act relating to medical benefits for retired peace officers after 20 years of credited service.

The state troopers, firefighters, correctional officers, and others known as "peace officers," employed by the State of Alaska and other local governments are an invaluable resource. These employees risk their health and safety in their service to the citizens of Alaska.

Until 1986, all PERS benefit recipients were eligible to receive major medical insurance benefits after becoming vested in the retirement system. In 1986, the requirements for medical benefits were modified to reduce the number of benefit recipients eligible to receive these benefits. Currently, most PERS participants may receive medical insurance benefits upon "normal retirement," or 30 years of service. Normal retirement for peace officers is 20 years of service, however statute requires them to work an additional five years to receive their medical benefits. This additional five years undermines the intent of normal retirement and creates a burdensome situation for those employees who work under the most stressful of situations daily maintaining the public's safety.

CSHB 91(FIN) corrects the existing benefit delay by allowing peace officers to receive their medical benefit at their normal retirement of 20 years. This legislation will end the additional five-year requirement beyond normal retirement.

I urge your support for this important and timely legislation.

House Changes from HB 91 to CS HB 91

The committee substitute removes the previous change to the Cost of Living (or COLA) section of the statute. The old language read:

* **Section 1.** AS 39.35.480(a) is amended to read:

(a) While residing in the state, a person receiving a benefit under this chapter who is 65 years of age or older, [OR WHO] is receiving a disability benefit, **or has at least 20 years of credited service as a peace officer under AS 39.35.360 and 39.35.370** is entitled to receive a monthly cost-of-living allowance in addition to the basic benefit. The amount of this allowance shall be \$50 or 10 percent of the basic benefit, whichever is greater.

CS HB 91 removes Section 1 and the change located therein.
The result of this change is a lower fiscal impact.

Senate Changes from CS HB 91(FIN) to SCS CS HB 91(STA)

Section 1 was changed to say the state shall, from the general fund, pay the employer contribution on behalf of each political subdivision or public organization participating under the system annually.

MERCER

Human Resource Consulting

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March 30, 2004

Ms. Melanie Millhorn
Director of Retirement Benefits
State of Alaska
Department of Administration
Division of Retirement and Benefits
P.O. Box 110203
Juneau, AK 99811-0203

Subject:

Revised HB 91

Dear Melanie:

This letter provides additional information regarding our estimates of the cost of proposed changes to the Public Employees' Retirement System (PERS) under HB 91. Previous correspondence from Mercer on the cost of HB 91 can be found in our letter dated February 27, 2004. Current statute allows Tier 2 and Tier 3 peace officers and fire fighters retiring with at least 25 years of service to not pay for any retiree medical coverage. Those with less than 25 years of service must pay for retiree medical coverage until age 60. This letter describes the costs associated with changing this service requirement to at least 20 years of service instead of 25.

In previous correspondence regarding HB 91, all actuarial assumptions associated with developing costs were consistent with the June 30, 2002 actuarial valuation. Using these valuation assumptions resulted in 411 out of 1,961 (21%) of Tier 2 and Tier 3 members ultimately taking advantage of this increased benefit. As we have discussed, our assumptions are based on past analyses of actual System experience. However, System benefit changes such as those proposed under HB 91 may result in future experience that is different than what we've seen in the past. In particular, members might retire immediately upon completion of 20 years of service. At your request, we have revised our estimates to include scenarios where the percentage of members who retire immediately to take advantage of the enhanced benefits is greater than the current valuation assumption. Below we have shown additional costs assuming 50%, 75%, and 100% of members with 20 or more years of service retire immediately. As you can see, the 100% scenario does not assume that all Tier 2 and Tier 3 members will ultimately be affected. This is mainly because there are some members who will not accrue 20 years of service prior to attaining age 60.

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March 30, 2004

Ms. Melanie Millhorn

State of Alaska

A summary of pertinent costs under HB 91 are as follows:

	Current Valuation Assumptions	50% Retirement Assumption	75% Retirement Assumption	100% Retirement Assumption
Change in Employer Contribution Rate Due to HB 91				
- As a percent of Police/Fire payroll	0.97%	1.68%	2.39%	3.11%
- As a percent of total System payroll	0.11%	0.19%	0.27%	0.35%
Change in Unfunded Accrued Liability	\$8,000,000	\$11,400,000	\$14,800,000	\$18,200,000
Change in PERS Funded Ratio	(0.1%)	(0.1%)	(0.1%)	(0.1%)
Number of Police/Fire Active Members as of June 30, 2002	2,695	2,695	2,695	2,695
Number of Tier 2 and Tier 3 Members as of June 30, 2002	1,961	1,961	1,961	1,961
Number of Members Projected to be Affected	411	792	1,174	1,555
Percent of Members Projected to be Affected	21%	40%	60%	79%

We have expressed the costs associated with HB 91 in this letter as a percentage of total System payroll and as a percentage of peace officer and firefighter payroll. However, each employer will not be affected equally. For example, some employers may have a higher percentage of peace officers and firefighters than the System average and therefore would be required to pay a greater percentage of their payroll.

In estimating the cost of HB 91 we used the same methods and provisions as were used in the June 30, 2002 actuarial valuation reports, with the exception of the eligibility for retiree medical coverage and the retirement assumption described above. In order to effectively cost the 100% affected member percentage, we assumed no decrements prior to attaining 20 years of service. That is we assumed no mortality, turnover, disability, or retirement.

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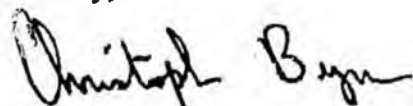
March 30, 2004

Ms. Melanie Millhorn

State of Alaska

Please let us know if you have any questions or comments.

Sincerely,



Christopher Byrnes, EA

CMB/MAG/RMR/kmp

Copy:

Bob Reynolds

Anselm Staack

Kathy Lea

HB 91 discussion points.

HB 91 is a bill that removes the disincentive for Peace Officers to take normal retirement.

It enjoys broad support among legislators with 23 House co-sponsors and a 33 to 3 passing vote in the House.

HB 91 is a tool that could be used to cut operational budgets by removing the disincentive for Peace Officers to take normal retirement.

There is a \$23,105 savings in base pay and leave during the first year after a 20 year Corrections Officer 3 takes normal retirement.

There is a \$26,644 savings in base pay and leave during the first year after a 20 year Trooper takes normal retirement.

It's a policy choice - Currently the policy is to incur higher operational costs when high cost, older, peace officers defer retirement because a benefit is withheld unless 5 extra years are worked.

HB 91 removes the disincentive to take normal retirement, but; in no way discourages peace officers, who still feel fit for duty, to remain beyond normal retirement.

HB 91 represents very little risk. If a Peace Officer completes 20 years of service and takes normal retirement the employer enjoys the above savings. If 20 years is not completed, there is no benefit and there are no new costs.

PERS is managed on the basis of equality among members. Peace Officers qualify for retirement after 20 years of service. They are required to pay a higher contribution into PERS than "All Others" who qualify after 30 years. Their higher contribution maintains equality.

The retirement medical benefit is withheld from Peace Officers unless they work 5 years beyond normal retirement.

HB 91 re-establishes parity among PERS members. And. Is good policy for the State.

Provided by Rep. Anderson

L+G FOCUS IS FAIRNESS

PERS is managed, and rightly so, on the basis of equality among members. Because "Peace Officers" qualify for retirement after 20 years of service they are required to pay a higher contribution than "All Others" who qualify after 30 years. That higher contribution maintains equality among all members. The previous administration decided it was good policy to withhold the medical benefit from Peace Officers unless they worked 5 years beyond normal retirement, to influence them to defer retirement. Peace Officers have been paying for the same benefits as all other PERS members since day one. yet they are denied the same benefits. HB 91 corrects the current policy which is ill conceived, unfair, and prejudicial against Peace Officers.

The same assumptions used to determine the "number of members impacted" for cost analysis should be made to estimate savings. If a member has impact on the cost side (PERS) he also has impact on the savings side (payroll). This bill cannot impact one side without impacting the other.

HB 91 is a policy change with little or no risk. If 20 years is not completed, there is no new benefit and the State incurs no new costs. If a Peace Officer completes 20 years of service and takes normal retirement the State enjoys payroll savings that mitigate the cost. The current policy of withholding a less expensive benefit to influence a Peace Officer to defer retirement and pay higher payroll costs money.

For example:

#1 - The largest number of "Peace Officers" in the state are Correctional Officers, and most of them are CO2s.

When a CO2 defers retirement for 1 year it costs the state at least an additional \$18,252. This is the difference in just the base pay and leave between a CO2 working year 21 and a CO2 working year 2. Current policy attempts to defer retirement for 5 years with a cost of over \$18,252 per year. For a CO3 the cost is higher, \$23,105 / year. For a Trooper the cost is at least \$26,644 / year, for a Sgt. the cost is at least \$32,508 / year.

During testimony in House Finance, DRB stated that the average benefit cost would be \$806/month or \$9,670/year.

A person can get lost in the maze of "what ifs" thoughtfully produced by DRB, but the facts remain. The actual benefit costs considerably less than the actual cost of deferring retirements. And. For every Peace Officer actually impacted there is a payroll savings mitigating the cost. There is no guessing involved, it is a 1 to 1 ratio.

This is a policy choice. Fund the benefit or fund the greater payroll. Is it worth the higher cost to keep peace officers beyond normal retirement? Is it good policy to squeeze an extra 5 years out of them? The answer is no.

Subject: cost avoidance question

Date: Tue, 13 Apr 2004 09:00:25 -0800

From: fox <foxhouse@gci.net>

To: Josh Applebee <Josh_Applebee@Legis.state.ak.us>

Josh and Tom,

HB 91 is a "cost avoidance" Bill. The current policy requires Tier 2 and 3 Peace Officers to defer retirement to qualify for their medical benefit. The policy of deferring retirement has a price tag.

At the hearing on HB91 in House Finance on 02/17/04 - DRB advised the average actual cost of the benefit is \$9,672/year.

However, when a Peace Officer defers retirement, the operational cost increase, in just base pay and leave, is greater than the actual benefit cost.

For a CO2 it is at least \$18,252/year.

For a CO 3 it is at least \$23,105/year.

For a Trooper it is at least \$26,644/yr.

For a Sergeant it is at least \$32,508/yr.

Further; there are additional costs associated with: over time, workers comp, shift differential, geo. dif., retirement contributions, etc.

Tier 2 employees will start qualifying for normal retirement with 20 years of service in 2006. HB 91 will help avoid the impending increased costs associated with deferring their retirements.

QUESTION (for who):

Is the administration prepared for the increased funding demands that will be coming due if they don't pass HB 91?

At previous hearings AML and Larry Semmens of the City of Kenai testified in opposition because of the PERS cost and under funded status.

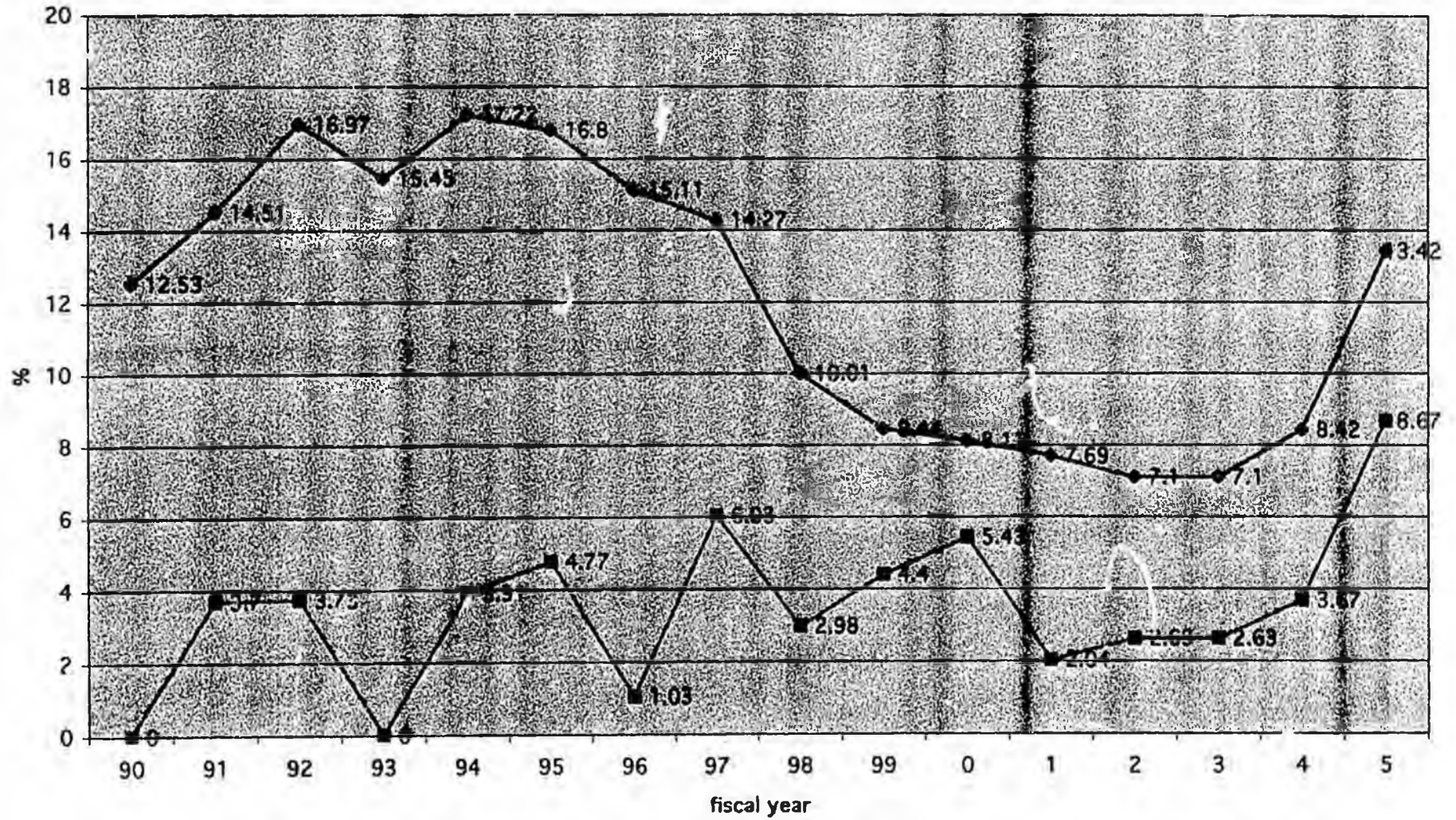
Perhaps one reason that they are under funded is because of their long history of low contribution rates.

When financial markets were strong and growing, perhaps it would have been wise to maintain contribution rates to capture some of that growth.

It is unfair to place the burden of this past failed investment strategy on current members.

The attached graph illustrates the rates paid by the city of Kenai compared to those paid by the State of Alaska.

Contribution Rates

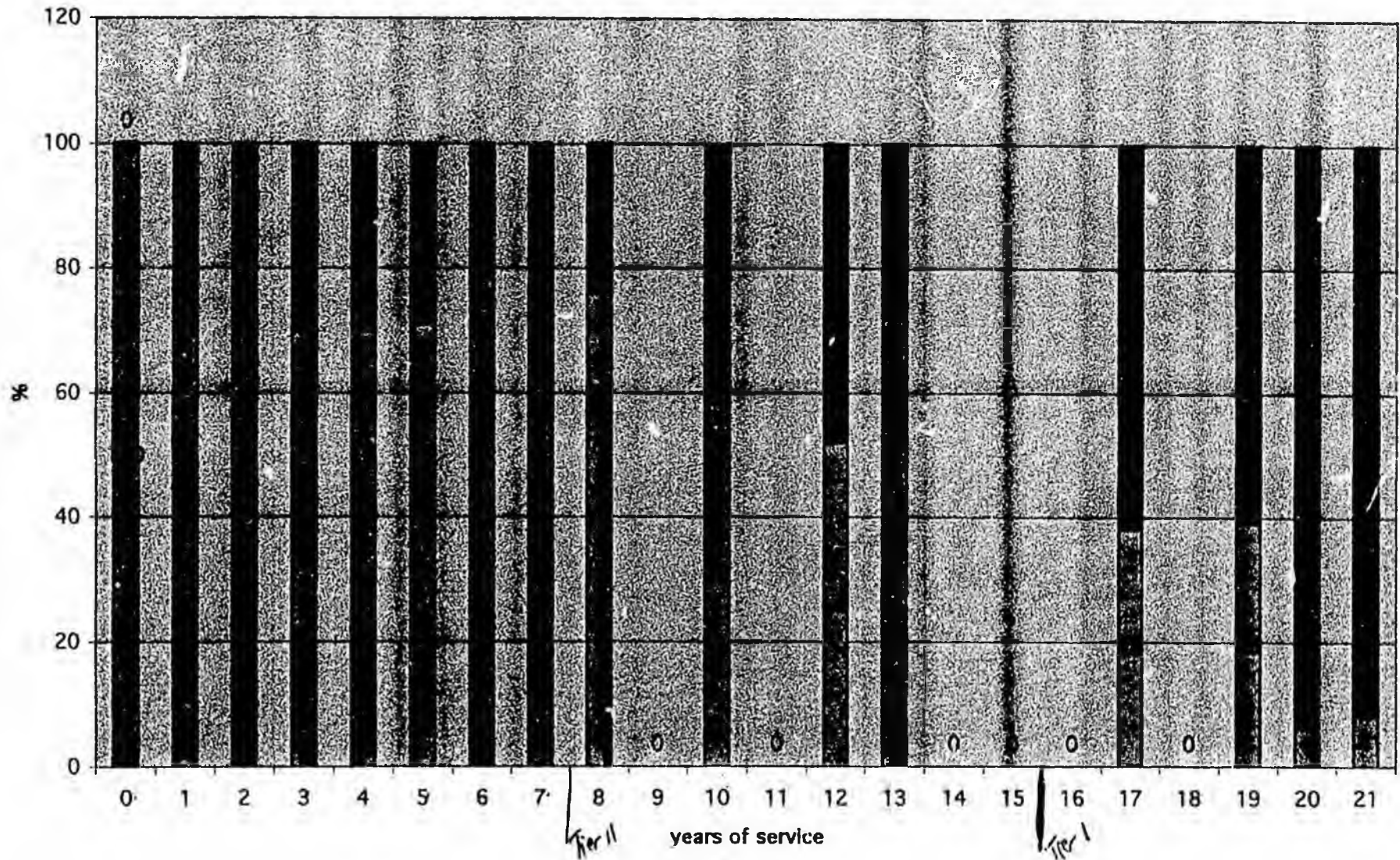


There is a price tag associated with deferring retirement. These graphs show that most Tier 1 Troopers and Correctional Officers leave at 20.

That drop will move to 25 years and significantly increase operational costs.

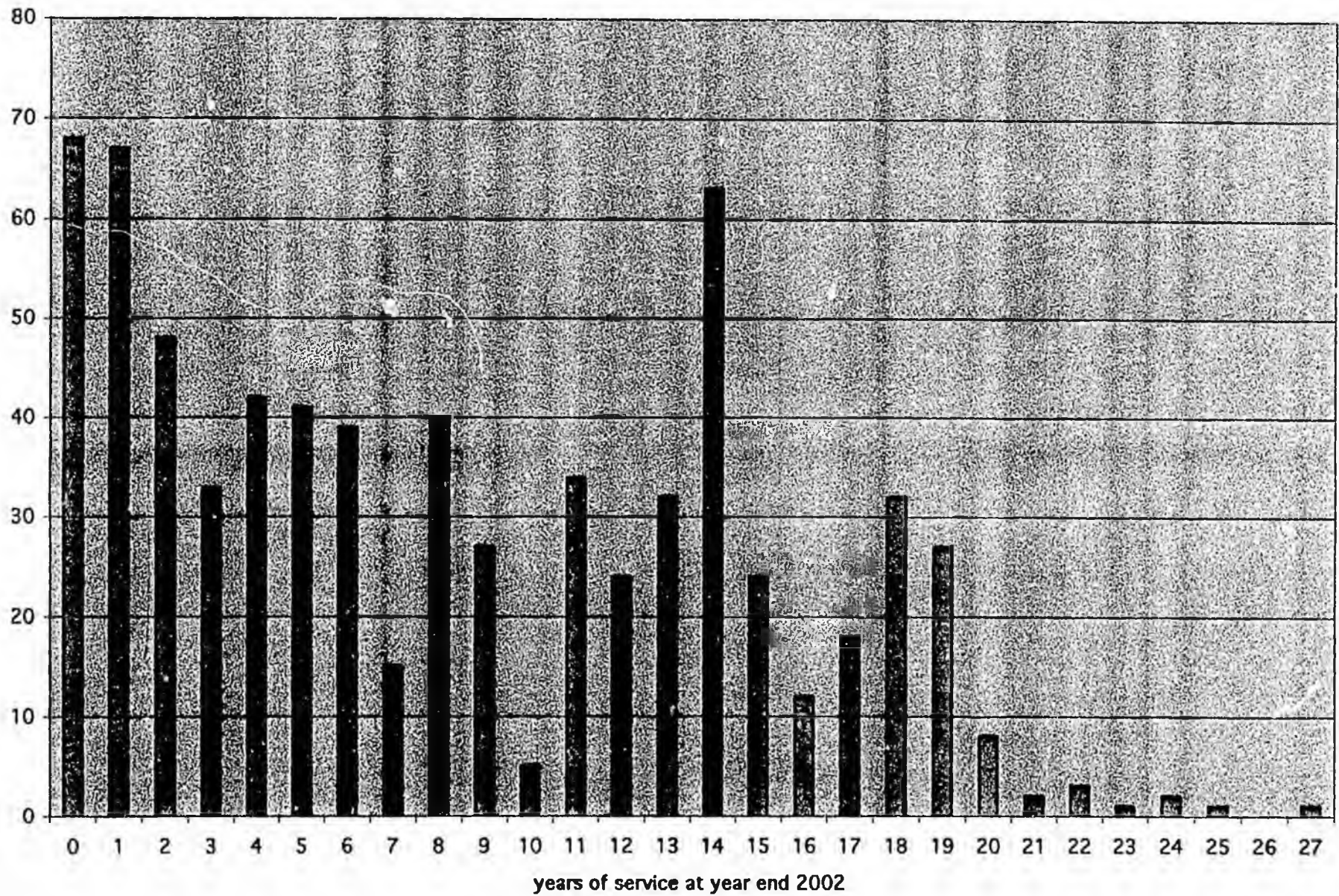
THE
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Troopers - Retained / Seperated



09/03 Seniority lists and DPS commissioning records

Number of COs by years of service



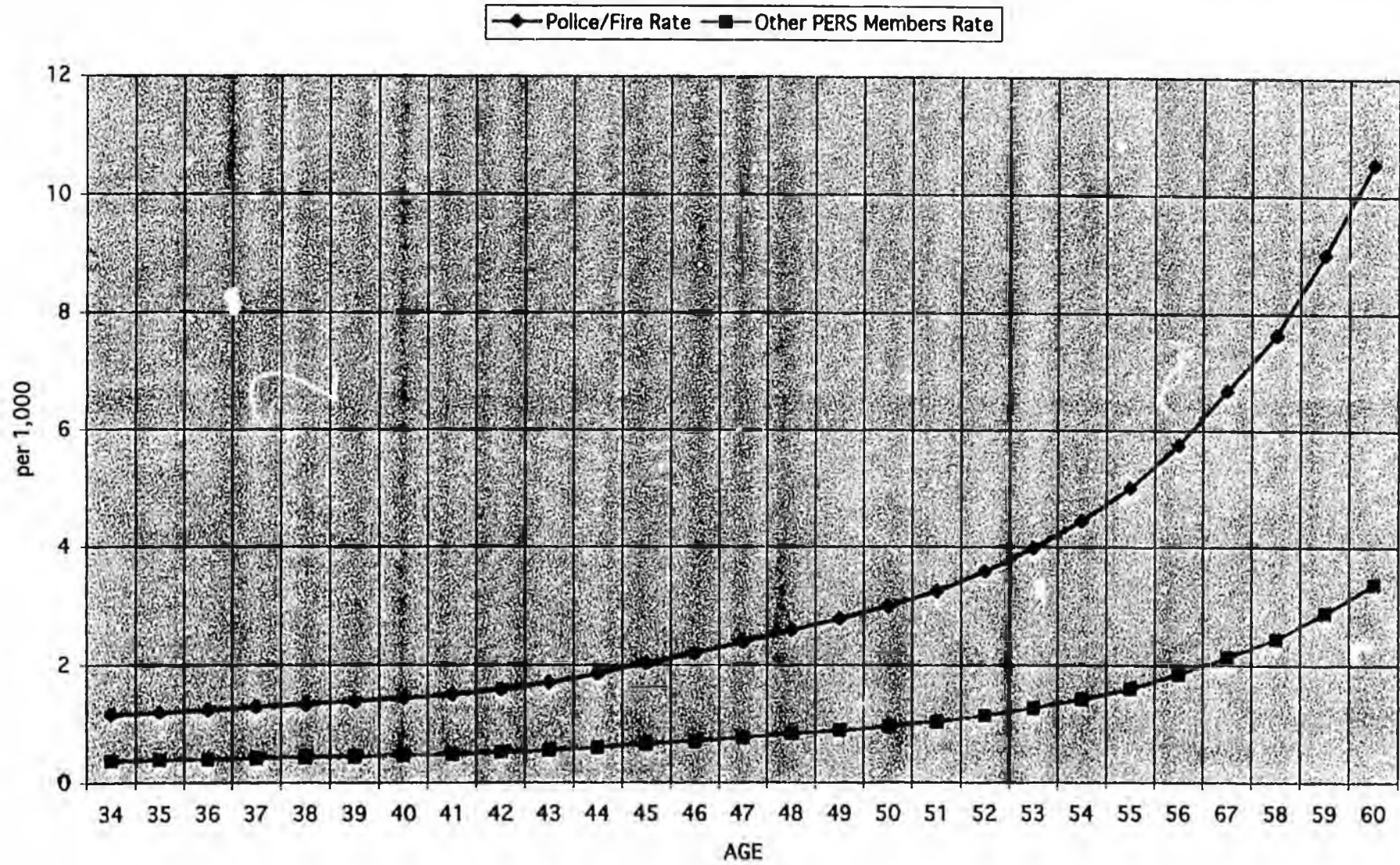
Information from DOC seniority roster 02/03

It is not good policy to encourage Peace Officers to defer retirement.

It is easily understandable that the physical demands of the job are better suited for a younger work force.

The attached graph helps illustrate this point.

Alaska PERS Disability Rates



PERS is managed on the basis of equality among all members.

Peace Officers" pay a higher contribution to maintain that equality.

The current policy is to withhold the medical benefit from Peace Officers unless they work 5 years beyond normal retirement.

Peace Officers pay equal to all other members, yet they are denied equal benefits.

HB 91 corrects this unfair and prejudicial policy.

PERS is managed, and rightly so, on the basis of equality among members. Because "Peace Officers" qualify for retirement after 20 years of service they are required to pay a higher contribution than "All Others" who qualify after 30 years. That higher contribution maintains equality among all members. The previous administration decided it was good policy to withhold the medical benefit from Peace Officers unless they worked 5 years beyond normal retirement, to influence them to defer retirement. Peace Officers have been paying for the same benefits as all other PERS members since day one. yet they are denied the same benefits. HB 91 corrects the current policy which is ill conceived, unfair, and prejudicial against Peace Officers.

HB 91 is a "cost avoidance" Bill.

The current policy requires Tier 2 and 3 Peace Officers to defer retirement to qualify for their medical benefit. The current policy of deferring retirement has a price tag.

When a Peace Officer defers retirement, the operational cost increase is greater than the actual benefit cost.

Tier 2 employees will start qualifying for normal retirement with 20 years of service in 2006. HB 91 will help avoid the impending increased costs associated with deferring their retirements.

HB 91 is a "cost avoidance" Bill. The current policy requires Tier 2 and 3 Peace Officers to defer retirement to qualify for their medical benefit. The policy of deferring retirement has a price tag.

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However, when a Peace Officer defers retirement, the operational cost increase, in just base pay and leave, is greater than the actual benefit cost.

*For a CO2 it is at least \$18,252/year.
For a CO 3 it is at least \$23,105/year.
For a Trooper it is at least \$26,644/yr.
For a Sergeant it is at least \$32,508/yr.*

Further; there are additional costs associated with: over time, workers comp, shift differential, geo. dif., retirement contributions, etc.

Tier 2 employees will start qualifying for normal retirement with 20 years of service in 2006. HB 91 will help avoid the impending increased costs associated with deferring their retirements.

Reference: Sec. 39.35.535. Medical benefits.

Question: Is the current practice of withholding a retirement benefit for 5 years, from Peace Officer members of PERS, a violation of the Equal Protection Clause?

PERS is managed on the basis of equality among members. Because "Peace Officers" qualify for retirement after 20 years of service they are required to pay a higher contribution into PERS than "All Others" who qualify after 30 years. That higher contribution is justified to maintain equality among PERS members. Previous legislation (HB 242 in 2001) changed AS 39.35.535, in part, by withholding the medical benefit from Peace Officers unless they worked 5 years beyond normal retirement. All other changes affected all PERS members equally and the fiscal note referred equally to all PERS employers. No contribution rate reduction corresponding to the benefit being withheld was applied to Peace Officers or their employers. Peace Officers and their employers have been paying equally, for the same benefits as all other PERS members, yet a benefit is withheld.

EQUAL PROTECTION CLAUSE - Portion of the Fourteenth Amendment to the U.S. Constitution that prohibits discrimination by state government institutions. The clause grants all people "equal protection of the laws," which means that the states must apply the law equally and cannot give preference to one person or class of persons over another.

(HB 91)

Public Safety Employees Association, Inc.
"Representing Alaska's Finest"

Senator Seekins,

4/20/04

During our last meeting you requested some "real" numbers that would illustrate the fact that there is a cost increase associated with deferring retirements. To answer that request I searched out the following information.

Previously we used the pay and leave scales to illustrate the potential costs of deferring retirement. (see last 2 pages). For this discussion I found the actual cost for actual officers who actually retired to compare to the cost of the actual officers who replaced them. Note: In some instances the specific entry level officer was impossible to identify so I used pay scale for an entry level officer in the same facility or assignment.

In the previous comparison we only used base salary and leave accrual. In this comparison we used all employer costs including leave used and cashed in. We did not use leave accrual, which is a significant cost increase with older officers. We did not use it in this discussion because it is an accrual and not an actual cost until it is used or cashed in.

In the Sgt. row year 21 and 22 costs are underlined to highlight that they were paid. That Sgt. deferred retirement for 2 years.

The cost listed for the first year medical benefit is the current actual average cost. Years 2 through 5 include an estimated 10% annual cost increase.

Note: In 2001 the deferred retirement costs were not addressed in the fiscal note for the Bill (HB242) that created the current policy.

Sincerely, Mike Fox, PSEA cell 223-0605 or 790-4970.

cc Senate Labor and Commerce
Senator Bunde
Senator Davis
Senator French
Senator G. Stevens

REP ANDERSON

Costs associated with deferring normal retirement. The actual values are from fiscal year '03 (the year prior to these retirements). The values include all salary, premium pay, employer costs for SBS, Retirement, UI, health insurance, Medicare, other charges accumulated in the HR Indicative and leave used. (Not leave accrued). The replacement's value estimates consider that they copy the exact same schedule, in all aspects, as the officer they replaced.

#1 - A 20 year CO II retired on 12/03. His last actual annual cost to the state was \$73,629. The cost for the 1 year CO II replacement is \$51,975. The cost avoided = \$21,654.

#2 - A 20 year Trooper in a bush assignment retired on 08/03. His last actual annual cost to the state was \$133,911. A 2 year Trooper replaced the retired Trooper and will cost \$103,498. The cost avoided = \$30,413.

#3 - A 22 year Trooper Sgt. retired on 1/04. His last actual annual cost to the state was - \$111,867. A 10 year Trooper was promoted for replacement and will cost \$93,061. The cost avoided in the first step is \$18,806.

The promoted 10 year Trooper's last actual annual cost was \$100,568. A 1 year Trooper replaced the promoted Trooper and will cost \$77,727. The cost avoided in the second step = \$22,841. The total cost avoided during the first year after the Sgt. retired was \$41,647.

The estimated cost to recruit and train (Trooper \$91,463, CO \$18,273) is not eliminated with deferred retirements, it is only deferred. Row 1 illustrates normal retirement and medical benefit cost. Rows 2,3,4 illustrate deferred retirement and payroll increase for the examples described above.

year	20	21	22	23	24	25
Recruit +train	\$91,463 \$18,273	Benefit \$9,672	\$10,639	\$11,702	\$12,872	\$14,195
CO II	Deferral cost	\$21,654	\$21,654	\$21,654	\$21,654	\$21,654 \$18,273
Trooper	Deferral cost	\$30,413	\$30,413	\$30,413	\$30,413	\$30,413 \$91,463
Sgt.	Deferral cost	<u>\$41,647</u>	<u>\$41,647</u>	\$41,647	\$41,647	\$41,647 \$91,463

Total for 5 years: Benefit cost - \$59,044, - including 10%/yr increase
Retirement deferral cost- CO II \$108,270, Trp \$152,065, Sgt \$208,235

Appendix

Trooper

Savings (in base pay and leave) after a 20 year Trooper takes normal retirement

Cost for a 20 year Trooper -----	\$83,418
Cost for a 1 year Trooper -----	\$56,774
Savings during the first year after retirement-----	\$26,644
Savings during the second year-----	\$24,515
Savings during the third year-----	\$22,306
Savings during the fourth year-----	\$20,014
Savings during the fifth year-----	\$17,636
Total savings from a 20 vs 25 year retirement -----	\$111,115

There are 250 Troopers effected by HB 91. If half of them (125) make it to normal retirement and retire with 20 years service instead of 25, the State would save **\$13,889,375**.

Trooper Sergeant

Savings in (base pay and leave) during **the first year** after a 20 year Trooper Sgt. takes normal retirement. (on average, Sergeants have 8 years of service at the time of their promotion)

Cost for a 20 year Trooper Sgt. -----	\$92,026
Cost for an 8 year Trooper Sgt. is-----	\$75,032
Savings -----	<u>\$16,994</u>
Cost for an 8 year Trooper is-----	\$72,288
Cost for a 1 year Trooper is-----	\$56,774
Savings-----	<u>\$15,514</u>
Total savings during the first year after retirement-----	\$32,508

Note: There are 37 Sergeants effected by HB91. They represent the potential for **\$1,202,796 in savings** when considering just **the first year** following their retirement.

Correctional Officer 2

Savings (in base pay and leave) during **the first year** after a 20 year Correctional Officer 2 takes normal retirement

Cost for a 20 year CO2 -----	\$60,853
Cost for a 1 year CO2 -----	\$42,601
Total savings during the first year after retirement-----	\$18,252

Correctional Officer 3

Savings (in base pay and leave) during **the first year** after a 20 year Correctional Officer 3 takes normal retirement. (average years of service when CO3s are promoted is unknown; 8 years was used)

Cost for a 20 year CO3 ----- \$67,442
Cost for an 8 year CO3 ----- \$55,381
Savings ----- \$12,061

Cost for an 8 year CO2 ----- \$53,645
Cost for a 1 year CO2 ----- \$42,601
Savings----- \$11,044

Total savings during **the first year** after retirement----- **\$23,105**

Training Cost Discussion

Estimated costs to hire and train a new Correctional Officer, \$18,273 during 6 weeks, Trooper \$91,463 during 33 weeks. Some applicants are APSC certified and require less or no training. Example; HB242 hires.

It is not valid to consider hiring and training as new costs when associated with normal retirement. That investment is returned over time, during the 20 years of service required to earn a normal retirement.

Public Safety has been unable to determine the average length of a Trooper's career, however; seniority lists indicate that less than half complete 20 years of service. On average, DPS may reasonably expect to receive approximately 10 years of service from their investment in hiring and training. DOC estimates an annual CO turnover rate of approximately 10%.

The argument that deferring retirement from 20 to 25 years saves training costs is flawed. The operating budget savings are greater than the costs to hire and train new officers. Example; It costs more to defer a Correctional Officers retirement for one year than it does to hire and train a new officer.

References: DPS and DOC 2003 seniority lists and wage schedules.



Municipality of Anchorage

P.O. Box 198650 • Anchorage, Alaska 995194650 • Telephone: (907) 343-4111 • Fax: (907) 343-4122 <http://www.muni.org>

Mayor Mark Begich

Office of the Mayor

March 1, 2004

Representative Tom Anderson
Alaska House of Representatives
Juneau, AK 99811

Dear Representative Anderson:

It has come to my attention that concerns have been raised regarding the impact of HB 91 on the Municipality of Anchorage.

Based on the review of this legislation by our public safety and employee benefits staffs, I believe HB 91 will not adversely affect our employees, our finances or our ability to provide excellent public safety services to our community.

Please let me know if you need more information from the Municipality on this legislation.

Sincerely,

Mark Begich
Mayor

Community, Security, Prosperity

Public Safety Employees Association, Inc.
"Representing Alaska's Finest"

February 14, 2003

Representative Tom Anderson
House District 19
State Capitol, Rm. 432
Juneau, AK 99801

Ref: House Bill 91

Dear Representative Anderson,

I wanted to take this opportunity to personally thank you for introducing House Bill 91, regarding the Peace Officer's Retirement System. The Public Safety Employees Association is a statewide organization representing over 1,300 Police Officers, Court Service Officers, Correctional Officers, State Troopers, Fish and Wildlife troopers, Fire Marshals, and other law enforcement professionals. This bill is especially important to our members as it would affect the vast majority of them.

If enacted into law, this legislation would assist state and municipal agencies with recruitment and retention of qualified personnel for peace officer positions. Staffing these agencies with top-quality professionals is a "must do" for state and local Governments. In addition, by having a medical insurance benefit available at "normal" retirement age, those who may otherwise choose to pursue a new career will be more likely to remain in public service as "Peace Officers". This will help reduce turnover and hold recruitment and training costs down.

Thank you again for your support of our State's peace officers. Please feel free to contact me with any questions.

Sincerely,


Joe D'Amico
Business Manager



State of Alaska

Public Employees' Retirement Board

PO Box 110203
Juneau, AK 99811-0203
Phone: (907) 465-4471
Fax: (907) 465-3086

Retirement Board

Pat Wellington, Chair
Charles Borg, Vice Chair
Frank Nerusch
Don Hoover
Beth Reed

Board Attorney

Robert M. Johnson

PERS Administrator and Board Secretary

Guy Bell

Internet

www.state.ak.us/drb

E-Mail

PERS_Board@admin.state.ak.us

February 26, 2003

Joe D'Amico
Business Manager
Public Safety Employees' Association
4300 Boniface Parkway, Ste 116
Anchorage, AK 99504

RE: HB 91 (peace officer legislation)

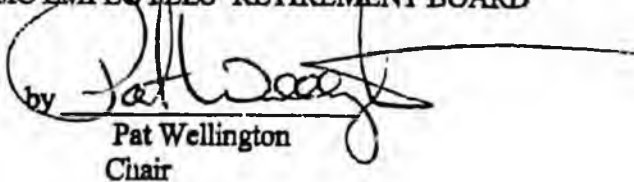
Dear Mr. D'Amico:

In its meeting on February 25, 2003, the Public Employees' Retirement Board considered, as I had previously told you it would, HB 91 legislation relating to benefits for retired police officers. I assume you have seen the fiscal note attached to the proposed legislation.

By a majority vote (Vice Chair Borg, member Hoover, and myself), the Board resolved to support the bill. In these troubled times, measures which encourage retention of senior peace officers are very desirable, particularly to undertake the ever-increasing responsibilities required for Homeland security. HB 91 is an excellent effort in this regard and the cost to the system over time is not excessive.

By copy of this letter to sponsoring Representative Anderson and the administration, the Board urges passage of this bill.

PUBLIC EMPLOYEES' RETIREMENT BOARD

by 
Pat Wellington
Chair

cc: Mike Miller, Commissioner
Department of Administration

Guy Bell, Director
Division of Retirement and Benefits

✓ Representative Tom Anderson
Alaska State Legislature



Anchorage
Police
Department
Employees
Association

Phone (907) 561-7500
P.O. Box 230330
Anchorage, Alaska 99523
500 West International Airport Road
Anchorage, Alaska

Representative Tom Anderson
State Capital Building
Juneau, Alaska 99801

April 3, 2003

Dear Representative Anderson:

On behalf of the men and women of the Anchorage Police Department Employees Association, please consider this as a strong endorsement of HB 91. HB 91 is designed to bring the retirement benefits accorded Alaska's public safety officers in line with the benefits existing in the public safety retirement plans of other states.

Alaska's public safety agencies are approaching crisis mode in terms of recruitment and retention. Increasingly, qualified applicants are either simply not applying to work in Alaska or, if they apply, are removing themselves from eligibility lists before they are hired. The refrain from these individuals has become all too familiar - the wages, and particularly the retirement benefits, available elsewhere are too attractive to turn down. With a large number of California police agencies now offering a "3.0% at 50" retirement plan, the problem is only likely to get worse.

As daunting as the problem of recruitment is, public agencies are facing just as serious a problem in retaining experienced employees. Only a short time ago, law enforcement and fire protection were treated as careers by employees. It was extraordinary to see an individual become a police officer or firefighter with one agency and not retire from that agency. Without question, this is no longer the case. In Anchorage, for example, we have in the last few years seen many police employees voluntarily leaving employment before retirement, often to take law enforcement jobs in the lower 49.

It is clear we need greater financial incentives to attract and retain the most qualified individuals as public safety employees. HB 91 is a significant step in that direction.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Heun".

SGT Rob Heun
President
APDEA

ANCHORAGE FIRE FIGHTERS UNION



LOCAL 1264
INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AFL-CIO

1200 E. 76TH #1227
ANCHORAGE, ALASKA 99518



February 18, 2003

The Anchorage Firefighters Union, IAFF Local 1264, would like to endorse House Bill 91 that was introduced on February 12, 2003, by Representatives Anderson and Gara.

Our Local Union represents the nearly 400 Firefighters, Dispatchers, and Support staff that make up the body of the Anchorage Fire Department. Our Department provides Fire Protection, Emergency Medical Care, and multiple types of Technical Rescue to the entire Municipality of Anchorage. The members of our Union not only work to protect our city, we raise our families and establish foundations here for years to come. Our members are able to retire after 20 years of service in this challenging line of work that requires a tremendous amount of dedication both physically and mentally. Many members retire with chronic medical problems that plague them for the rest of their lives. Nonetheless, the Firefighters who perform these jobs choose to do the work for the benefit of others. To require these public servants to wait until they are 60 years of age to collect PER'S medical benefits is not right. The Police and Fire service is facing a serious employee retention problem. We need medical benefits to be available to the members at the time of retirement.

Please give your full support of House Bill 91 and show the men and women protecting your communities how much they are valued and represented in Juneau. Thank you for your continued support and consideration and we look forward to returning to Juneau soon to meet with the Legislature on this matter.

Sincerely,

Brian Reed, President



**Kodiak Police Department
Office of the Chief of Police
217 Lower Mill Bay Road
Kodiak, Alaska 99615
(907) 486-8000
(907) 486-8026 Fax**

February 20, 2003

The Honorable Tom Anderson, Chairman
House Labor & Commerce Committee
State Capitol, Room 432
Juneau, Alaska 99801-1182

Dear Representative Anderson:

I am writing to you in support of House Bill No. 91, an act relating to a cost-of-living allowance and medical benefits for retired peace officers after 20 years of credited service.

The passage of this Bill will provide an incentive that I and many other Chiefs might be able to use to attract qualified applicants to fill the overwhelming number of vacancies in law enforcement agencies throughout our great State. If passed, this legislation will also aid our efforts to retain those officers who are considering leaving our departments to pursue employment elsewhere.

Your strong support and passing of HB No. 91 will serve as an affirmation to the men and women of the Alaskan Law Enforcement Community that you recognize our service and commitment to protect our great State.

Respectfully,


Charles T. Kamai,
Chief of Police

May 4, 2004

Senate Finance Committee

HB 91

I am Larry Semmens, the finance director for the City of Kenai and I am requesting that you do not pass HB 91 out of committee.

This bill is simply too expensive. It will cost the State and the Municipal employers \$5.5 million per year if 79% of the eligible members choose to retire after 20 years of service. At Kenai the percentage will be higher than 79%, so our costs will be higher than average.

The contention that this bill will save money by retiring police and fire personnel early before they fall apart physically or mentally seems pretty unlikely. Most of them will retire and go to work for someone else in a similar line of work. They already have the ability to retire with full medical benefits after 25 years of service, which is an incredibly rich retirement program that was put in place in 2001.

The PERS is underfunded by around \$5 billion. HB 91 will increase that liability. The State and Municipal members of PERS will have to pay this liability over the next 25 years. The City of Kenai rate this year is 3.67% and it is projected to increase to around 25% over the next five years. That is a 600% increase in the PERS contribution and over \$1 million in additional annual contribution. That will be very difficult to fund!

How you can even consider increasing PERS benefits for this select group of people is beyond comprehension in these financially difficult times.

Please take the emotion out of this and recognize that the existing retirement plan is more than adequate. Most of these people were hired when there were no medical benefits until age 60. In 2001 medical benefits were added for those with 25 years of service. If you improve benefits again, where will it stop?

Sincerely

Larry Semmens, CPA

SENATE COMMITTEE REPORT

DATE: 04/02/04

FURTHER: Finance

DATE TURNED IN TO OFFICE: 5/4/04

Labor and Commerce Committee considered CS FOR HOUSE BILL NO. 91(FIN)

HB 91 RETIRED PEACE OFFICER'S MEDICAL BENEFITS

"An Act relating to medical benefits for retired peace officers after 20 years of credited service."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous S CS CS HB 91 (STA)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
House Bill:	
<input checked="" type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
ADM/Var	4/1/04	✓			3
ADM	3/12/04	✓			2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
Davis <i>Betty Davis</i>			X	
Selevins <i>Joseph Selevins</i>			✓	
G Stevins <i>[Signature]</i>			X	
CHAIR: <i>Bunde</i>	✓			

SENATE COMMITTEE REPORT

DATE: 3/5/04

FURTHER: Labor and Commerce Finance

DATE TURNED IN TO OFFICE: 4/2/04

State Affairs Committee considered CS FOR HOUSE BILL NO. 91(FIN)

HB 91 RETIRED PEACE OFF. COLA/MEDICAL BENEFITS

"An Act relating to medical benefits for retired peace officers after 20 years of credited service."

and recommends:

- be replaced with Sen. CS CS HB 91 (STA)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
House Bill:	
<input checked="" type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	Indet.	FN#
<u>DOA-Var.</u>	<u>4/1/04</u>	<input checked="" type="checkbox"/>			<u>3</u>

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	Indet.	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	No REC	AMEND
<u>John J. Caudrey</u>			<input checked="" type="checkbox"/>	
<u>Bob K. Medina</u>			<input checked="" type="checkbox"/>	
CHAIR: <u>[Signature]</u>			<input checked="" type="checkbox"/>	

*Cowdery
Stelman

e. Skovis*

NOT HEARD

SENATE FINANCE COMMITTEE

SIGN-IN

HB 91-RETIRED PEACE OFFICER'S MEDICAL BENEFITS

NAME: MIKE FOX Subject/Bill No: HB 91
 Co./Dept./Title: PSEA Phone: 337-1979
 Address: 4300 TONGAREE PARKWAY Zip: _____
 Do you wish to testify? Yes No Respond To Questions

NAME: JEFF MANNIS Subject/Bill No: HB 91
 Co./Dept./Title: PSEA, PRESIDENT Phone: 507-337-1371
 Address: 70 BOX 8074, FAIRBANKS Zip: 99708
 Do you wish to testify? Yes No Respond To Questions

NAME: MIKE DAVIDSON Subject/Bill No: HB 91
 Co./Dept./Title: INTERNATIONAL ASSOC. OF FIREFIGHTERS Phone: 907-349-1264
 Address: P.O. BOX 396 GLENWOOD, ALASKA 99507 Zip: 99587
 Do you wish to testify? Yes No Respond To Questions

NAME: Pat Comalli Subject/Bill No: HB-91
 Co./Dept./Title: P.S.E.A. (V.P. LOCAL) Phone: 907-586-0614
 Address: 10255 ALWAY AVE, JUNEAU AK Zip: 99801
 Do you wish to testify? Yes No Respond To Questions