

HB

91

**Subject: Re: HB 91 Medical Costs - Paid by P/F Members**

**Date:** Wed, 07 Apr 2004 12:39:13 -0800

**From:** Melanie Millhorn <Melanie\_Millhorn@admin.state.ak.us>

**Organization:** State of Alaska

**To:** Anselm Staack <anselm\_staack@admin.state.ak.us>

**CC:** Kathleen S Lea <kathy\_lea@admin.state.ak.us>, Katrina M Matheny <katrina\_matheny@legis.state.ak.us>

Thanks

Anselm Staack wrote:

Following is an answer to your question:

Start in first year at \$806 / Month

Premium payments at the beginning of each month

Inflation of premium each following year, respectively - 12%, 11.5%, 11%, 10.5% (Same as the Valuation)

Premiums per year in CY05 = \$902.72, CY06 = \$1,006.53, CY07 = \$1,117.25, CY08 = \$1,240.15

Using the discount rate of 8.25% which is equal to the valuation rate for each year to the first date of payment

Gross dollar payments = \$60,872

Actuarial Cost at beginning of the 1st year to fund the five years of health care payments = \$49,209

Remember that the unfunded liability, and cost per person for the 411 members in the current assumptions in HB 91 is based upon a specific profile of the specific people who are presently in the system at 6/30/02, and what the probable health care costs would be attached to them - they are at various ages, and at various states in their carrier as compared to age 60 when employer paid medical would take over in FY 05. The question answered above is what would a new member have to pay to fund five years of health care premiums they would not ordinarily be entitled to; they fund the health premiums for five years.

Melanie Millhorn wrote:

Anselm:

I was asked by Katrina Matheny, staff to Senator Gary Stevens, what the approximate cost might be for a Tier II or III - P/F member to receive medical coverage in accordance with HB 91 by having the member pay for these benefits. For example, in AS 39.35.370 (g) allows dispatchers to convert "all other" service to "P/F" service by paying the full actuarial cost of the conversion of the credited service to treatment as peace officer service.

In the case of HB 91, the member would have to pay the full actuarial cost of the five (5) years of medical benefits. At this point, Katrina is just looking for cost estimates. Thanks.

Melanie Millhorn <[melanie\\_millhorn@admin.state.ak.us](mailto:melanie_millhorn@admin.state.ak.us)>

Director

Division of Retirement and Benefits

Department of Administration

## Public Employees' Retirement System (PERS)

03/26/04 11:03 AM

## Consolidated Employer Contribution Rate &amp; Payroll - Active Employers

## HB 91 - 3% Turnover - ESTIMATED FY 05 Change From Change in Consolidated Rate (Includes P/F)

## Division of Retirement &amp; Benefits

(B) Avg. Inc. \ yr.&gt;&gt;: 3.00% &lt;&lt;&lt;PERS&gt;&gt;&gt; 0.11% &lt;&lt; (D) (F) &gt;&gt; 3.0% 3.0% 3.0% 3.0% 3.0%

Fund	ER Num	Employer	(A)	(C)	Avgr ER Rate	(E)						
			FY 02 Total Earnings	(ChglYr x 3 Yrs) FY02-FY05 Earn Est.		FY 05 Estimated Earnings	FY 05 Increase Dollars	FY 06 Increase Dollars	FY 07 Increase Dollars	FY 08 Increase Dollars	FY 09 Increase Dollars	FY 10 Increase Dollars
PERS	208	AKUTAN, CITY OF	264,162	109.00%	287,937	0.11%	317	326	336	346	356	367
PERS	255	ALASKA GATEWAY SD	1,310,423	109.00%	1,428,361	0.11%	1,571	1618	1667	1717	1768	1821
PERS	152	ALASKA HOUSING FINANCE CORPORATION	14,119,271	109.00%	15,390,005	0.11%	16,929	17437	17960	18499	19054	19625
PERS	106	ALASKA MUNICIPAL LEAGUE	283,665	109.00%	309,195	0.11%	340	350	361	372	383	394
PERS	101	ALASKA, STATE OF	701,531,848	109.00%	764,669,714	0.11%	841,137	866371	892362	919133	946707	975108
PERS	267	ALEUTIAN HOUSING AUTHORITY	463,009	109.00%	504,680	0.11%	555	572	589	607	625	644
PERS	162	ALEUTIAN REGION SD	134,678	109.00%	146,799	0.11%	161	166	171	176	182	187
PERS	230	ALEUTIANS EAST BOROUGH	894,043	109.00%	974,507	0.11%	1,072	1104	1137	1171	1206	1243
PERS	244	ALEUTIANS EAST BOROUGH SD	1,070,290	109.00%	1,166,616	0.11%	1,283	1322	1361	1402	1444	1488
PERS	245	ALEUTIANS WEST CRSA	49,841	109.00%	54,327	0.11%	60	62	63	65	67	69
PERS	259	ALLAKAKET, CITY OF	45,352	109.00%	49,434	0.11%	54	56	58	59	61	63
PERS	203	ANCHORAGE PARKING AUTHORITY	935,838	109.00%	1,020,063	0.11%	1,122	1156	1190	1226	1263	1301
PERS	111	ANCHORAGE SD	64,634,105	109.00%	70,451,174	0.11%	77,495	79821	82216	84682	87223	89839
PERS	173	ANCHORAGE, MUNICIPALITY OF	117,039,389	109.00%	127,572,934	0.11%	140,330	144540	148876	153343	157943	162681
PERS	283	ANDERSON, CITY OF	35,532	109.00%	38,730	0.11%	43	44	45	47	48	49
PERS	289	ANGOOK, CITY OF	282,259	109.00%	307,662	0.11%	338	349	359	370	381	392
PERS	103	ANNETTE ISLAND SD	1,117,072	109.00%	1,217,608	0.11%	1,339	1380	1421	1464	1507	1553
PERS	243	ATKA, CITY OF	65,598	109.00%	71,502	0.11%	79	81	83	86	89	91
PERS	281	BARANOF ISLAND HA	418,305	109.00%	455,952	0.11%	502	517	532	548	564	581
PERS	171	BARROW, CITY OF	951,260	109.00%	1,036,873	0.11%	1,141	1175	1210	1246	1284	1322
PERS	219	BARTLETT REGIONAL HOSPITAL	15,749,772	109.00%	17,167,251	0.11%	18,884	19450	20034	20635	21254	21892
PERS	104	BERING STRAIT SD	6,487,845	109.00%	7,071,751	0.11%	7,779	8012	8253	8500	8755	9018
PERS	232	BERING STRAITS CRSA	62,733	109.00%	68,379	0.11%	75	77	80	82	85	87
PERS	270	BERING STRAITS RHA	987,804	109.00%	1,076,706	0.11%	1,184	1220	1257	1294	1333	1373
PERS	136	BETHEL, CITY OF	4,163,059	109.00%	4,537,734	0.11%	4,992	5141	5295	5454	5618	5787
PERS	144	BRISTOL BAY BOROUGH	1,255,061	109.00%	1,368,016	0.11%	1,505	1550	1596	1644	1694	1744
PERS	184	BRISTOL BAY BOROUGH SD	641,364	109.00%	699,087	0.11%	769	792	816	840	866	891
PERS	223	BRISTOL BAY RHA	1,018,325	109.00%	1,109,974	0.11%	1,221	1258	1295	1334	1374	1415
PERS	105	CHATHAM SD	631,934	109.00%	688,808	0.11%	758	780	804	828	853	878
PERS	121	CHUGACH SD	213,355	109.00%	232,557	0.11%	256	263	271	280	288	297
PERS	262	COOK INLET HOUSING AUTHORITY	2,371,737	109.00%	2,585,193	0.11%	2,844	2929	3017	3107	3201	3297
PERS	224	COPPER RIVER BASIN RHA	491,773	109.00%	536,033	0.11%	590	607	626	644	664	684
PERS	112	COPPER RIVER SD	1,127,364	109.00%	1,228,827	0.11%	1,352	1392	1434	1477	1521	1567
PERS	185	CORDOVA CITY SD	575,642	109.00%	627,450	0.11%	690	711	732	754	777	800
PERS	163	CORDOVA COMMUNITY MEDICAL CENTER	2,320,138	109.00%	2,528,950	0.11%	2,782	2865	2951	3040	3131	3225
PERS	148	CORDOVA, CITY OF	1,742,230	109.00%	1,899,031	0.11%	2,089	2152	2216	2283	2351	2422
PERS	204	CRAIG CITY SD	997,311	109.00%	1,087,069	0.11%	1,196	1232	1269	1307	1346	1386
PERS	186	CRAIG, CITY OF	1,670,674	109.00%	1,821,035	0.11%	2,003	2063	2125	2189	2255	2322
PERS	282	DELTA JUNCTION, CITY OF	60,476	109.00%	65,919	0.11%	73	75	77	79	82	84
PERS	246	DELTA/GREELY SD	841,659	109.00%	917,408	0.11%	1,009	1039	1071	1103	1136	1170
PERS	158	DENALI BOROUGH	521,599	109.00%	568,543	0.11%	625	644	663	683	704	725
PERS	118	DENALI BOROUGH SD	773,615	109.00%	843,240	0.11%	928	955	984	1014	1044	1075
PERS	205	DILLINGHAM CITY SD	1,118,566	109.00%	1,219,237	0.11%	1,341	1381	1423	1466	1509	1555
PERS	178	DILLINGHAM, CITY OF	2,160,968	109.00%	2,355,455	0.11%	2,591	2669	2749	2831	2916	3004
PERS	271	EGEGIK, CITY OF	89,782	109.00%	97,862	0.11%	108	111	114	118	121	125
PERS	242	ELIM, CITY OF	160,588	109.00%	175,041	0.11%	193	198	204	210	217	223
PERS	116	FAIRBANKS NORTH STAR BOROUGH	15,353,714	109.00%	16,735,548	0.11%	18,409	18961	19530	20116	20720	21341
PERS	117	FAIRBANKS NORTH STAR BOROUGH SD	21,839,911	109.00%	23,805,503	0.11%	26,186	26972	27781	28614	29473	30357
PERS	129	FAIRBANKS, CITY OF	5,409,556	109.00%	5,896,416	0.11%	6,486	6681	6881	7087	7300	7519
PERS	183	FORT YUKON, CITY OF	271,347	109.00%	295,768	0.11%	325	335	345	356	366	377
PERS	141	GALENA CITY SD	2,888,249	109.00%	3,148,191	0.11%	3,463	3567	3674	3784	3898	4015
PERS	192	GALENA, CITY OF	1,211,569	109.00%	1,320,610	0.11%	1,453	1496	1541	1587	1635	1684
PERS	189	HAINES BOROUGH	1,869,294	109.00%	2,037,530	0.11%	2,241	2309	2378	2449	2523	2598
PERS	240	HAINES BOROUGH SD	910,974	109.00%	992,962	0.11%	1,092	1125	1159	1194	1229	1266
PERS	215	HOMER, CITY OF	4,347,392	109.00%	4,738,657	0.11%	5,213	5369	5530	5696	5867	6043
PERS	138	HOONAH CITY SD	473,035	109.00%	515,608	0.11%	567	584	602	620	638	658
PERS	199	HOONAH, CITY OF	585,470	109.00%	638,162	0.11%	702	723	745	767	790	814
PERS	285	HOOPER BAY, CITY OF	543,733	109.00%	592,669	0.11%	652	671	692	712	734	756

## Public Employees' Retirement System (PERS)

03/26/04 11:03 AM

## Consolidated Employer Contribution Rate &amp; Payroll - Active Employers

## HB 91 - 3% Turnover - ESTIMATED FY 05 Change From Change in Consolidated Rate (Includes P/F)

## Division of Retirement &amp; Benefits

(B) Ave. inc. \yr.&gt;&gt;&gt; 3.00% &lt;&lt;&lt;PERS&gt;&gt;&gt; 0.11% &lt;&lt; (D) (F) &gt;&gt; 3.0% 3.0% 3.0% 3.0% 3.0%

Fund	ER Num	Employer	(A)	(B)	(C)	(D)	(E)	FY 06 Increase Dollars	FY 07 Increase Dollars	FY 08 Increase Dollars	FY 09 Increase Dollars	FY 10 Increase Dollars
			FY 02 Total Earnings	(Chg)\Yr x 3 Yrs FY02-FY05 Increase Earn Est.	FY 05 Estimated Earnings	Ave ER Rate Increase	FY 05 Increase Dollars					
PERS	235	HUSLIA, CITY OF	84,657	109.00%	92,276	0.11%	102	105	108	111	114	118
PERS	168	HYDABURG CITY SD	238,167	109.00%	259,602	0.11%	286	294	303	312	321	331
PERS	124	IDITAROD AREA SD	1,456,563	109.00%	1,587,654	0.11%	1,746	1799	1853	1908	1966	2025
PERS	275	ILISAGVIK COLLEGE	3,647,081	109.00%	3,975,318	0.11%	4,373	4504	4639	4778	4922	5069
PERS	263	INTERIOR RHA	927,652	109.00%	1,011,141	0.11%	1,112	1146	1180	1215	1252	1289
PERS	284	INTER-ISLAND FERRY AUTHORITY	116,851	109.00%	127,368	0.11%	140	144	149	153	158	162
PERS	108	JUNEAU BOROUGH SD	8,242,706	109.00%	8,984,550	0.11%	9,883	10179	10485	10799	11123	11457
PERS	126	JUNEAU, CITY AND BOROUGH OF	23,913,382	109.00%	26,065,586	0.11%	28,672	29532	30418	31331	32271	33239
PERS	260	KACHEMAK, CITY OF	54,282	109.00%	59,167	0.11%	65	67	69	71	73	75
PERS	265	KAKE CITY SD	443,280	109.00%	483,175	0.11%	531	547	564	581	598	616
PERS	277	KAKE, CITY OF	267,796	109.00%	291,898	0.11%	321	331	341	351	361	372
PERS	237	KALTAG, CITY OF	26,173	109.00%	28,529	0.11%	31	32	33	34	35	36
PERS	211	KASHUNAMIUT SD	1,092,499	109.00%	1,190,824	0.11%	1,310	1349	1390	1431	1474	1519
PERS	180	KENAI PENINSULA BOROUGH	11,066,805	109.00%	12,062,817	0.11%	13,269	13667	14077	14500	14934	15383
PERS	190	KENAI PENINSULA BOROUGH SD	11,394,928	109.00%	12,420,472	0.11%	13,663	14072	14495	14929	15377	15839
PERS	115	KENAI, CITY OF	4,926,214	109.00%	5,369,573	0.11%	5,907	6084	6266	6454	6648	6847
PERS	122	KETCHIKAN GATEWAY BOROUGH	3,649,736	109.00%	3,978,212	0.11%	4,376	4507	4643	4782	4925	5073
PERS	177	KETCHIKAN GATEWAY BOROUGH SD	3,323,252	109.00%	3,622,345	0.11%	3,985	4104	4227	4354	4485	4619
PERS	181	KETCHIKAN, CITY OF	7,358,245	109.00%	8,020,487	0.11%	8,823	9087	9360	9641	9930	10228
PERS	151	KING COVE, CITY OF	949,662	109.00%	1,035,132	0.11%	1,139	1173	1208	1244	1282	1320
PERS	251	KLAWOCK CITY SD	524,844	109.00%	572,080	0.11%	629	648	668	688	708	730
PERS	227	KLAWOCK, CITY OF	752,608	109.00%	820,343	0.11%	902	929	957	986	1016	1046
PERS	174	KODIAK ISLAND BOROUGH	2,010,855	109.00%	2,191,832	0.11%	2,411	2483	2558	2635	2714	2795
PERS	158	KODIAK ISLAND BOROUGH SD	4,169,251	109.00%	4,544,484	0.11%	4,999	5149	5303	5462	5626	5795
PERS	128	KODIAK, CITY OF	5,195,780	109.00%	5,663,400	0.11%	6,230	6417	6609	6807	7012	7222
PERS	140	KOTZEBUE, CITY OF	2,879,470	109.00%	3,138,622	0.11%	3,452	3556	3663	3773	3886	4002
PERS	287	KCYUK, CITY OF	19,691	109.00%	21,463	0.11%	24	24	25	26	27	27
PERS	125	KUSPUK SD	2,025,436	109.00%	2,207,725	0.11%	2,428	2501	2576	2654	2733	2815
PERS	247	LAKE AND PENINSULA BOROUGH	580,459	109.00%	632,700	0.11%	696	717	738	761	783	807
PERS	164	LAKE AND PENINSULA BOROUGH SD	2,325,155	109.00%	2,534,419	0.11%	2,788	2871	2958	3046	3138	3232
PERS	157	LOWER KUSKOKWIM SD	15,200,587	109.00%	16,568,640	0.11%	18,226	18772	19335	19916	20513	21128
PERS	153	LOWER YUKON SD	4,182,229	109.00%	4,558,630	0.11%	5,014	5165	5320	5479	5644	5813
PERS	109	MATANUSKA-SUSITNA BOROUGH	8,776,404	109.00%	9,566,280	0.11%	10,523	10839	11164	11499	11844	12199
PERS	110	MATANUSKA-SUSITNA BOROUGH SD	17,631,217	109.00%	19,218,027	0.11%	21,140	21774	22427	23100	23793	24507
PERS	196	NENANA CITY SD	858,876	109.00%	936,175	0.11%	1,030	1061	1093	1125	1159	1194
PERS	193	NENANA, CITY OF	342,988	109.00%	373,857	0.11%	411	424	436	449	463	477
PERS	149	NOME CITY SD	1,299,621	109.00%	1,416,587	0.11%	1,558	1605	1653	1703	1754	1806
PERS	175	NOME JOINT UTILITY SYSTEM	898,551	109.00%	979,421	0.11%	1,077	1110	1143	1177	1213	1249
PERS	139	NOME, CITY OF	2,290,282	109.00%	2,496,407	0.11%	2,746	2828	2913	3001	3091	3183
PERS	241	NOORVIK, CITY OF	322,853	109.00%	351,910	0.11%	387	399	411	423	436	449
PERS	170	NORTH PACIFIC FISHERY MGMT COUNCIL	1,021,196	109.00%	1,113,104	0.11%	1,224	1261	1299	1330	1378	1419
PERS	276	NORTH PACIFIC RIM HA	866,445	109.00%	944,425	0.11%	1,039	1070	1102	1135	1169	1204
PERS	191	NORTH POLE, CITY OF	1,902,373	109.00%	2,073,587	0.11%	2,281	2349	2420	2492	2567	2644
PERS	145	NORTH SLOPE BOROUGH	43,491,164	109.00%	47,405,369	0.11%	52,146	53710	55322	56981	58691	60451
PERS	161	NORTH SLOPE BOROUGH SD	11,544,616	109.00%	12,583,631	0.11%	13,842	14257	14685	15126	15579	16047
PERS	220	NORTHWEST ARCTIC BOROUGH	642,887	109.00%	700,747	0.11%	771	794	818	842	868	894
PERS	154	NORTHWEST ARCTIC BOROUGH SD	6,381,393	109.00%	6,855,718	0.11%	7,651	7881	8117	8361	8612	8870
PERS	288	NORTHWEST INUPIAT HOUSING AUTHORITY	497,665	109.00%	542,455	0.11%	597	615	633	652	672	692
PERS	134	PALMER, CITY OF	2,352,286	109.00%	2,563,992	0.11%	2,820	2905	2992	3082	3174	3270
PERS	257	PELICAN CITY SD	71,599	109.00%	78,043	0.11%	86	88	91	94	97	100
PERS	200	PELICAN, CITY OF	116,031	109.00%	126,474	0.11%	139	143	148	152	157	161
PERS	228	PETERSBURG CITY SD	954,205	109.00%	1,040,083	0.11%	1,144	1178	1214	1250	1288	1326
PERS	187	PETERSBURG MEDICAL CENTER	2,637,752	109.00%	2,875,150	0.11%	3,163	3258	3355	3456	3560	3666
PERS	143	PETERSBURG, CITY OF	3,511,447	109.00%	3,827,477	0.11%	4,210	4337	4467	4601	4739	4881
PERS	156	PRIBILOF SD	585,402	109.00%	638,088	0.11%	702	723	745	767	790	814
PERS	266	QUINHAGAK, CITY OF	27,461	109.00%	29,932	0.11%	33	34	35	36	37	38
PERS	216	RUBY, CITY OF	108,860	109.00%	118,657	0.11%	131	134	138	143	147	151
PERS	256	SAINT GEORGE, CITY OF	335,905	109.00%	366,136	0.11%	403	415	427	440	453	467

Public Employees' Retirement System (PERS)

03/26/04 11:03 AM

Consolidated Employer Contribution Rate & Payroll - Active Employers

HB 91 - 3% Turnover - ESTIMATED FY 05 Change From Change in Consolidated Rate (Includes P/F)

Division of Retirement & Benefits

(B) Avo. Inc. 1 yr.>>> 3.00% <<<PERS>>> 0.11% << (D) (F) >> 3.0% 3.0% 3.0% 3.0% 3.0%

Fund	ER Num	Employer	(A)	(Chg)Yr x 3 Yrs	(C)	(E)	FY 06 Increase Dollars	FY 07 Increase Dollars	FY 08 Increase Dollars	FY 09 Increase Dollars	FY 10 Increase Dollars	
			FY 02 Total Earnings	FY02-FY05 Increase Eam Est.	FY 05 Estimated Earnings	Ave ER Rate Increase						FY 05 Increase Dollars
PERS	221	SAINT MARY'S SD	375,758	109.00%	409,576	0.11%	451	464	478	492	507	522
PERS	214	SAINT MARY'S, CITY OF	281,188	109.00%	306,495	0.11%	337	347	358	368	379	391
PERS	172	SAINT PAUL, CITY OF	1,253,946	109.00%	1,366,801	0.11%	1,503	1549	1595	1643	1692	1743
PERS	176	SAND POINT, CITY OF	695,464	109.00%	758,056	0.11%	834	859	885	911	939	967
PERS	278	SAXMAN SEAPORT	35,302	109.00%	38,479	0.11%	42	44	45	46	48	49
PERS	198	SAXMAN, CITY OF	380,961	109.00%	415,247	0.11%	457	470	485	499	514	530
PERS	222	SELAWICK, CITY OF	71,048	109.00%	77,442	0.11%	85	88	90	93	96	99
PERS	286	SELDOVIA, CITY OF	88,403	109.00%	96,359	0.11%	106	109	112	116	119	123
PERS	182	SEWARD, CITY OF	3,413,307	109.00%	3,720,505	0.11%	4,093	4215	4342	4472	4606	4744
PERS	133	SITKA BOROUGH SD	1,669,532	109.00%	1,819,790	0.11%	2,002	2062	2124	2187	2253	2321
PERS	165	SITKA COMMUNITY HOSPITAL	3,983,358	109.00%	4,341,860	0.11%	4,776	4919	5067	5219	5375	5537
PERS	120	SITKA, CITY AND BOROUGH OF	6,574,007	109.00%	7,165,668	0.11%	7,882	8119	8362	8613	8872	9138
PERS	225	SKAGWAY CITY SD	326,640	109.00%	356,038	0.11%	392	403	415	428	441	454
PERS	132	SKAGWAY, CITY OF	1,283,006	109.00%	1,398,477	0.11%	1,538	1584	1632	1681	1731	1783
PERS	123	SOLDOTNA, CITY OF	2,467,394	109.00%	2,689,459	0.11%	2,958	3047	3139	3233	3330	3430
PERS	155	SOUTHEAST ISLAND SD	892,269	109.00%	972,573	0.11%	1,070	1102	1135	1169	1204	1240
PERS	167	SOUTHEAST REGIONAL RESOURCE CENTER	1,535,777	109.00%	1,673,997	0.11%	1,841	1897	1954	2012	2073	2135
PERS	102	SOUTHWEST REGION SCHOOL DISTRICT (SD)	2,540,714	109.00%	2,769,378	0.11%	3,046	3138	3232	3329	3429	3532
PERS	218	SPECIAL EDUCATION SERVICE AGENCY	449,505	109.00%	489,960	0.11%	539	555	572	589	607	625
PERS	166	TANANA SD	143,139	109.00%	156,022	0.11%	172	177	182	188	193	199
PERS	169	TANANA, CITY OF	199,643	109.00%	217,611	0.11%	239	247	254	262	269	277
PERS	206	THORNE BAY, CITY OF	256,748	109.00%	279,855	0.11%	308	317	327	336	346	357
PERS	279	TLINGIT-HAIDA RHA	1,783,104	109.00%	1,943,583	0.11%	2,138	2202	2268	2336	2406	2478
PERS	280	TOKSOOK BAY, CITY OF	15,591	109.00%	16,994	0.11%	19	19	20	20	21	22
PERS	249	UNALAKLEET, CITY OF	242,330	109.00%	264,140	0.11%	291	299	308	317	327	337
PERS	209	UNALASKA CITY SD	848,924	109.00%	925,327	0.11%	1,018	1048	1080	1112	1146	1180
PERS	179	UNALASKA, CITY OF	8,723,847	109.00%	9,508,993	0.11%	10,460	10774	11097	11430	11773	12126
PERS	113	UNIVERSITY OF ALASKA	102,892,246	109.00%	112,152,548	0.11%	123,368	127069	130881	134807	138852	143017
PERS	137	VALDEZ CITY SD	1,528,485	109.00%	1,666,049	0.11%	1,833	1888	1944	2003	2063	2125
PERS	107	VALDEZ, CITY OF	4,522,102	109.00%	4,929,091	0.11%	5,422	5585	5752	5925	6103	6286
PERS	131	WASILLA, CITY OF	3,070,992	109.00%	3,347,381	0.11%	3,682	3793	3906	4024	4144	4269
PERS	202	WHITTIER, CITY OF	866,442	109.00%	944,422	0.11%	1,039	1070	1102	1135	1169	1204
PERS	146	WRANGELL PUBLIC SD	753,953	109.00%	821,809	0.11%	904	931	959	988	1017	1048
PERS	135	WRANGELL, CITY OF	2,226,452	109.00%	2,426,833	0.11%	2,670	2750	2832	2917	3005	3095
PERS	264	YAKUTAT SD	344,955	109.00%	376,001	0.11%	414	426	439	452	466	479
PERS	248	YAKUTAT, CITY AND BOROUGH OF	402,871	109.00%	439,129	0.11%	483	498	512	528	544	560
PERS	160	YUKON / KOYUKUK SD	1,945,463	109.00%	2,120,555	0.11%	2,333	2403	2475	2549	2625	2704
PERS	159	YUKON FLATS SD	1,165,980	109.00%	1,270,918	0.11%	1,398	1440	1483	1528	1573	1621
TOTAL PERS			1,402,352,179		1,528,563,875		1,681,420	1,731,863	1,783,819	1,837,333	1,892,453	1,949,227
State, Juneau Bor., Anch Muni, Fbks Bor., N Slope B., Mat-Su			910,105,901		992,015,432		1,091,217	1,123,953	1,157,672	1,192,402	1,228,174	1,265,020
All Other PERS Employers			492,246,278		536,548,443		590,203	607,909	626,147	644,931	664,279	684,207

Note A - Represents total earnings base for FY02; for PERS Actuarial Valuation;

Purpose here is to give an overall idea of where FY 05 would be.

Note B - To update FY 02 base to FY 05

Rounded Ave. of FY 99-02 increase, 3.0% -- multiplied -- by 3 years (FY 03,04,05)

Accounts for both salary increase and growth.

Note C - Adjusted FY 05 based on increase in earnings in earnings base.

Note D - The AVERAGE CONSOLIDATED employer rate increase applied to all employers; by Board action.

Note E - The "estimated" increase in dollars due to average employer rate increase.

Note F - Cost Increase Each Year at Rate Specified

# 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 HB 91 (STH)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

<b>Senate Bill:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<b>House Bill:</b>	
<input 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#
DPA-Var.	4/1/04	✓			

**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
<i>John J. Caudrey</i>			✓	
<i>Bob ...</i>			✓	
CHAIR: <i>[Signature]</i>			✓	

MAR 31 2004



# State of Alaska

## Public Employees' Retirement Board Teachers' Retirement Board

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

### Retirement Boards

#### PERB

George M. Sullivan, Chair  
Alyce Hanley, Vice Chair  
Pat Wellington  
Frank Narusch

#### TRB

Charlie Arteaga, Chair  
Gayle W. Harbo, Vice Chair  
Robert G. Boko  
Richard J. Solie, Sr.  
Dick Shultz

#### Board Attorney

Robert M. Johnson

#### Administrator and Board Secretary

Melanie Millhorn

#### Internet

[www.state.ak.us/drb](http://www.state.ak.us/drb)

#### E-Mail

[retirementsection@admin.state.ak.us](mailto:retirementsection@admin.state.ak.us)

March 26, 2004

The Honorable Gene Therriault  
Senate President  
Alaska State Legislature  
State Capitol, Room 111  
Juneau, AK 99801-1182

The Honorable Pete Kott  
Speaker of the House  
Alaska State Legislature  
State Capitol, Room 208  
Juneau, AK 99801-1182

Re: Pending House and Senate Legislation Impacting the Retirement Systems

Dear Senator Therriault and Representative Kott:

The Public Employees' Retirement Board and the Teachers' Retirement Board each considered the impact of pending house and senate legislation to the retirement systems at their joint meeting of March 24, 2004. They unanimously approved motions recommending that all pending legislation creating new retirement incentive programs or providing enhancements to the retirement systems (including, for example, HB 329 and HB 91) be held in abeyance until such time that the fiscal shortfalls in the systems are addressed.

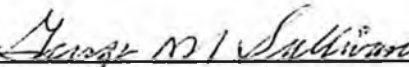
The boards have been requested to recommend alternative tier design solutions to maintain the solvency of the present retirement systems and are actively working on this project through the PERS/TRS Tier Subcommittee. The boards believe that consideration of new retirement incentive programs and enhancements to the retirement systems on one hand are inconsistent with the consideration of alternative tier designs on the other hand.

Our foremost concern is to maintain the solvency of the present retirement systems to meet the best interests and needs of current and future members. However, it will be difficult to develop and measure the impact of any new tier systems we might propose if such pending legislation is passed which adds substantial retirement enhancements to the existing tiers.

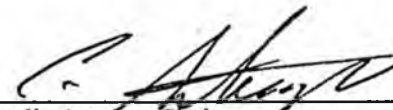
The Honorable Gene Therriault  
The Honorable Pete Kott  
Re: Pending House and Senate Legislation Impacting the Retirement Systems  
March 26, 2004  
Page 2

The boards have taken this position after careful consideration of these matters. We sincerely believe that maintaining the solvency of the present systems should be the highest priority before considering any such enhancements.

PUBLIC EMPLOYEES' RETIREMENT BOARD

By   
George M. Sullivan, Chair

TEACHERS' RETIREMENT SYSTEM

By   
Charlie Arteaga, Chair

cc: The Honorable Gary Stevens  
The Honorable Gary Wilken  
The Honorable Lyda Green  
The Honorable John Harris  
The Honorable Bill Williams



**CITY OF FAIRBANKS**

*Steve M. Thompson, Mayor*

800 CUSHMAN STREET  
FAIRBANKS, ALASKA 99701-4615

OFFICE: 907-459-6793

FAX: 907-459-6787

smthompson@ci.fairbanks.ak.us

March 18, 2004

Senator Gary Stevens, Chair  
Senate State Affairs Committee  
Alaska State Capitol, Room 417  
Juneau, AK 99801-1182

by fax to: 465-3517

**Re: HB 91**

Dear Senator Stevens:

The City of Fairbanks, like many municipalities, was hit hard by the elimination of state operating and capital funding. This year we absorbed a huge PERS rate increase costing about \$330,000.00. Our PERS expense will increase by a similar amount **each year** for years to come. Together, these two factors equaled about 10% of our total budget. Drastic steps were taken, including layoffs and reductions of employee compensation.

While I understand the motivation of HB61, a retroactive increase in PERS retiree health care benefits will **further** increase our annual expenses by approximately \$30,000/year. Because the enhancement is retroactive, it will also increase the City's unfunded PERS liability.

We therefore must oppose this measure.

Thank you.

Sincerely,

by PCole

Steve M. Thompson  
City Mayor

cc: City Council Members  
Senate State Affairs Committee

**PERS/TRS Talking Points  
The State Should Help ALL of PERS/TRS**

**Based on New 3/24/04 PERS/TRS Actuarial Study**

- **A Crushing Municipal Impact:** No municipal relief from state mandated PERS increases may leave many municipalities without the resources to pay even the municipal share of school funding, or basic services. On top of proposed revenue sharing/other losses of state programs, many small municipalities may cease to function while many larger ones may be forced to cut critical local public services.
- **Local "Tax Authority":** The 5% of salary mandated State PERS increase for FY 05 alone is equal to two mills of property tax this year for Cordova and Petersburg and averages between one half to one mill for most cities. The 5% increase is planned cumulatively for each of the next three years. (see attachment)
- **Not a problem of municipal making:** FY 05 PERS/TRS contribution increases are mandated by the State. In the past, every municipality and school district has made all the PERS/TRS payments requested by the State.
- **How big is the problem for municipalities/school districts/university?** Municipalities, School Districts and U of A pay for 63% of the PERS/TRS program.
- **Problem to 2028** – Per the 3/24/04 Mercer "Actuarial Valuation Report" for 0% employee population increase:

	<u>PERS Employer Rate</u>	<u>TRS Employer Rate</u>
FY 04	11.77%	16%
FY 05	16.77%	38.5%
FY 06	21.77%	39.06%
FY 07	26.77%	40.76%
FY 08	28%	41.5%
To		
FY 28	34.77%	53.82%

- **PERS/TRS 5%/4% Cost increases for FY 05 approved by PERS/TRS Board:**
  - State \$38,233,486
  - Schools \$35,789,260
  - UA \$ 8,800,000
  - Municipalities/Hospitals \$19,213,000
  - Housing Auth/other. \$ 1,200,000
- **Cost to Fix PERS/TRS for FY 05 for Municipalities:** Approximately \$19 million total.

Public Employees' Retirement System (PERS) Municipalities & Hospitals Only  
Average Employer Contribution Rate & Payroll - Active Employers  
ESTIMATED FY 05 Change in Employer Contribution - Sort By System \ Employer

<<<PERS>>> 5.0% (D)

Fund	Employer	FY 05 Estimated Earnings	Ave ER Rate Increase	FY 05 PERS Increase Dollars	Value of 1 Mill Property Tax
PERS	AKUTAN, CITY OF	287,937	5.0%	14,397	sales tax only
PERS	ALEUTIANS EAST BOROUGH	974,507	5.0%	48,725	sales tax only
PERS	ALLAKAKET, CITY OF	49,434	5.0%	2,472	none
PERS	ANCHORAGE PARKING AUTHORITY	1,020,063	5.0%	51,003	see Anch
PERS	ANCHORAGE, MUNICIPALITY OF	127,572,934	5.0%	6,378,647	\$19,126,104
PERS	ANDERSON, CITY OF	38,730	5.0%	1,936	sales tax only
PERS	ANGOON, CITY OF	307,662	5.0%	15,383	sales tax only
PERS	ATKA, CITY OF	71,502	5.0%	3,575	sales tax only
PERS	BARROW, CITY OF	1,036,873	5.0%	51,844	none
PERS	BETHEL, CITY OF	4,537,734	5.0%	226,887	sales tax only
PERS	BRISTOL BAY BOROUGH	1,368,016	5.0%	68,401	\$141,500
PERS	CORDOVA, CITY & MEDICAL CENTER	4,427,981	5.0%	221,400	\$111,769
PERS	CRAIG, CITY OF	1,821,035	5.0%	91,052	\$72,297
PERS	DELTA JUNCTION, CITY OF	65,919	5.0%	3,296	none
PERS	DENALI BOROUGH	568,543	5.0%	28,427	sales tax only
PERS	DILLINGHAM, CITY OF	2,355,455	5.0%	117,773	\$130,552
PERS	EGEGIK, CITY OF	97,862	5.0%	4,893	sales tax only
PERS	ELIM, CITY OF	175,041	5.0%	8,752	sales tax only
PERS	FAIRBANKS NORTH STAR BOROUGH	16,735,548	5.0%	836,777	\$4,452,200
PERS	FAIRBANKS, CITY OF	5,896,416	5.0%	294,821	\$1,321,750
PERS	FORT YUKON, CITY OF	295,768	5.0%	14,788	sales tax only
PERS	GALENA, CITY OF	1,320,610	5.0%	66,031	sales tax only
PERS	HAINES BOROUGH	2,037,530	5.0%	101,877	\$175,187
PERS	HOMER, CITY OF	4,738,657	5.0%	236,933	\$332,626
PERS	HOONAH, CITY OF	638,162	5.0%	31,908	sales tax only
PERS	HOOPER BAY, CITY OF	592,669	5.0%	29,633	sales tax only
PERS	HUSLIA, CITY OF	92,276	5.0%	4,614	none
PERS	JUNEAU, CITY AND BOROUGH OF	43,232,840	5.0%	2,161,642	\$2,640,000
PERS	KACHEMAK, CITY OF	59,167	5.0%	2,958	\$28,614
PERS	KAKE, CITY OF	291,898	5.0%	14,595	sales tax only
PERS	KALTAG, CITY OF	28,529	5.0%	1,426	none
PERS	KENAI PENINSULA BOROUGH	12,062,817	5.0%	603,141	\$4,277,332
PERS	KENAI, CITY OF	5,369,573	5.0%	268,479	\$366,726
PERS	KETCHIKAN GATEWAY BOROUGH	3,978,212	5.0%	198,911	\$935,122
PERS	KETCHIKAN, CITY OF	8,020,487	5.0%	401,024	\$547,376
PERS	KING COVE, CITY OF	1,035,132	5.0%	51,757	sales tax only
PERS	KLAWOCK, CITY OF	820,343	5.0%	41,017	sales tax only
PERS	KODIAK ISLAND BOROUGH	2,191,832	5.0%	109,592	\$770,982
PERS	KODIAK, CITY OF	5,663,400	5.0%	283,170	\$388,182
PERS	KOTZEBUE, CITY OF	3,138,622	5.0%	156,931	sales tax only
PERS	KOYUK, CITY OF	21,463	5.0%	1,073	sales tax only

PERS	LAKE AND PENINSULA BOROUGH	632,700	5.0%	31,635	sales tax only
PERS	MATANUSKA-SUSITNA BOROUGH	9,566,280	5.0%	478,314	\$3,612,276
PERS	NENANA, CITY OF	373,857	5.0%	18,693	\$14,705
PERS	NOME. CITY & UTILITIES	2,496,407	5.0%	173,791	\$173,516
PERS	NOORVIK, CITY OF	351,910	5.0%	17,595	sales tax only
PERS	NORTH POLE, CITY OF	2,073,587	5.0%	103,679	\$259,625
PERS	NORTH SLOPE BOROUGH	47,405,369	5.0%	2,370,268	\$10,714,796
PERS	NORTHWEST ARCTIC BOROUGH	700,747	5.0%	35,037	none
PERS	PALMER, CITY OF	2,563,992	5.0%	128,200	\$189,946
PERS	PELICAN, CITY OF	126,474	5.0%	6,324	\$8,632
PERS	PETERSBURG, CITY&MEDICAL CENTER	6,702,627	5.0%	478,888	\$191,012
PERS	QUINHAGAK, CITY OF	29,932	5.0%	1,497	sales tax only
PERS	RUBY, CITY OF	118,657	5.0%	5,933	none
PERS	SAINT GEORGE, CITY OF	366,136	5.0%	18,307	none
PERS	SAINT MARY'S, CITY OF	306,495	5.0%	15,325	sales tax only
PERS	SAINT PAUL, CITY OF	1,366,801	5.0%	68,340	sales tax only
PERS	SAND POINT, CITY OF	758,056	5.0%	37,903	sales tax only
PERS	SAXMAN SEAPORT	38,479	5.0%	1,924	\$12,100
PERS	SAXMAN, CITY OF	415,247	5.0%	20,762	\$12,100
PERS	SELAWICK, CITY OF	77,442	5.0%	3,872	sales tax only
PERS	SELDOVIA, CITY OF	96,359	5.0%	4,818	\$19,007
PERS	SEWARD, CITY OF	3,720,505	5.0%	186,025	\$200,255
PERS	SITKA, CITY, BOROUGH, & HOSPITAL	11,507,548	5.0%	792,470	\$639,629
PERS	SKAGWAY, CITY OF	1,398,477	5.0%	69,924	\$205,046
PERS	SOLDOTNA, CITY OF	2,689,459	5.0%	134,473	\$298,700
PERS	TANANA, CITY OF	217,611	5.0%	10,881	sales tax only
PERS	THORNE BAY, CITY OF	279,855	5.0%	13,993	sales tax only
PERS	TOKSOOK BAY, CITY OF	16,994	5.0%	850	sales tax only
PERS	UNALAKLEET, CITY OF	264,140	5.0%	13,207	sales tax only
PERS	UNALASKA, CITY OF	9,508,993	5.0%	475,450	\$342,385
PERS	VALDEZ, CITY OF	4,929,091	5.0%	246,455	\$1,049,202
PERS	WASILLA, CITY OF	3,347,381	5.0%	167,369	\$437,138
PERS	WHITTIER, CITY OF	944,422	5.0%	47,221	\$39,389
PERS	WRANGELL, CITY OF	2,426,833	5.0%	121,342	\$100,285
PERS	YAKUTAT, CITY AND BOROUGH OF	439,129	5.0%	21,956	sales tax only
<b>TOTAL</b>				<b>19,574,680</b>	

23-LS0426S  
Craver  
3/25/04

SENATE CS FOR CS FOR HOUSE BILL NO. 91( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES ANDERSON, Gara, Crawford, Guttentberg, Gruenberg, Dahlstrom, Lynn, Heinze, Holm, McGuire, Fate, Kott, Kerttula, Croft, Ogg, Weyhrauch, Meyer, Stepovich, Harris, Wilson, Berkowitz, Kapsner, Hawker

A BILL

FOR AN ACT ENTITLED

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

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 \* Section 1. AS 39.35 is amended by adding a new section to read:

5       Sec. 39.35.275. Contributions for peace officer major medical insurance.  
6 From the general fund, the state shall annually pay the employer contributions under  
7 AS 39.35.250 - 39.35.290 on behalf of each political subdivision or public  
8 organization that participates as an employer in the system. The general fund  
9 contribution required by this section is subject to appropriation and is equal to the  
10 difference between the cost of making premium payments on major medical insurance  
11 for peace officers younger than 60 years of age who retire with at least 25 years of  
12 credited service and the cost of making premium payments on major medical  
13 insurance for peace officers younger than 60 years of age who retire with at least 20  
14 years of credited service.

L

1 \* Sec. 2. AS 39.35.535(c) is amended to read:

2 (c) A benefit recipient may elect major medical insurance coverage in  
3 accordance with regulations and under the following conditions:

4 (1) a person, other than a disabled member or a disabled member who  
5 is appointed to normal retirement, must pay an amount equal to the full monthly group  
6 premium for retiree major medical insurance coverage if the person is

7 (A) younger than 60 years of age and has less than

8 (i) 20 [25] years of credited service as a peace officer  
9 under AS 39.35.360 and 39.35.370; or

10 (ii) 30 years of credited service under AS 39.35.360 and  
11 39.35.370 that is not service as a peace officer; or

12 (B) of any age and has less than 10 years of credited service;

13 (2) a person is not required to make premium payments for retiree  
14 major medical coverage if the person

15 (A) is a disabled member;

16 (B) is a disabled member who is appointed to normal  
17 retirement;

18 (C) is 60 years of age or older and has at least 10 years of  
19 credited service; or

20 (D) has at least

21 (i) 20 [25] years of credited service as a peace officer  
22 under AS 39.35.360 and 39.35.370; or

23 (ii) 30 years of credited service under AS 39.35.360 and  
24 39.35.370 not as a peace officer.

**DRAFT**

**FISCAL NOTE**

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 4  
Bill Version: SCS CSHB 91  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Various  
Title An Act relating to medical benefits for retired peace officers RDU Various  
Component Various  
Sponsor Rep. Anderson, et. Al  
Requester House Finance Component No. \_\_\_\_\_

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

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	1,730.0	1,781.9	1,835.4	1,890.4	1,947.1	2,005.5
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>1,730.0</b>	<b>1,781.9</b>	<b>1,835.4</b>	<b>1,890.4</b>	<b>1,947.1</b>	<b>2,005.5</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF	1,730.0	1,781.9	1,835.4	1,890.4	1,947.1	2,005.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
<b>TOTAL</b>	<b>1,730.0</b>	<b>1,781.9</b>	<b>1,835.4</b>	<b>1,890.4</b>	<b>1,947.1</b>	<b>2,005.5</b>

Estimate of any current year (FY2004) cost: 0.0  
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

This bill would provide system paid medical coverage for all peace officers and firefighters who first entered the PERS after June 30, 1986 and who have at least 20 years of qualifying service at retirement.

Per Mercer Human Resources Consulting, PERS system actuary, using the current Valuation Assumptions, this legislation will increase the PERS accrued liability by \$8.0 million. The estimated increase in the average PERS calculated contribution rate would be 0.11% as a percent of total System payroll (or 0.97% as a percent of Police/Fire Payroll for those who have a separate P/F rate). The cost increase annually for all PERS employers is as shown above; separate detail by the State of Alaska and all other employers are shown on the next page. The number of tier II and tier III members as of June 30, 2002 was 1,961 and Mercer projects 411 employees would be affected by this bill

Prepared by: Melanie Millhom, Director  
Division: Retirement and Benefits  
Approved by: Mike Miller, Commissioner  
Agency: Administration

Phone 465-4408  
Date/Time 3/31/04 01:00 p.m.  
Date 4/1/2004

FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

BILL NO. HB 91 - SCS CSHB 91

ANALYSIS CONTINUATION

Based on Total System Salary updated information as of June 30, 2003 (Presented 3/24/04).  
Actual total PERS system payroll increased by 4.05% from FY 02 to FY 03.  
Indexed FY 02-03 to FY 05 using 4.05% per year increase in payroll.  
Change in Employer Contribution Rate due to HB 91 - 0.11% as a percent of total system payroll  
Indexed FY 2006 through FY 2010 up by 3% rate each year.  
Percent of Members to be affected = 21%, using current history assumptions

<b>Using Current Valuation Assumptions:</b>	State of	All Other	
<b>Unfunded Liability Start \$8,000,000</b>	Alaska	PoliSub	<b>TOTAL</b>
	(\$ in 000's)	(\$ in 000's)	(\$ in 000's)
	FY 2005	865.4	864.6
	FY 2006	891.4	890.5
	FY 2007	918.1	917.3
	FY 2008	945.6	944.8
	FY 2009	974.0	973.1
	FY 2010	1,003.2	1,002.3
			1,730.0
			1,781.9
			1,835.4
			1,890.4
			1,947.1
			2,005.5

**State of Alaska - FY 2005 - Approx. Breakdown by State Department:**

H & SS	4.46%	38.6
Military Affairs	0.73%	6.3
Natural Resources	0.37%	3.2
Fish and Game	10.46%	90.5
Public Safety	24.46%	211.7
Corrections	54.44%	471.1
D O T	5.08%	44.0
	<u>100.00%</u>	<u>865.4</u>

**Alternate Assumptions:**

Each employer is not affected equally. Some employers have a higher percentage of peace officers and firefighters than the system average and therefore would be required to pay a greater percentage of payroll. Following is a display how using a higher retirement rate assumption would affect the Unfunded Liability and the corresponding employer rates.

	% Members Affected	% of Total Payroll	% of P/F Payroll	Increase in Unfunded Liability (in Dollars)
Current Assumption	21%	0.11%	0.97%	\$8,000,000
50% Retirement	40%	0.19%	1.68%	\$11,400,000
75% Retirement	60%	0.27%	2.39%	\$14,800,000
100% Retirement	79%	0.35%	3.11%	\$18,200,000

AS 24.08.036 FISCAL NOTES ON BILLS AFFECTING STATE RETIREMENT SYSTEMS, requires an additional analysis of the long term and short term costs to the state if a bill is adopted, as well as the impact of the bill on the actuarial soundness of the funds.

The estimated increase in the average PERS calculated contribution rate would be 0.11% as a percent of total System payroll (or 0.97% as a percent of Police/Fire Payroll for those who have a separate P/F rate).

The annual cost is as indicated above. This change would also decrease the PERS funded ratio by .1%. The funding ratio of the PERS as of June 30, 2003 was 72.8%. Please note alternate scenarios presented that would further raise costs.

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

**HB 91 – Retired Peace Officer Medical Benefits**

**A bill that removes the disincentive for Peace Officers to take normal retirement.**

⇒ HB 91 is a tool that could be used to cut the budgets of the Departments of Corrections and Public Safety.

⇒ Currently there is a disincentive for Peace Officers to take normal retirement.

⇒ The disincentive attempts to defer the retirement of Peace Officers to 5 years beyond normal retirement.

⇒ HB91 removes the disincentive for Peace Officers to take normal retirement and re-establishes parity among all PERS members.

Juneau PSEA contact – Mike Fox, 790-4970 or 223-0605 cell

4300 Boniface Parkway, Suite 116, Anchorage, Alaska 99504  
Phone (907) 337-1979 FAX (907) 337-1753 E-Mail psea@psea.net

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

**HB 91 Introduction**

Peace Officers may take normal retirement after 20 years of service. Tier II and III Peace Officers, who are less than 60 years of age, must work 5 years beyond normal retirement to receive their medical benefit. HB 91 eliminates the additional 5 years of service requirement.

All non peace officer PERS members receive their medical benefit at normal retirement. Their normal retirement occurs after 30 years of service.

*Note: Peace Officers pay a higher employee contribution to PERS to compensate for their shorter period of required service to achieve normal retirement.*

Thus, under the age or years of service provisions, PERS members who are not peace officers receive the medical benefit at normal retirement. By contrast; Peace Officers taking normal retirement (under the years of service provision) are denied the benefit unless they work an extra 5 years.

**HB 91 Background**

Since it's inception in 1961 PERS has considered normal retirement as the uniform point for receipt of full retirement benefits for Tier I members. In 2001 HB 242 reestablished normal retirement as the uniform point for receipt of full retirement benefits for all non-peace officer tier II and III members. This concept affirms normal retirement by age or years of service as public policy, presumably beneficial for all concerned, and provides a clear and consistent set of objectives to members considering retirement.

However; previous administration concerns about losing peace officers to retirement led to a requirement in HB 242 that, to receive the medical benefit under the "years of service" provision, peace officers must defer retirement for five years. Thus, the 25 years of service requirement to receive the medical benefit is at odds with the 20 years required for a normal retirement pension. The pension and medical benefits provide conflicting incentives for the point at which Tier II and III peace officers should retire.

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

HB 91 Fiscal Note

A fiscal note was produced by Mercer Human Resource Consulting and Mr. Guy Bell, the former director of the Division of Retirement and Benefits. Mr. Bell's analysis estimated the medical benefit change in HB 91 would increase costs to the state by \$816,000 annually, a 0.12% increase in employer contributions to PERS. For example: The state's employer contribution for a PERS member earning \$60,000/year would increase by \$72 a year.

Mercer estimated the cost by plugging the proposed benefit change into their PERS model. They did not consider any savings that HB 91 would generate in operational costs, such as, payroll savings from the replacement of higher paid employees, or savings associated with improved recruitment, retention, and reduced training costs.

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

HB 91 will cut costs by removing the disincentive for Peace Officers to take 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.

There is a \$32,508 savings in base pay and leave during the first year after a 20 year Trooper Sergeant takes normal retirement.

There is an \$18,252 savings in base pay and leave during the first year after a 20 year Corrections Officer 2 takes 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 are further savings associated with overtime, sea pay, geographical differential, and employer contributions.

Leave usage, health, physical agility, morale and stress issues frequently become problematic with peace officers pressured to work too long. HB 91 removes the disincentive to take normal retirement, but; in no way prevents peace officers who still feel fit for duty to remain beyond normal retirement.

HB 91 will also improve retention of younger Peace Officers by reinstating a true 20 year retirement goal. There were 40 Troopers commissioned in 2003. For each one that HB 91 influences to continue to normal retirement, that otherwise would separate, the State saves approximately \$104.8k in training costs.

These savings would compensate for the very modest increase of 0.12% in PERS employer contribution. For an employee earning \$60,000/year the cost increase would be only \$72/year.

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

HB 91 is good for the State, and it is good for "Peace Officers".

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

Reference HB 91:

At the end of the first hearing in finance it was suggested that we explore the idea that Peace Officers pay the cost identified on the fiscal note.

We have discussed this idea with our members and the administration (PERS) and concluded that it is not reasonable.

1. The administration (PERS) advised it would be very difficult, if not impossible, to administer such a plan in an equitable manner. It would certainly not be cost effective.
2. It would not be reasonable for the State to pass the cost on to Peace Officer members without also passing on the savings. The fiscal note did not consider any savings that would be enjoyed by the Departments of Corrections and Public Safety. When a Peace Officer defers retirement it costs the state big money. For example: When a Trooper Sgt. retires at 20 years of service the State saves over \$32,000 during just the first year he is retired.
3. 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. That increase maintains equality with other members who work 30 years, but contribute less. When the previous administration decided to withhold the medical benefit from Peace Officers at normal retirement, to influence them to defer retirement, no reduction was applied to their contribution. They have been paying for the same benefits as all other PERS members since day one, yet they are denied the benefit.

We believe that any one of these 3 points is sufficient to support our position.

Mike Fox, PSEA, Juneau, 790-4970.

**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 <b>the first year</b> after retirement-----	<b>\$26,644</b>
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 <b>20 vs 25 year retirement</b> -----	<b><u>\$111,115</u></b>

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 <b>the first year</b> after retirement-----	<b><u>\$18,252</u></b>

**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

It is not valid to consider hiring and training costs as new costs associated with normal retirement. That investment is returned during the 20 years of service required for 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.

The argument that deferring retirement from 20 to 25 years saves training costs is flawed. The extra operational costs are greater than the cost to hire and train a new Trooper.

Corrections has been unable to determine the cost of hiring and training an Officer. However, deferring retirement for 5 years costs far more than hiring and training a new Officer.

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

**HB 91 – An Act relating to a cost-of-living allowance and medical benefits  
for retired peace officers after 20 years of credited service**

**Subject:** Affords all “peace officers,” defined by Alaska Statute, medical benefits at normal retirement (20 years of service). Tier II and III peace officers, less than 60 years of age, must work five years beyond normal retirement to receive their medical benefit. HB 91 eliminates the additional five-year requirement. Peace officers pay a higher employee contribution to PERS to compensate for their shorter period of required service to achieve normal retirement.

**Fiscal Note:**

\$867,000 annual

\*\*\* In negotiation with Retirement & Benefits to lower the total figure due to savings from reduced recruitment costs and due to increased retention of experienced officers. Could be reduced by as much as one-half.

**Co-Sponsors:**

**Majority:** Dahlstrom, Lynn, Heinze, Holm, McGuire, Fate, Kott, Ogg, Weyhrauch, Meyer, Stepovich, Harris, Wilson

**Minority:** Gara, Crawford, Guttenberg, Gruenberg, Kerttula, Croft, Berkowitz, Kapsner

**Committees**

**Passed:**

House Labor & Commerce

House Finance

HB 91 is good for the State, and it is good for peace officers.

I urge your support of this important piece of legislation.

CS HB 91 positively affects peace officers in the following areas:

BRISTOL BAY BOROUGH  
CITY AND BOROUGH OF JUNEAU  
CITY AND BOROUGH OF SITKA  
CITY AND BOROUGH OF YAKUTAT  
CITY OF ANGOON  
CITY OF BETHEL  
CITY OF CORDOVA  
CITY OF CRAIG  
CITY OF DILLINGHAM  
CITY OF FAIRBANKS  
CITY OF FORT YUKON  
CITY OF GALENA  
CITY OF HOMER  
CITY OF HOONAH  
CITY OF KAKE  
CITY OF KENAI  
CITY OF KETCHIKAN  
CITY OF KING COVE  
CITY OF KLAWOCK  
CITY OF KODIAK  
CITY OF KOTZEBUE  
CITY OF NENANA  
CITY OF NOME  
CITY OF NORTH POLE  
CITY OF PALMER  
CITY OF PETERSBURG  
CITY OF SAINT MARY'S  
CITY OF SAINT PAUL  
CITY OF SAND POINT  
CITY OF SEWARD  
CITY OF SKAGWAY  
CITY OF SOLDOTNA  
CITY OF TANANA  
CITY OF UNALAKLEET  
CITY OF UNALASKA  
CITY OF VALDEZ  
CITY OF WASILLA  
CITY OF WHITTIER  
CITY OF WRANGELL  
FAIRBANKS NORTH STAR BOROUGH  
HAINES BOROUGH  
KENAI PENINSULA BOROUGH  
KETCHIKAN GATEWAY BOROUGH  
KODIAK ISLAND BOROUGH  
MATANUSKA-SUSITNA BOROUGH  
MUNICIPALITY OF ANCHORAGE  
NORTH SLOPE BOROUGH  
STATE OF ALASKA  
UNIVERSITY OF ALASKA

Employer Contributions to PERS – FY 90 through FY 05

fiscal yr.	%	change	
90	12.53		
91	14.51	2.01+	
92	16.97	2.40+	
93	15.45	1.52-	
94	17.22	1.77+	high
95	16.8	0.42-	
96	15.11	1.69-	
97	14.27	0.84-	
98	10.01	4.26-	
99	8.44	1.57-	
0	8.11	0.33-	
1	7.69	0.42-	
2	7.1	0.59-	low
3	7.1	0	low
4	8.42	1.32+	
5	13.42	5.00+	
<i>average</i>	<i>12.07</i>	<i>1.61</i>	

HB91 fiscal note 0.12+

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES



**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

# 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,

A handwritten signature in cursive script that reads "Brian Reed".

Brian Reed, President



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 48.

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



State of Alaska

Public Employees' Retirement Board

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

February 26, 2003

**Retirement Board**

Pat Wellington, Chair  
Charles Borg, Vice Chair  
Frank Narusch  
Don Hoover  
Bette Reed

**Board Attorney**

Robert M. Johnson

**PERS Administrator  
and Board Secretary**

Guy Bell

**Internet**

[www.state.ak.us/drb](http://www.state.ak.us/drb)

**E-Mail**

[PERS\\_Board@admin.state.ak.us](mailto:PERS_Board@admin.state.ak.us)

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

RE: HB 91 (peace officer legislation)

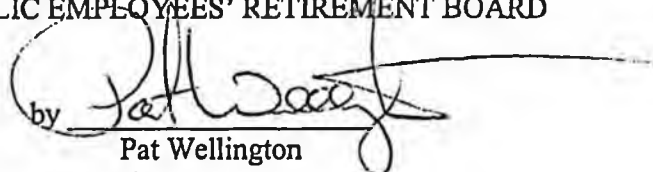
Dear Mr. D'Amico:

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

**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



# Municipality of Anchorage

P.O. Box 198650 • Anchorage, Alaska 99519-0650 • Telephone: (907) 343-4351 • Fax: (907) 343-4499 <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*



# Alaskans Working For Alaska!

626 F Street, Anchorage, Alaska 99501 • Phone (907) 277-5200 • Fax (907) 277-5206

E-mail: [aseahq@afscmelocal52.org](mailto:aseahq@afscmelocal52.org) • Website: [www.afscmelocal52.org](http://www.afscmelocal52.org)

## Resolution No. 55

Page 1 of 1

### RESOLUTION IN SUPPORT OF HB-91, HB-183, HB-201, SB-6

WHEREAS, HB-91, titled "Retired Peace Officers COLA/Medical"; HB-183, Titled "PERS Peace Officers Retirement and Benefits for Youth Counselors"; HB-201, titled "Peace Officer Benefit for Dispatchers"; and, SB-6, titled "PERS Peace Officer Retirement and Benefits for Child Protection Workers" will improve retirement benefits for child protection workers, supervisors, youth counselors and radio dispatchers;

THEREFORE, BE IT RESOLVED THAT ASEA/AFSCME Local 52 supports these bills.

Submitted by: LEGISLATIVE COMMITTEE

RECOMMENDATIONS AND CONVENTION ACTION		
Executive Board	Committee	CONVENTION ACTION
<input type="checkbox"/> DO PASS	<input type="checkbox"/> As Presented <input type="checkbox"/> No Recommendation	<input checked="" type="checkbox"/> PASSED w/unanimous consent
<input type="checkbox"/> No Recommendation	<input type="checkbox"/> As Amended by Committee	<input type="checkbox"/> PASSED as amended on Floor
<input type="checkbox"/> DO NOT PASS	<input type="checkbox"/> DO PASS	<input type="checkbox"/> FAILED
	<input type="checkbox"/> DO NOT PASS	<input type="checkbox"/> FAILED for lack of motion

Dear Senator Stevens

We are correctional officer's living and working in the Fairbanks Area and need your help. Please pass House Bill 91 out of your committee as soon as possible. Thank You.



Amel M. Amel

~~James~~

Robert J. ...

Robert Larson

Beulah Dahler\*\*

William H. ...

B. M. G. ...

D. Nickerson

John Schleicher

Raymond O. Klapp

~~Michael ...~~

~~...~~

Jay Wata

\_\_\_\_\_

Dear Senator Stevens

We are correctional officer's living and working in the Fairbanks Area and need your help. Please pass House Bill 91 out of your committee as soon as possible. Thank You.

James Kinneil

Donal D. Colson

Janni Collins

W. J. Kelly

Ms. S. Smith

J. M. Smith

W. H. Williams

Mathi Adams Beal

Wayne W. Blawie

[Signature]

James E. [Signature]



# Alaska State Legislature

Please enter into the record my testimony to the \_\_\_\_\_SSTA\_\_\_\_\_

committee on \_\_\_\_\_HB91\_\_\_\_\_, dated 040104 \_\_\_\_\_

I would like to advise my legislators that I am in favor of HB 91 going through. I am a career fireman in Kenai. We as Public Safety personnel take care of you and your property so you can sleep at night. I feel it is time that you start taking care of

us. Our wages have been frozen for at least 4 years and the taxes we pay keep going up.

It is a fact that the people in these occupations don't live as long as others. By retiring out at 20 years of service we will be able to enjoy life for a while and get some of

those nice peaceful, full nights of sleep that all of you take for granted.

Just a reminder, we as Public Safety personnel are on call all of the time, not just when we are at the Fire or Police stations.

Thank you for your time,  
Eric Wilcox

416 McCollum Dr.  
Kenai Ak. 99611

Current Folder: INBOX [Sign Out](#)[Compose](#) [Addresses](#) [Folders](#) [Search](#) [Search State E-mail Directory](#) [Options](#) [Help](#)[Message List](#) | [Delete](#)[Previous](#) | [Next](#)[Forward](#) | [Reply](#) | [Reply All](#)Subject: **HB 91 medical benefits for peace officers**[View Full Header](#)From: "Larry Semmens" <lsemmens@ci.kenai.ak.us> [Add](#)[View Printable Version](#)

Date: Wed, March 10, 2004 3:32 pm

[View Message details](#)

To: &lt;Senator\_Gary\_Stevens@legis.state.ak.us&gt;

Priority: Normal

Dear Senator Stevens:

I hope you will not pass CSHB91 out of committee. As you know the PER seriously under funded which is causing huge increases in employer con rates. According to fiscal note #2, HB91 will cost the State over \$85 and will cost employers with public safety personnel .97% of payroll. addition to increasing the unfunded liability of PERS. The City of Ke \$22,000 more annually if this bill becomes law. This is on top of the annual increase that we are already trying to budget for. We do not h problem hiring or retaining public safety personnel.

It is unbelievable that the House passed this bill. It is my understa 4th tier of employee for PERS is being considered with less benefits t others. Why would we be increasing benefits at the same time as consi tier?

Call if you have questions. 283-8227

Thanks

Larry Semmens  
Finance Director  
City of Kenai[Download this as a file](#)[Previous](#) | [Next](#) | [Delete & Prev](#) | [Delete & Next](#)Move to:  [Move](#)



217 Second Street, Suite 200 • Juneau, Alaska 99801  
Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

March 17, 2004

Senator Gary Stevens, Chair  
Senate State Affairs Committee  
State Capitol, Room 417  
Juneau, AK 99801-1182

Dear Senator Stevens,

Re: HB 91

HB 91 pays full medical benefits to police officers five years earlier. A 2/23/04 fiscal note from the Division of Retirement and Benefits estimates that this change will annually cost .97% of police payroll, that is, **nearly a 1% annual cost increase for police salaries, in addition to the overall PERS increase of 5% for all employees.** For example, the fiscal note estimates that HB 91 alone would cost:

State	\$856,000 per year more
Anchorage	\$246,000 per year more
Juneau	\$52,800 per year more

Currently municipalities are reeling from an annual 5% across the board increase in the PERS system that is expected to last a minimum of the next three years. Without relief, PERS increases, on top of other state cuts impacting municipalities, will make it difficult to impossible for some municipalities to survive.

The State PERS/TRS Board is discussing redesigning the entire PERS program in an effort to reduce the runaway costs of the PERS program. HB 91 is counter to this effort and may contribute to calls for a more radical redesign of the PERS program that will reduce future benefits for police and other public employees.

Therefore, the AML must oppose HB 91 unless the State is able to fund the added annual cost and suggests that the issue be forwarded to the PERS/TRS Board for inclusion in the discussion of the redesign of the PERS/TRS system.

Sincerely



Kevin Ritchie  
Executive Director

MAR 22 2004

CITY OF SEWARD  
P.O. BOX 167  
SEWARD, ALASKA 99664-0167



- Main Office (907) 224-4050
- Police (907) 224-3338
- Harbor (907) 224-3138
- Fire (907) 224-3445
- Fax (907) 224-4038

March 17, 2004

Senator Gary Stevens, Chair  
Senate State Affairs Committee  
State Capitol, Room 417  
Juneau, Alaska 99801-1182

Dear Senator Stevens,

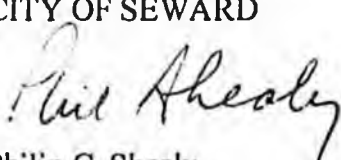
Please accept the following comments in opposition to House Bill 91 which provides full medical benefits and cost of living adjustments to police and peace officers after 20, rather than 25 years' of service.

Based on the 2002 actuarial valuation report for PERS, the City of Seward expected that it was fully funding its employees PERS retirement and medical benefits, as it was credited with an **overfunded** balance with PERS of \$622,287. One short year later, we are informed that we have an **unfunded** PERS liability of \$5,077,954. This represents 70% of an entire years' General Fund expenditures. The City of Seward joins other municipalities throughout the State in their collective shock at these unexpected PERS liabilities.

Seward's PERS contributions are expected to rise by \$930,000 over the next five years. This is due, in large part, to benefit increases approved by the State for municipal employees. At a time when we should be tightening our belt and looking for ways to streamline costs, our community cannot justify any proposals to increase benefits for certain classes of employees.

We will be asking the city council to pass a resolution opposing HB 91 at their meeting of March 22, 2004, but wanted to share our concerns with you as soon as possible. If you have any questions regarding this matter, please feel free to contact me at (907)224-4068.

Sincerely,  
CITY OF SEWARD

  
Philip C. Shealy  
City Manager

cc: mayor and council, Kent Dawson



## RESOLUTION NO. 2003-04

A RESOLUTION OF THE ALASKA GOVERNMENT FINANCE OFFICER'S ASSOCIATION OPPOSING THE STATE OF ALASKA TWENTY-THIRD LEGISLATURE HOUSE BILL NO. 91, AN ACT RELATING TO AN INCREASE IN PERS BENEFITS FOR PEACE OFFICERS

WHEREAS, the purpose of benefit packages is to attract and retain qualified employees and as a result of recent changes to Public Employees Retirement System (PERS) regulations that allow retired peace officers to return to such positions without jeopardizing their retirement, municipal employers are not experiencing serious difficulties in attracting qualified candidates for police and fire positions; and

WHEREAS, many municipalities are experiencing financial difficulties similar to the State of Alaska due, in part, to escalating costs of health insurance and PERS benefits; and

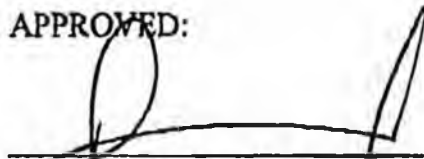
WHEREAS, municipal employers are already expecting PERS rates to climb at a rate of five percentage points per year over the next five years, in some cases more than doubling current rates in the first year alone; and

WHEREAS, House Bill 91 will further increase the cost of PERS benefits for municipal employers, at a time when governments are looking for ways to reduce, rather than to increase, costs.

NOW, THEREFORE, BE IT RESOLVED, that the membership of the Alaska Government Finance Officer's Association hereby expresses their opposition to House Bill No. 91.

DATED this 18<sup>th</sup> day of April, 2003.

APPROVED:



\_\_\_\_\_  
Dean Baugh, President

Alaska Government Finance Officer's Association

ATTEST:

\_\_\_\_\_  
Kristin Erchinger, President-Elect  
Alaska Government Finance Officer's Association

Senate State Affairs Committee

RE: HB 91

March 18, 2004

My name is Larry Semmens, I am the finance director for the City of Kenai.

I am against HB 91, which increases retirement benefits to public safety employees.

The primary reason I am against increasing benefits is the cost. The PERS system is in trouble. Liabilities to pay future benefits greatly exceed the assets available. **For Kenai the unfunded actuarial accrued liability is \$7,438,000 – almost a full year's general fund budget!** In the PERS defined benefit plan all of the risks are on the employer. When investment returns don't match expectations, or if health insurance costs are greater than planned for, or if retiree's simply live longer than expected, the employer carries the unplanned cost increase. Because these 'actuarial assumptions' have been wrong, and for other reasons, employer members of the PERS are experiencing incredible increases in contribution rates. The City of Kenai is rising from 3.67% this year to 8.67% in FY 2005, an increase of over \$240,000 with the expectation of another 5% to 13.67% next year. In two years the PERS contribution paid by the City will increase more than the equivalent of one mill of property tax. The PERS actuary says that Kenai should be paying 22.6%! This is a significant impact to Kenai where the property tax was raised 43% in FY 2004 to cope with revenue declines including the demise of revenue sharing and safe communities funding.

**The provisions that HB 91 is seeking to change have been in place since July 1, 1986!** The City of Kenai has hired all of its police and dispatchers since that date and all but two of its fire personnel. There are alternatives to increasing retirement benefits if an employer is having difficulty attracting qualified applicants - options that are controllable by the local government, such as raising wages or other incentives. I suppose it is even possible that an employer could agree to pay the health benefits of a retired public safety person up until that person is eligible for those benefits under PERS.

If the legislature increases benefits it amounts to an unfunded mandate. Local governments have no vote in setting PERS benefits, yet they will be impacted heavily by decisions to increase benefits. As you know, once benefits are increased they can never be taken away regardless of future cost. In 1961 when the PERS system was started, it seemed like a great idea to provide outstanding retirement benefits and the cost seemed reasonable. In 1986 changes were made, to reduce costs, that this bill is seeking to reverse. Unfortunately, the true cost of the benefit package is becoming apparent and it is clear that many local governments can no longer afford benefit packages of this type. It is very likely that a 4<sup>th</sup> tier with fewer benefits will be created. Public safety personnel will most likely be included in this benefit reduction for future employees. Should we expect that a legislature would add those benefits back 18 years from now?

All that said, apparently there are some practical reasons for a relatively short career in many public safety positions. Therefore, if the Senate agrees with the House that a change needs to be made, please consider changing only the age at which health benefits accrue for less than 25 year employees from the current age 60, to age 50.

Thank you for your consideration.

## 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.

# 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.

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: CSHB 91(FIN)  
(H) Publish Date: 2/23/2004

Revision Date/Time (Note if correction): 2/12/2004 Dept. Affected: Administration  
Title: An Act relating to medical benefits for retired peace officers RDU: All  
Component: All  
Sponsor: Rep. Anderson, et. Al  
Requester: House Finance Component No. \_\_\_\_\_

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

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	856.9	882.6	909.1	936.4	964.4	993.4
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>856.9</b>	<b>882.6</b>	<b>909.1</b>	<b>936.4</b>	<b>964.4</b>	<b>993.4</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>856.9</b>	<b>882.6</b>	<b>909.1</b>	<b>936.4</b>	<b>964.4</b>	<b>993.4</b>

Estimate of any current year (FY2004) cost: 0.0  
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

**ANALYSIS:** (Attach a separate page if necessary)  
This bill would provide system paid medical coverage for all peace officers and firefighters who first entered the PERS after June 30, 1986 and who have at least 20 years of qualifying service at retirement.  
  
Our actuarial consultant has computed this legislation to increase the PERS accrued liability by approximately \$8.0 million. The estimated increase in the average PERS calculated contribution rate would be .97% of peace officer/firefighter payroll. Based on a state PERS peace officer/firefighter payroll of approximately \$88.3 million, the annual cost increase to the State of Alaska would be \$856.9 thousand.

Prepared by: Melanie Millhorn Phone: \_\_\_\_\_  
Division: Retirement and Benefits Date/Time: 2/12/04 1:25 p.m.  
Approved by: Mike Miller, Commissioner Date: \_\_\_\_\_  
Agency: Administration

FISCAL NOTE #2

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

BILL NO. CSHB 91(FIN)

ANALYSIS CONTINUATION

Examples of impact on the five major PERS employers based on peace officer/firefighter salaries are as follows:

PERS	P/F Salaries (in 000's)	Rate increase%	Annual cost (in 000's)
State of Alaska	88,343.3	0.97%	856.9
Juneau Borough	5,444.1	0.97%	52.8
Anchorage Municipality	25,359.1	0.97%	246.0
Fairbanks Borough	302.3	0.97%	2.9
North Slope Borough	4,875.0	0.97%	47.3

AS 24.08.036 FISCAL NOTES ON BILLS AFFECTING STATE RETIREMENT SYSTEMS, requires an additional analysis of the long term and short term costs to the state if a bill is adopted, as well as the impact of the bill on the actuarial soundness of the funds. This bill would increase the PERS contribution rate by .97% of PERS peace officer/firefighter payroll. For FY 05 this would be an added cost to the state of \$856.9 thousand. This change would also decrease the PERS funded ratio by .1%. The funding ratio of the PERS as of June 30, 2002 was 75.2%. Passage of this bill would decrease the funding ratio to 75.1%.

**MEMORANDUM**

**TO:** Senate State Affairs Committee  
**FROM:** Larry, Semmens, CPA  
Finance Director, City of Kenai  
**DATE:** April 1, 2004  
**SUBJECT:** HB 91

Thank you for allowing me to speak again on HB 91.

I was surprised to learn at the last hearing that the fiscal note is based on the assumption that only 25% of eligible members would retire after 20 years. Apparently the actuary did not consider that more members would retire if benefits were increased as provided by HB 91. Clearly and unequivocally, more than 25% of eligible members will retire after 20 years if they get full health benefits. At Kenai that number will be very close to 100%.

The State's actuary, Mercer, has provided additional cost estimates, attached, that show the costs if up to 79% of eligible members retire after 20 years. The 79% assumption is the most realistic among the options presented. At the City of Kenai the percentage, and the cost, will be higher since we don't have any members who will be over 60 when they have 20 years of service. As you can see from the new estimates, the cost will increase from .97% of police and fire payroll to 3.11% - more than triple the original estimates! The State's fiscal impact would be \$2.75 million next year, not \$856,900 - and the number will keep growing to \$3.2 million per year by FY 2010.

The cost to the City of Kenai will be over \$85,000 per year. These funds are not available. We raised our mill rate last year to offset revenue losses including the elimination of the State revenue sharing and safe community programs. When combined with the 5% increase in PERS rates for FY 2005 the impact to Kenai is about ¾ of a mill of property tax. It is unlikely that property tax rates can be raised for this purpose.

Please note that every single one of the nearly 2000 tier 2 and 3 PERS members that could be benefited by HB 91 were fully aware of the provisions of their retirement package when they were hired. This benefit package was put in place 18 years ago to save money. The PERS system and the employers who fund it are not in any better financial position now than they were then, so it is simply not appropriate or prudent to increase retirement benefits at this time of fiscal difficulty at nearly every level of government.

Keep in mind that a retirement package that provides a lifetime of income and health benefits for the member and spouse after only 25 years of work is extremely attractive and very expensive. There is no need to sweeten the retirement package at this time.

Please do not pass HB 91 out of your committee.



# Alaska State Legislature

Please enter into the record my testimony to the \_\_\_\_\_SSTA\_\_\_\_\_

committee on \_\_\_\_\_HB91\_\_\_\_\_, dated 040104 \_\_\_\_\_

I would like to advise my legislators that I am in favor of HB 91 going through. I am a career fireman in Kenai. We as Public Safety personnel take care of you and your property so you can sleep at night. I feel it is time that you start taking care of

us. Our wages have been frozen for at least 4 years and the taxes we pay keep going up.

It is a fact that the people in these occupations don't live as long as others. By retiring out at 20 years of service we will be able to enjoy life for a while and get some of

those nice peaceful, full nights of sleep that all of you take for granted.

Just a reminder, we as Public Safety personnel are on call all of the time, not just when we are at the Fire or Police stations.

Thank you for your time,  
Eric Wilcox

416 McCollum Dr.  
Kenai Ak. 99611



# Alaska State Legislature

Please enter into the record my testimony to the Senate State Affairs  
committee name

Committee on HB 91, dated 4-1-04  
bill # / subject public hearing date

4 pages attached

Signed: Larry Semmens  
Testifier

City of Kenai  
Representing (optional)

210 Fidalgo Ave Kenai, AK 99611  
Address

283-8227  
Phone number

## MEMORANDUM

**TO:** Senate State Affairs Committee  
**FROM:** Larry, Semmens, CPA  
Finance Director, City of Kenai  
**DATE:** April 1, 2004  
**SUBJECT:** HB 91

Thank you for allowing me to speak again on HB 91.

I was surprised to learn at the last hearing that the fiscal note is based on the assumption that only 25% of eligible members would retire after 20 years. Apparently the actuary did not consider that more members would retire if benefits were increased as provided by HB 91. Clearly and unequivocally, more than 25% of eligible members will retire after 20 years if they get full health benefits. At Kenai that number will be very close to 100%.

The State's actuary, Mercer, has provided additional cost estimates, attached, that show the costs if up to 79% of eligible members retire after 20 years. The 79% assumption is the most realistic among the options presented. At the City of Kenai the percentage, and the cost, will be higher since we don't have any members who will be over 60 when they have 20 years of service. As you can see from the new estimates, the cost will increase from .97% of police and fire payroll to 3.11% - more than triple the original estimates! The State's fiscal impact would be **\$2.75 million** next year, not \$856,900 - and the number will keep growing to \$3.2 million per year by FY 2010.

The cost to the City of Kenai will be over \$85,000 per year. These funds are not available. We raised our mill rate last year to offset revenue losses including the elimination of the State revenue sharing and safe community programs. When combined with the 5% increase in PERS rates for FY 2005 the impact to Kenai is about  $\frac{3}{4}$  of a mill of property tax. It is unlikely that property tax rates can be raised for this purpose.

Please note that every single one of the nearly 2000 tier 2 and 3 PERS members that could be benefited by HB 91 were fully aware of the provisions of their retirement package when they were hired. This benefit package was put in place 18 years ago to save money. The PERS system and the employers who fund it are not in any better financial position now than they were then, so it is simply not appropriate or prudent to increase retirement benefits at this time of fiscal difficulty at nearly every level of government.

Keep in mind that a retirement package that provides a lifetime of income and health benefits for the member and spouse after only 25 years of work is extremely attractive and very expensive. There is no need to sweeten the retirement package at this time.

Please do not pass HB 91 out of your committee.

# MERCER

Human Resource Consulting

One Union Square  
600 University Street, Suite 3200  
Seattle, WA 98101-3137  
206 808 8926 Fax 206 382 0627  
chris.byrnes@mercer.com  
www.mercerHR.com

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.

# MERCER

Human Resource Consulting

Page 2  
March 30, 2004  
Ms. Melanie Millhorn  
State of Alaska

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

	<b>Current Valuation Assumptions</b>	<b>50% Retirement Assumption</b>	<b>75% Retirement Assumption</b>	<b>100% Retirement Assumption</b>
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.

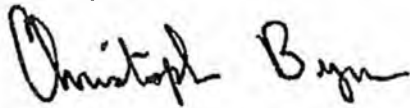
# MERCER

Human Resource Consulting

Page 3  
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

CITY OF SEWARD  
P.O. BOX 167  
SEWARD, ALASKA 99664-0167



MAR 26 2004

- Main Office (907) 224-4050
- Police (907) 224-3338
- Harbor (907) 224-3138
- Fire (907) 224-3445
- City Clerk (907) 224-4046
- Engineering (907) 224-4049
- Utilities (907) 224-4050
- Fax (907) 224-4038

March 24, 2004

Senator Gary Stevens, Chair  
Senate State Affairs Committee  
State Capitol, RM 417  
Juneau, AK 99801-1182

Re: House Bill 91

Dear Senator Stevens:

*SIA* Enclosed please find a copy of City of Seward resolution 2004-36 opposing House Bill 91 which would increase costs of living allowance and medical benefits for retired Peace Officers after 20 rather than 25 years of Service under the State of Alaska Public Employees Retirement System. *FILE*

This resolution was approved by the Seward City Council at the regular meeting on Monday, March 22, 2004 because PERS contributions are expected to rise to \$930,000 over the next five years for the City of Seward. This is due, in part, to benefit increases approved by the state for municipal employees. At a time when we should be tightening our belt and looking at ways to streamline costs, our communities can not justify any proposals to increase benefits for certain classes of employees.

If you have any further questions regarding this matter, please feel free to contact me at your convenience at 907-224-4068.

Sincerely,  
CITY OF SEWARD

*Philip C. Shealy*  
Philip C. Shealy  
City Manager

Enclosure

cc: Representative Paul Seaton  
Kent Dawson

Sponsored by: Shealy

**CITY OF SEWARD, ALASKA  
RESOLUTION 2004-36**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEWARD,  
ALASKA, OPPOSING HOUSE BILL 91 ("HB 91") WHICH WOULD  
INCREASE COST-OF-LIVING ALLOWANCE AND MEDICAL BENEFITS  
FOR RETIRED PEACE OFFICERS AFTER 20 RATHER THAN 25 YEARS  
OF SERVICE UNDER THE STATE OF ALASKA PUBLIC EMPLOYEES  
RETIREMENT SYSTEM**

**WHEREAS**, the September, 2002 actuarial valuation report published by the State of Alaska Public Employees Retirement System (PERS) states that the City of Seward has an *overfunded* balance with PERS of \$622,287, but the subsequent actuarial report dated August, 2003 depicts an *unfunded liability* with PERS of \$5,077,954; and

**WHEREAS**, over the years, a significant portion of the increase in costs associated with PERS is the result of benefit increases approved by the State for municipal employees, such as the increase in cost-of-living allowance and medical benefits proposed by HB 91; and

**WHEREAS**, HB 91 proposes to improve the Alaska Cost of Living Allowance retirement benefit and the retirement system paid medical coverage for peace officers by reducing the required years of service to be eligible for such services from 25 to 20 years; and

**WHEREAS**, State of Alaska actuarial consultants have estimated that these benefit increases will result in an increase in the PERS calculated contribution rate by .97% of peace officer/firefighter payroll, and based on an estimated annual peace officer payroll of \$746,193, the annual cost increase to the City of Seward is approximately \$7,238; and

**WHEREAS**, the administration is opposed to changes in the PERS system that increase costs to employers through added employee benefits, at a time when municipalities have been told to expect 5% annual increases in PERS rates over the next five years, resulting in an expected annual increase in costs to the City of Seward of approximately \$186,025 in the first year, and up to \$930,000 in increased costs by the fifth year.

**NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEWARD, ALASKA, that:**

**Section 1.** The City Council opposes House Bill 91 which would increase cost-of-living allowance and medical benefits for retired peace officers after 20 rather than 25 years of service under the State of Alaska Public Employees Retirement System.

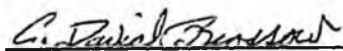
**Section 2.** This resolution shall take effect immediately.

**CITY OF SEWARD, ALASKA  
RESOLUTION 2004-36**

---

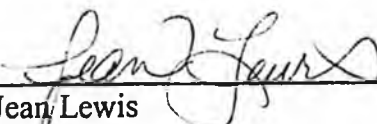
**PASSED AND APPROVED** by the City Council of the City of Seward, Alaska, this 22nd day of March, 2004.

**THE CITY OF SEWARD, ALASKA**

  
\_\_\_\_\_  
**C. David Brossow, Mayor**

AYES: Shafer, Branson, Clark, Valdatta, Amber,  
NOES: Dunham  
ABSENT: None  
ABSTAIN: Brossow

**ATTEST:**

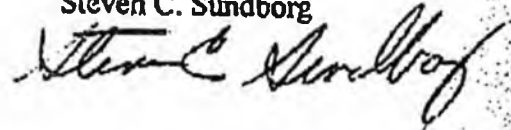
  
\_\_\_\_\_  
Jean Lewis  
City Clerk



Dear Senator Stevens,

I am a Firefighter for the City of Fairbanks. I could not think of a better place to raise my family than where I was born and raised. My family and I would like to ask for your support to pass House Bill 91 in it's current form out of your committee. Thank you.

Steven C. Sundborg



MAR 25 2004

**CITY OF FAIRBANKS**

*Steve M. Thompson, Mayor*

800 CUSHMAN STREET  
FAIRBANKS, ALASKA 99701-4615  
OFFICE: 907-459-6793  
FAX: 907-459-6787  
smthompson@ci.fairbanks.ak.us

STA

March 18, 2004

Senator Gary Stevens, Chair  
Senate State Affairs Committee  
Alaska State Capitol, Room 417  
Juneau, AK 99801-1182

by fax to: 465-3517

Re: HB 91

Dear Senator Stevens:

The City of Fairbanks, like many municipalities, was hit hard by the elimination of state operating and capital funding. This year we absorbed a huge PERS rate increase costing about \$330,000.00. Our PERS expense will increase by a similar amount **each year** for years to come. Together, these two factors equaled about 10% of our total budget. Drastic steps were taken, including layoffs and reductions of employee compensation.

While I understand the motivation of HB61, a retroactive increase in PERS retiree health care benefits will **further** increase our annual expenses by approximately \$30,000/year. Because the enhancement is retroactive, it will also increase the City's unfunded PERS liability.

We therefore must oppose this measure.

Thank you.

Sincerely,

*Steve M. Thompson*

by p.cole

\_\_\_\_\_  
Steve M. Thompson  
City Mayor

cc: City Council Members  
Senate State Affairs Committee

FW

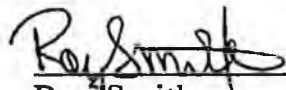
Dear Senator Stevens:

We, the undersigned Correctional Officers of the Wildwood Correctional Center in Kenai, Alaska are pleading for you help in insuring that House Bill 91 passes and is enacted.

As state Correctional Officers, we work in a stressful, dangerous, hostile and most often thankless environment that easily causes burn out. I'm sure if you've looked at the figures, you've seen the high turnover of officers, and the difficulty in recruiting new officers into this line of work, for the current pay and retirement package. A new Correctional Officer now has to work 30 yrs. to get paid medical benefits from the state.

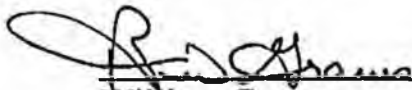
Each of us who have signed this letter, must work at least 25 yrs. to get our medical coverage. As part of the Public Safety family, we feel that the state will benefit, long term with employees that will see the rewards of this profession and commit to working 20 years. HB-91 will be a great recruiting tool, which will create a stable work force, that will "protect and serve the public" very well.

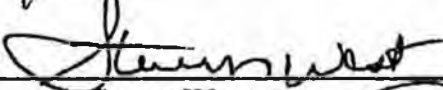
Sincerely,

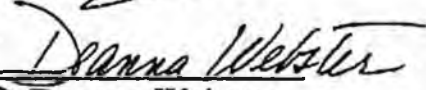
  
Roy Smith

  
John Britton

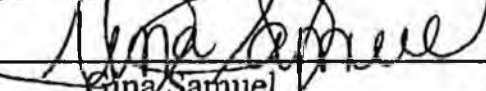
  
Chuck Goff

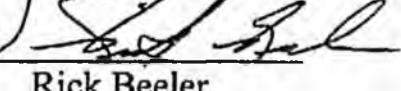
  
William Graves

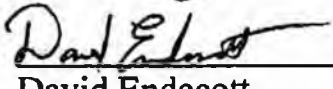
  
Steve West

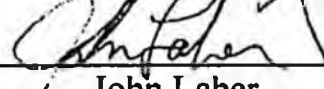
  
Deanna Webster

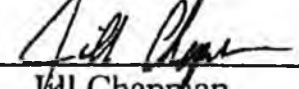
  
Steven Moffett

  
Gina Samuel

  
Rick Beeler

  
David Endecott

  
John Laber

  
Bill Chapman

Senator Stevens  
1-907-465-3517

Dear Senator Stevens:

I am a law enforcement officer living in Ketchikan and urge you to immediately pass out of your committee House Bill 91 in the current form. Thank you.

Signed,



Lt. Paul Bruening  
Fax 1-907-247-3333



Alaska Police Corps  
 800 Cushman Street • Fairbanks, Alaska 99701  
 (907) 459-6767 • (800) 221-0083 • Fax (907) 459-6761

3-23-04

Dear Senator Stevens:

As a 15-year member of the Fairbanks Police Department and current Director of the Alaska Police Corps, I wanted to take a few moments from my lunch-break and fax you.

I fully support the ideas and intent behind **House Bill 91**, and I am hopeful that it will be passed out of your committee without any changes. I believe that any municipal leaders who have balked at changes to their PERS obligations have not taken the time to factor-in the significant savings that'll be realized by removing the current disincentive for 20-year employees to retire.

I thank you very much for your time and effort in this matter!

Sincerely,

Lt. Dan Hoffman, Director  
 Alaska Police Corps



FAIRBANKS  
 POLICE  
 DEPARTMENT

"Serving the People of the Last Frontier"

