

SB

38

<TARGET><BILL>SB 38</BILL><SUBJECT>SB
38</SUBJECT><COMM>SFIN27</COMM></TARGET>

February 4, 2011

VIA EMAIL

Mr. Pat Shier
 Director
 Division of Retirement and Benefits
 State of Alaska
 333 Willoughby Avenue
 6th Floor State Office Building
 Juneau, AK 99811-0208

RE: Fiscal Note for Senate Bill No. 38

Dear Pat:

As requested, we are providing the following information for a Fiscal Note for a bill regarding the addition of a one-time lump sum payment of \$100,000 to the spouse (or dependent children) of a Peace Officer/Firefighter who dies due to occupational causes. This bill affects both the State of Alaska Public Employees' Retirement System Defined Benefit Plan (PERS DB) and the State of Alaska Public Employees' Retirement System Defined Contribution Retirement Plan (PERS DCR). We have assumed that the bill will become effective as of July 1, 2010. Our results are based on the draft 2010 actuarial valuation results.

The tables below show the cost of the bill for Fiscal Years 2013 through 2017. Dollars are in thousands.

PERS DB Plan	FY13	FY14	FY15	FY16	FY17
Increase in Normal Cost Amount	\$98	\$101	\$104	\$107	\$111
Increase in Past Service Cost Amortization Payment	\$42	\$43	\$45	\$46	\$48
Total Increase in Annual Employer Contribution Amount	\$140	\$144	\$149	\$153	\$159

PERS DCR Plan	FY13	FY14	FY15	FY16	FY17
Increase in Normal Cost Amount	\$34	\$36	\$38	\$39	\$41
Increase in Past Service Cost Amortization Payment	\$1	\$1	\$1	\$1	\$1
Total Increase in Annual Employer Contribution Amount	\$35	\$37	\$39	\$40	\$42

Summary for Analysis Continuation Section of Fiscal Note

The data, assumptions, plan provisions and methods used for the DB plan costs are described in the draft actuarial valuation reports as of June 30, 2010. The assets for both plans are based on the June 30, 2010 information provided by Christina Maiquis. We have assumed that the bill will become effective July 1, 2010.

The tables below summarize the change in the unfunded accrued liability. Dollars are in thousands.

PERS DB Plan	Current DB Plan	DB Plan After SB 38
Accrued Liability	\$18,132,492	\$18,133,139
Actuarial Value of Assets	11,157,464	11,157,464
Total Unfunded Accrued Liability	\$6,975,028	\$6,975,675

PERS DCR Plan	Current DCR Plan	DCR Plan After SB 38
Accrued Liability	\$8,038	\$8,048
Actuarial Value of Assets	13,568	13,568
Total Unfunded Accrued Liability	\$(5,530)	\$(5,520)

Please let us know if you need any further information.

Sincerely,



David H. Sliskinsky, A.S.A.
Principal and Consulting Actuary

/kr

- c: Ms. Teresa Kesey, State of Alaska
Ms. Kathy Lea, State of Alaska
Ms. Michelle DeLange, Buck Consultants
Mr. Chris Hulla, Buck Consultants
Ms. Kyla Kaltenbach, Buck Consultants

Senator Stedman - Please provide a grid/table, by tiers, showing the death/survivor benefits already available to members of the PERS retirement system. How are the benefits to Tier IV different from the other tiers? What benefits are available to a new Tier IV member?

- See attachment "Occupational Death2" to see benefits by tier.
- Please note that DCR death benefit is the choice of; (1) 50% of compensation at the time of death or (2) the lump sum of employees and employer contributions in the employee's DCR account.

Senator Olson - Asked how quickly are the benefits available to the survivors? What is quickly available to survivors/spouses after death?

- The division processes death benefits within 3 days of notification.
- The Basic Life Insurance is available one week of the division receiving a copy of the death certificate.

Senator Egan - Where did the \$647,000 in the fiscal note come from?

Buck Consultants estimates one death a year. Since the deaths will continue past the timeframe of the fiscal note, Buck also calculated the estimated change in the liability going forward for the life of the plan. That change is the \$647,000 Sen. Egan is speaking of.

Current DB Plan Liability:	\$6,975,028,000
New DB Liability:	\$6,975,675,000
Difference:	\$647,000

The \$647,000 represents the present day value of the expected benefits we would pay over the life time of the plan. Currently we have two occupational P/F deaths, one in the DB plan and one in the DCR plan.

Also see the February 4, 2011 letter from Buck Consultants.

Miscellaneous Questions:

How would SB 38 impact those in Tier I, II, III, IV and a brand new hire?

SB38 would provide an additional \$100,000 benefit to the current death benefits already available to peace officers and firefighters.

How does this compare with worker's comp?

Death benefits under workers compensation is established by Sec. 23.30.215. To summarize:

- There is an immediate benefit of up to \$10,000 for funeral expenses based on whether there is a widow or widower and the number of dependent children, and
- Monthly benefits are based on employees' salaries.

Sec. ~~23.30.215~~. Compensation for death.

(a) If the injury causes death, the compensation is known as a death benefit and is payable in the following amounts to or for the benefit of the following persons:

- (1) reasonable and necessary funeral expenses not exceeding \$10,000;
- (2) if there is a widow or widower or a child or children of the deceased, the following percentages of the spendable weekly wages of the deceased:
 - (A) 80 percent for the widow or widower with no children;
 - (B) 50 percent for the widow or widower with one child and 40 percent for the child;
 - (C) 30 percent for the widow or widower with two or more children and 70 percent divided equally among the children;
 - (D) 100 percent for an only child when there is no widow or widower;
 - (E) 100 percent, divided equally, if there are two or more children and no widow or widower;
- (3) if the widow or widower remarries, the widow or widower is entitled to be paid in one sum an amount equal to the compensation to which the widow or widower would otherwise be entitled in the two years commencing on the date of remarriage as full and final settlement of all sums due the widow or widower;
- (4) if there is no widow or widower or child or children, then for the support of father, mother, grandchildren, brothers, and sisters, if dependent upon the deceased at the time of injury, 42 percent of the spendable weekly wage of the deceased to such beneficiaries, share and share alike, not to exceed \$20,000 in the aggregate;
- (5) \$5,000 to a surviving widow or widower, or equally divided among surviving children of the deceased if there is no widow or widower.

(b) In computing death benefits, the spendable weekly wage of the deceased shall be computed under AS 23.30.220 and shall be paid in accordance with AS 23.30.155 and subject to

the weekly maximum limitation in the aggregate as provided in AS 23.30.175, but the total weekly compensation may not be less than \$75 for a widow or widower nor less than \$25 weekly to a child or \$50 for children.

(c) All questions of dependency shall be determined as of the time of the injury, or death.

(d) Compensation under this chapter to aliens not residents, or about to become nonresidents, of the United States or Canada is the same in amount as provided for residents, except that dependents in a foreign country are limited to widow or widower and child or children, or if there is no widow or widower and child or children, to surviving father or mother whom the employee has supported, either wholly or in part, for a period of one year before the date of injury. The board, at its option, or upon the application of the insurance carrier, may commute all future installments of compensation to be paid to an alien dependent who is not a resident of the United States or Canada by paying or causing to be paid to the alien dependent one-half of the commuted amount of the future installments of compensation as determined by the board.

(e) Death benefits payable to a widow or widower in accordance with (a) of this section shall abate as that person ceases to be entitled and does not inure to persons subject to continued entitlement. In the event a child ceases to be entitled, that child's share shall inure to the benefit of the surviving spouse subject to adjustment as provided in (f) of this section.

(f) Except as provided in (g) of this section, the death benefit payable to a widow or widower shall terminate 12 years following death of the deceased employee.

(g) The provisions of (f) of this section do not apply to a widow or widower who at the time of death of the deceased worker is permanently and totally disabled. The death benefits payable to a widow or widower are not subject to reduction under (f) of this section after the widow or widower has attained the age of 52 years.

(h) In the event a deceased worker is survived by children of a former marriage not living with the surviving widow or widower, then those children shall receive the amount being paid under a decree of child support; the difference between this amount and the maximum benefit payable under this section shall be distributed pro rata to the remainder of those entitled.

Occupational Death

Tier I	Tier II	Tier III	Tier IV
Peace Officer/ Firefighter	Peace Officer/ Firefighter	Peace Officer/ Firefighter	Peace Officer/ Firefighter
<p>PERS Continuing monthly benefit receive the greater of:</p> <ul style="list-style-type: none"> • 50% of compensation at the time of death ; • or 75% of the retirement benefit had they continued to work until normal retirement; or • a one-time lump sum of PERS contribution balance • + \$1000+\$100 for every year of service • Health insurance is available for surviving spouses and eligible dependents 	<p>PERS Continuing monthly benefit receive the greater of:</p> <ul style="list-style-type: none"> • 50% of compensation at the time of death; • or 75% of the retirement benefit had they continued to work until normal retirement ; or • a one-time lump sum of PERS contribution balance • + \$1000+\$100 for every year of service • Health insurance is available for surviving spouses if age 60 and eligible dependents 	<p>PERS Continuing monthly benefit receive the greater of:</p> <ul style="list-style-type: none"> • 50% of compensation at the time of death; • or 75% of the retirement benefit had they continued to work until normal retirement ; or • a one-time lump sum of PERS contribution balance • + \$1000+\$100 for every year of service • Health insurance is available to surviving spouses if age 60 and eligible dependents 	<p>PERS Continuing monthly benefit of:</p> <ul style="list-style-type: none"> • 50% of compensation at the time of death; or • lump sum of employees and employer contributions in employees account • No health insurance is available to surviving spouses and eligible dependents • <i>Employer</i> continues to make employee and employer contributions to the occ. death trust for survivor

Prepared by the Division of Retirement and Benefits

February 3, 2012

All Others	All Others	All Others	All Others
40% of compensation at the time of death or lump sum same as P/F	40% of compensation at the time of death or lump sum same as P/F	40% of compensation at the time of death or lump sum same as P/F	40% of compensation at the time of death or lump sum same as P/F
Health insurance same as P/F	Health insurance same as P/F	Health insurance same as P/F	No health insurance available

Conversion to Normal Retirement Peace Officers/Firefighters and All Others

Tier I	Tier II	Tier III	Tier IV
Survivors allowance receives what member would have received in normal retirement had they continued to work. Health insurance available to surviving spouse and eligible dependents.	Survivors allowance receives what member would have received in normal retirement had they continued to work. Health insurance available to surviving spouse at age 60 and eligible dependents.	Survivors allowance receives what member would have received in normal retirement had they continued to work. Health insurance available to surviving spouse at age 60 and eligible dependents.	Member has access to DCR account. Surviving spouse can purchase health insurance.

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February 3, 2012

Additional Benefits Available to State of Alaska Employees Only

Basic Life Insurance-\$7,000

Travel Accident \$100,000

Last Check and leave cash-out (Division of Finance)

Workers' Compensation (Division of Risk Management)

Deferred Compensation Balance if participating

Select Benefits available to State of Alaska employees and employees in participating political subdivisions

SBS Balance

*Optional Life Insurance (yearly salary caps at \$60,000 for all bargaining units and political subdivision employees except for supervisory and confidential employees caps at \$100,000) doubles if accidental death

*Select Life up to \$48,000

*AD&D \$100,000

*Select Survivor Benefits

*Indicates member must elect to purchase

Prepared by the Division of Retirement and Benefits

February 3, 2012

FISCAL NOTE

STATE OF ALASKA cost # codes
 2012 LEGISLATIVE SESSION

Bill Version SB038
 Fiscal Note Number _____
 Publish Date _____

Identifier (file name) SB038-DOA-DRB-11-28-11 Dept. Affected Department of Administration
 Title Police and Firefighter Death Benefits Appropriation Centralized Administrative Services
 Allocation Division of Retirement and Benefits
 Sponsor Senators Meyer, Ellis, French, McGuire, Menard, Egan
 Requester Senate Finance OMB Component Number 64

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES	FY13	FY13	FY14	FY15	FY16	FY17	FY18
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous			175.0	181.0	188.0	193.0	201.0
TOTAL OPERATING	0.0	0.0	175.0	181.0	188.0	193.0	201.0

FUND SOURCE		(Thousands of Dollars)					
1002	Federal Receipts						
1003	GF Match						
1004	GF		175.0	181.0	188.0	193.0	201.0
1005	GF/Prgm (DGF)						
1037	GF/MH (UGF)						
1178	temp code (UGF)						
TOTAL		0.0	0.0	175.0	181.0	188.0	193.0

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							
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Estimated SUPPLEMENTAL (FY12) operating costs _____ (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Update for session

Prepared by Jim Puckett, Director
 Division Retirement and Benefits
 Approved by John Cramer, Deputy Commissioner
Department of Administration

Phone 465-4471
 Date/Time 11/28/11 12:00 AM
 Date 12/13/2011

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB038

Analysis

This bill affects both the PERS Defined Benefit and Defined Contribution plans. The results are based on the 2010 actuarial valuation.

Numbers given above reflect increases in the Annual Employer Contribution Amount due to increase in Normal Cost amount and Past Service Cost amount to the PERS plans. Employer rates in the PERS are set at 22% of eligible payroll by statute (AS 39.35.255). Increases to the Annual Employer Contribution Amount are therefore paid from the State General Fund (AS 39.35.280). Because changes affect years beyond the fiscal note horizon the additional effect on the unfunded liability is as follows: increase of \$647,000 in the Defined Benefit Retirement Plan (PERS Tiers I, II, III).

Buck Consultants was supplied the following information from the Division of Retirement and Benefits for their analysis:

We are currently paying 1 occupational death benefit under firefighter occupation in the Defined Benefit Plan.

We are currently paying 1 occupational death benefit under the peace officer occupation in the Defined Contribution Plan.

We are currently paying 6 occupational death benefits with service that is/was not peace officer/firefighter occupation in the Defined Benefit Plan.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

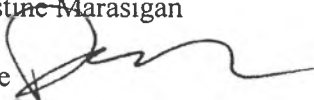
State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 10, 2011

SUBJECT: Sectional Summary of SB 38 (Work Order No. 27-LS0371\A)

TO: Senator Kevin Meyer
Attn: Christine Marasigan

FROM: Dan Wayne 
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Describes when payment of the one-time \$100,000 occupational death benefit established in Sec. 2 of the draft bill would be made, and provides that the payment may not be made to anyone but a surviving spouse or a dependent child of a peace officer or firefighter who was a member of the *defined benefit* retirement plan of the Public Employees' Retirement System.

Sec. 2. Establishes a \$100,000 one-time occupational death benefit in the *defined benefit* retirement plan of the Public Employees' Retirement System. The benefit would be payable to the surviving spouse or, if there is no surviving spouse who is eligible to receive payment, to the dependent children, of a peace officer or firefighter whose death is an occupational death under AS 39.35.430. The benefit would be in addition to other occupational benefits for which the surviving spouse or dependent children may be eligible. A surviving spouse or dependent child whose action was a substantial cause of the death would be ineligible.

Sec. 3. Exempts the \$100,000 one-time occupational death benefit from post-retirement pension adjustment under AS 39.35.475.

Sec. 4. Describes when payment of the one-time \$100,000 occupational death benefit established in Sec. 5 of the draft bill would be made, and provides that the payment may not be made to anyone but a surviving spouse or a dependent child of a peace officer or firefighter who was a member of the *defined contribution* retirement plan of the Public Employees' Retirement System.

Senator Kevin Meyer
February 10, 2011
Page 2

Sec. 5. Establishes a \$100,000 one-time occupational death benefit in the *defined contribution* retirement plan of the Public Employees' Retirement System. The benefit would be payable to the surviving spouse or, if there is no surviving spouse who is eligible to receive payment, to the dependent children, of a peace officer or firefighter whose death is an occupational death under AS 39.35.892. The benefit would be in addition to other occupational benefits for which the surviving spouse or dependent children may be eligible. A surviving spouse or dependent child whose action was a substantial cause of the death would be ineligible.

DCW:plm
11-075.plm



ALASKA PROFESSIONAL FIRE FIGHTERS

International Association of Fire Fighters, AFL-CIO, CLC

P.O. Box 111222, Anchorage, AK 99511-1222

Honorable Kevin Meyer
Alaska State Senate
State Capital Room 103
Juneau AK 99801

Senator Meyer:

My name is Tom Wescott and I am the President of the Alaska Professional Firefighters Association. The AKPFFA represents roughly 500 firefighters from Kotzebue to Ketchikan and on behalf of these men/women I am writing you today to encourage our Alaska State Legislators to support Senate Bill 38.

Senate Bill 38 provides a onetime occupational death benefit to public safety employees who die in the line of duty. It goes without saying that no one is enthusiastic about using this type of benefit. Unfortunately, we know that occasionally those in public service are called to make the ultimate sacrifice in the line of duty. The benefit provided by SB 38 will allow families to get through the grieving process without having to worry about immediate financial matters. No one can put a price on a life but this benefit will provide a small gesture of thanks to the family of a fallen public safety officer as they began to deal with the loss of their loved one.

Once again I would ask everyone's full support of Senate Bill 38 as a way of supporting our public safety employees' family upon their passing while performing a heroic act.

Sincerely,

Thomas A. Wescott
President
Alaska Professional Fire Fighters Association
PO Box 111222
Anchorage, AK 99511



Public Safety Employees Association, Inc.
"Representing Alaska's Finest"
A.F.S.C.M.E. Local 83



February 11, 2011

Christine Marasigan
State Capitol Room 103
Juneau AK, 99801

Dear Ms. Marasigan:

The Public Safety Employee's Association Local 803 is a public employee union that represents more the 700 public safety employees throughout Alaska. Our members work as Alaska State Troopers, Airport Police in Fairbanks and Anchorage, Deputy Fire Marshalls in the Department of Public Safety, and municipal police officers and staff employed at the City of Ketchikan, the City of Sitka, the City of Juneau, the City of Fairbanks, the City of Soldotna, and the City of Unalaska.

PSEA wants to submit this letter of support for SB 38, the Line of Duty Death Benefit for peace officers currently in the PERS system, introduced by Senator Meyer. PSEA supports this bill because it protects our members and other peace officers that risk their lives every day protecting all Alaskans. PSEA also supports this bill because it will help families and survivors of peace officers in the most tragic of situations. Finally, PSEA supports this bill because it has a relatively small fiscal impact, and it is a benefit that we all hope, God willing, is not ever necessary.

Please pass on this letter of support to members of the Senate Labor and Commerce Committee. Please also pass on our thanks to the Committee and staff for your consideration of this important legislation. If you have any further questions, please contact me or President Rob Cox at this email, or by phone at 907-337-1979.

Sincerely yours,

Jake Metcalfe
Executive Director
PSEA/AFSCME Local 803

Rob Cox
PSEA President



**Anchorage
Police
Department
employees
Association**

Phone (907) 561-7500
500 W International Airport RD Anchorage
P.O. Box 230330
Alaska 99523

February 10, 2011

Honorable Members of the Alaska State Legislator:

The Anchorage Police Department Employee's Association (APDEA) represents approximately 500 front line police employees. The APDEA unconditionally supports both Senate Bill 38 and House Bill 84. Both of these bills provide for a one time line-of-duty death benefit for our state's public safety employees.

In 2010, officers killed nationwide in the line of duty increased 37% over 2009. In Alaska, from Anchorage to Hoonah, our law enforcement agencies and communities felt this increase in violence against officers. On average, a police officer is killed in the line of duty every 53 hours. Sadly, on January 24th, 2011 - the very same day I was visiting your offices in Juneau, there were eleven police officers shot nationwide, several of whom were killed outright. These facts are troubling and support the growing concern among law enforcement professionals that the trend will worsen as some elements of our society, containing the criminal and disenfranchised, will look for increasingly bold ways to lash out against order.

On the personal side, these deaths damage the officer's organization, their communities and their families. The average officer killed is 38 years old with 12 years of police experience. These officers are killed during hours of limited visibility, the majority in ambushes and usually they are alone. These deaths leave families devastated with varying degrees of benefits and support.

If approved, Senate Bill 38 and House Bill 84 would provide some stability for those public safety families left behind after a tragic event. These bills would provide some "breathing room" for families unprepared for this sudden loss. Particularly in Alaska, where some of our smaller and remote communities have not suffered through the loss of a public safety employee, this bill reminds all Alaskans that we are united.

I urge the Members of the Alaska State Senate and House of Representatives to approve this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "Derek Hsieh".

Derek Hsieh
President
APDEA