

HB

40

ALASKA STATE HOUSE OF REPRESENTATIVES

Labor & Commerce Committee, Chair
Administrative Regulation Review, Chair
Judiciary Committee, Vice-Chair
Health, Education and Social Services



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Juneau, AK 99801
Phone (907) 455-4939
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Representative Tom Anderson

Email: Representative_Tom_Anderson@legis.state.ak.us

MEMORANDUM

Date: January 18, 2005

To: Representative Paul Seaton, Chair
House State Affairs Committee

From: Representative Tom Anderson, Chair
House Labor and Commerce Committee

Re: HB 40

I would like to request that you schedule HB 40 for consideration by the House State Affairs Committee.

Enclosed are:

1. Current Sponsor Statement
2. The most recent version of the bill
3. Appropriate backup documentation
4. Letters of support

Thank you for your consideration of this request. Please contact Jon Bittner at 465-5031 in my office if you have any questions or concerns.

Alaska State Legislature

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Representative Tom Anderson
District 19 - Anchorage

Sponsor Statement HB 40

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 know 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.

HB 40 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.

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House Bill 40 Key Points

- 1) PERS "Peace Officers," regardless of their Tier, contribute 7.5%. "Normal" retirement is after 20 years of service.
- 2) All other PERS members, regardless of Tier classification, contribute 6.75%. "Normal" retirement is after 30 years of service.
- 3) Since its inception in 1961, PERS considers "normal" retirement as the uniform point for receipt of full retirement benefits, including medical for Tier I members.
- 4) In 2001, HB 242 reestablished medical benefits at "normal" retirement for all Tier II and III PERS members except for peace officers who had to wait until 5 years after "normal" retirement.
- 5) The only change resulting from HB 40 is the elimination of the 5-year period of "withholding" medical benefits for Tier II and III peace officers.
- 6) HB 40 would reestablish application of medical benefits at the twenty year "normal" retirement for peace officers. HB 40 does nothing more than reestablish parity between peace officers and all other PERS members. It does not provide an advantage or enhancement for peace officers.

*This analysis applies only to PERS members and does not apply to other retirement systems (i.e. TERS).

HB 40 Introduction

Peace Officer PERS members may take normal retirement after 20 years of service. However, tier II and tier III Peace Officers, who are less than 60 years of age, must work 5 years beyond normal retirement to receive their medical benefit. HB 40 eliminates the additional 5 years of service requirement.

All non peace officer PERS members may take normal retirement after 30 years of service. They receive their medical benefit at normal retirement.

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 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 40 Background

Since its inception in 1961 PER 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 tier 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 Tier III peace officers should retire.

HB 40 will cut costs by removing the disincentive for Peace Officers to take 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 an \$23,105 savings in base pay and leave during the first year after a 20 year Corrections Officer 3 takes normal retirement.

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

There is an \$32,508 savings in base pay and leave during the first year after a 20 year Trooper Sergeant takes 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 40 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 40 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 40 influences to continue to normal retirement that otherwise would separate the State saves approximately \$104,800 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 annually the cost increase would only be \$72 per year.

HB 40 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 40 is good for the State, and it is good for "Peace Officers".

Appendix

Trooper

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

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

There are 250 Troopers effected by HB 40. If half of them (125) make it to normal retirement and retire with 20 years service instead of 25, the Staet 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 HB 40. They represent the potential for **\$1,202,796 in savings** when considering just **the first year** following their retirement.

Correctional Officer 2

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

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

Correctional Officer 3

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

Cost for a 20 year CO3	\$67,442
Cost for an 8 year CO3	\$55,381
Savings	<u>\$12,061</u>
Cost for an 8 year CO2	\$53,645
Cost for a 1 year CO2	\$42,601
Savings	\$11,044
Total savings during the first year after retirement	\$23,105

Training Cost Discussion

Estimated costs to hire and train a new Correctional Officer, \$18,273 during 6 weeks, Trooper \$91,463 during 33 weeks. Some Applicants are APSC certified and require less or no training. Example: HB 242 hires.

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

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

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

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

HB 40 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 NORTHSTAR 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

From: Harold Verheyen
Sent: Thursday, January 13, 2005 1:16 AM
To: Jon S. Bittner
Subject: Re: Rep. Anderson reintroduces HB 91

Hi Jon

I want to express my sincere appreciation for the work and effort that Rep. Anderson is putting forth in introducing HB40. HB40 is extremely important to our work force. Please let me know if there is anything that I can do to assist with getting HB40 passed. Thanks in advance for the effort and work in getting this bill passed.

Harold Verheyen

Jon S. Bittner

From: flyfish-n@att.net
Sent: Friday, January 14, 2005 11:38 AM
To: Jon S. Bittner
Subject: HB40

Jon,

My name is Ken Killian and I am a 9 year veteran with the Department of Corrections. I just recieved a copy of your e-mail on HB 40. I, of course, am very interested in this bill as you could imagine. You and Rep. Anderson have my full support. I appreciate it.

Thanks

Ken Killian

1/14/2005

Jon S. Bittner

From: Rep. Tom Anderson
Sent: Friday, January 14, 2005 11:20 AM
To: Jon S. Bittner
Subject: FW: HB 40

From: Jason VanSickle [mailto:Jason_VanSickle@ci.juneau.ak.us]
Sent: Friday, January 14, 2005 10:33 AM
To: Rep. Tom Anderson
Subject: HB 40

Representative Anderson,

My name is Jason C. Van Sickle and I work for the Juneau Police Department. I wanted to take a moment a thank you for sponsoring HB 40. This bill will have a tremendous impact on peace officers and law enforcement agencies in Juneau and around the great state of Alaska. I have already encouraged my Juneau Representatives and Senator to support this bill as it makes sense for Alaska. Thanks again for your commitment to the peace officers of Alaska.

Jason C. Van Sickle
Police Officer
Juneau