

HB

116

<TARGET><BILL>HB 116</BILL><SUBJECT>HB
116</SUBJECT><COMM>SF28</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/14/14

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 116(L&C)

HB 116-PERS CREDIT FOR MILITARY SERVICE

"An Act relating to the use of credited military service by retired peace officers and firefighters to meet certain requirements for major medical insurance coverage; and providing for an effective date."

and recommends:

- be replaced with SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____
- adopt previous SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
ADM			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Anna J. Fairclough</i>	FAIRCLOUGH	✓			
<i>Calvin Bishop</i>	BISHOP	✓			
<i>[Signature]</i>	DROBENNY	✓			
<i>[Signature]</i>	Hoffman	✓			
<i>[Signature]</i>	ORSON			✓	
CO-CHAIR: <i>[Signature]</i>	Meyer	✓			
CO-CHAIR:					

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSHB 116(L&C)
Fiscal Note Number: 1
(H) Publish Date: 4/10/14

Identifier: HB116-DOA-DRB-01-21-14
Title: PERS CREDIT FOR MILITARY SERVICE
Sponsor: MILLETT
Requester: House Labor and Commerce

Department: Department of Administration
Appropriation: Centralized Administrative Services
Allocation: Retirement and Benefits
OMB Component Number: 64

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0

Estimated CAPITAL (FY2015) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No

If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Updated for 2nd session to accurately reflect FY2015 and out year costs.

Prepared By: Mike Barnhill, Deputy Commissioner
Division: Department of Administration
Approved By: Curtis Thayer, Acting Commissioner
Agency: Department of Administration

Phone: (907)465-2200
Date: 10/14/2013 01:00 PM
Date: 01/10/14

FISCAL NOTE ANALYSIS #1

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSHB 116(L&C)

Analysis

HB 116 allows Peace Officer/ Firefighter members of the Public Employees' Retirement System (PERS) to apply military service towards their eligibility for retiree medical coverage with system paid premiums. Peace officer/Firefighter members who elect to use claimed military service for this purpose will pay the PERS the full actuarial cost to do so through a reduced benefit resulting in no cost impact to the PERS.

This no-cost result, however, requires the amendment of AS 39.35.541 so that in the event the claimed service credit would reduce their retirement benefit below what it would have been without the claimed service credit, members can pay for the cost of the access to medical care through actuarial reduction of their retirement benefit.

Without such amendment, under AS 39.35.541, the member would have to pay in full for the medical care cost at the time of retirement.

Alaska Legislature

Representative Charisse Millett

Session:

State Capitol Building, Room 403
Juneau, AK 99801
Phone (907) 465-3879
Fax (907) 465-2069
Toll free (888) 269-3879



Interim:

Anchorage LIO
716 W 4th Ave., Room 390
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District 24

SPONSOR STATEMENT FOR HOUSE BILL 116

PERS Credit for Military Service

Honorably discharged members of our nations' military service who come to work for the State of Alaska are currently allowed to purchase qualifying time within the PERS system for their previous military service. Under current law, this purchased time may not be used to satisfy the credited service requirements for normal retirement. This exemption precludes persons from using their purchased time to qualify for health care benefits. House Bill 116 proposes that peace officers or firefighters be allowed to use the time they purchase for normal retirement.

Already these brave individuals have served their country. They have then made a career providing public safety and rescue in one of the most hazardous working environments to be found. Their service to others, by placing themselves in harms way on a continuous basis, merits consideration in the development of Alaska's retirement and benefit system. House Bill 116 makes a minor, and tightly tailored, modification to our retirement laws to allow a person to use their purchased service to qualify for normal retirement benefits. The intent of House Bill 116 is that peace officers or firefighters who choose to purchase the service time bear the cost to the state that the additional benefits will create.

House Bill 116 creates an appropriate recognition of their service to their country and their state by ensuring the have a fair retirement in their future.

Alaska Legislature

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House Bill 116-Updated Sectional Summary

Section 1 conforms AS 39.35.340(b) to changes proposed under Section 2 of the bill that would amend AS 39.35.340.

Section 2 amends AS 39.35.340 by: (1) adding a subsection (j) allowing peace officer or firefighter members of the defined benefit plan of the Public Employees' Retirement System who retire from the plan and are entitled to credited service in the plan for active military service, to elect to use up to five years of that credited military service for computing years of credited services for the purpose of eligibility for retiree medical benefits under AS 39.35.535 (c), subject to an additional indebtedness to the plan; and (2) adding a subsection (k) expanding the applicability of the interest rate requirement under current AS 39.35.340(b)(3), to make it applicable to indebtedness for military service credit used, as proposed in the bill, to qualify for retiree medical benefits.

Section 3 amends AS 39.35.541 by adding a subsection (b) that allows members to pay for the cost of the access to medical care through an actuarial reduction of their retirement benefit in the event the claimed service credit would reduce the member's retirement benefit below what it would have been without the claimed service credit.

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District 24

CS HB 116- Explanation of Changes

1. A new section (3) is added to page 2, line 28 to read *"This section does not apply to an election to use service credit and a corresponding indebtedness under AS 39.35.340 (j)"*

Good evening Representative Millett,

My name is James Baisden, and I'm the Fire Chief for the Nikiski Fire Department located on the Kenai Peninsula.

I also serve as the 1st Vice President for the Alaska Fire Chiefs Association.

On Thursday I presented HB116 to the Alaska Fire Chiefs, and to the Kenai Peninsula Fire Chiefs Association meetings.

Both Fire Chief groups are supportive of this effort to help our veterans.

I will be working on letters of support from the two Fire Chief Associations, as well as asking the Kenai Representatives to support the bill.

I did a survey of the fire departments on the Kenai Peninsula, and have found that HB116 could have an effect on approximately 10 firefighters.

Nikiski =5, Central Emergency Services =2, Bear Creek =2, Homer = 1

Out of the 10 firefighters that this bill has an effect on, I'm the only firefighter that has paid for my 5 years of military time.

My retirement numbers are pretty simple. I paid \$39,000 for my five years of US Air Force time to PERS from 1989 to 1994.

I joined the Alaska Fire Service in 1994 and will have 20 years of active service with the State of Alaska next year.

I will have 25 years of paid time in retirement as a firefighter. When I'm eligible to retire next year, I will not be eligible for medical benefits.

If you know of any upcoming committee meetings that I can speak at to support this effort please let me know.

Please thank Representative Millett for sponsoring HB116 on behalf of veterans.

James Baisden

Dear Legislator:

2/25/13

My name is Eric Spitzer and I am a staff instructor at the Department of Public Safety Training Academy, in Sitka, Alaska. I am writing you in reference to HB 116 Military Medical Buyback. I am asking you to support this bill. I have served 10 years in the United States Marine Corps, and now I proudly serve the people of Alaska. This bill would provide options for only about 200 prior service military veterans in the State of Alaska Tier II and Tier III system. I believe that it would actually save the State of Alaska money in the long run. The bill would allow members to retire between their twentieth and twenty-fifth years with full medical coverage depending on how many years they are eligible to buy and would only fill the gap until the age of 60. These members are some of the highest paid in the State and are often the most injured.

This bill is a great way to show support for our veterans, increase morale, and most of all save the State of Alaska money. We are not asking for a hand out, we would be buying the medical coverage.

Thank you for your service and time.

Sincerely,

Eric Spitzer
PSEA member
Sitka, Alaska

Dear Legislator:

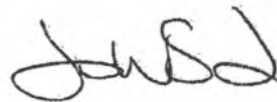
2/24/13

I, James W. Sears, Jr., am writing you in reference to HB 116 Military Medical Buyback. Please support this bill. I have served in the military and proudly serve the people of Alaska currently. This bill would provide options for only about 200 prior service military veterans in the State of Alaska Tier II and Tier III system. I believe that it would actually save the State money in the long run. The bill would allow members to retire between their twentieth and twenty-fifth years with full medical coverage depending on how many years they are eligible to buy and would only fill the gap until the magical age of 60. These members are some of the highest paid in the State and are often the most injured. Law Enforcement is a young man's game and is more dangerous and expensive in your 50's.

Even though I support the bill, I will probably not take advantage of it myself based on my age. This bill is a great way to show support for our veterans, increase morale, possibly help with recruitment and most of all save the State money. We are not asking for a hand out, we would be buying the medical coverage.

Thank you for your service and time.

Sincerely,

A handwritten signature in black ink, appearing to read "JWS", written in a cursive style.

James W. Sears, Jr.
Public Safety Employees Association
Western Vice President
Nome, AK

Dear Legislator:

2/24/13

I, John K. Brown, am writing you in reference to HB 116 Military Medical Buyback. Please support this bill. I have served in the military and proudly serve the people of Alaska currently. These members are some of the highest paid in the State and are often the most injured. Law Enforcement is a young man's game and is more dangerous and expensive in your 50's.

I support the bill and would probably take advantage of it myself. This bill is a great way to show support for our veterans, increase morale, would most likely help with recruitment. But most of all save the State money. We are not asking for a hand out, we would be buying the medical coverage.

Thank you for your service and time.

Sincerely,

John K. Brown

John K. Brown
Seward, AK

Dear Legislator:

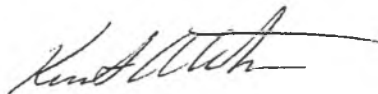
2/25/13

I, Kenneth A. Acton., am writing you in reference to HB 116 Military Medical Buyback. Please support this bill. I have nine and a half years active service in the United States Military and proudly serve the people of Alaska today as an Alaska State Trooper. This bill would provide options for about 200 military veterans currently working in the career fields of Law Enforcement or Fire, Life and Safety in the State of Alaska under Tier's II and III system. I believe it would actually save the State money in the long run. The bill would allow members to retire between their twentieth and twenty-fifth years with full medical coverage depending on how many years of service they are eligible to buy and would only fill the gap until the magical age of 60. These members are some of the highest paid in the State and are often the most injured. Law Enforcement is a young man's game and is more dangerous and expensive in your 50's.

I support the bill and will take advantage of it based on my age. This bill is a great way to show support for our veterans, increase morale, and possibly help with recruitment and most of all save the State money. We are not asking for a hand out, I want to purchase this medical coverage if it is made available.

Thank you for your service and time.

Sincerely,



Kenneth A. Acton.
Member Public Safety Employees Association
Bethel, AK

Dear Legislator:

2/24/13

My name is Marc Cloward and I am employed by the State of Alaska as a State Trooper. Prior to that, I served in the US Air Force. I am writing you in reference to HB 116 Military Medical Buyback. I respectfully encourage you to support and advance this bill. This bill would provide options for about 200 prior service military veterans in the State of Alaska Tier II and Tier III system. I truly believe that it would actually save the State money in the long run.

As it currently stands I need 20 years of service as a State Trooper to retire, but as a Tier III employee, I must have 25 years to get medical coverage. This means I'll need to work 25 years and when coupled with the 5 years military time I've already purchased, will equate to a 30 pension and medical benefits.

This new bill would allow me to work a true 20 year police retirement, buy my military time for both pension and medical and retire at 25 years credited service (medical included) and ultimately save the State and additional 5 years of increased pension premiums. More notably the additional 5 years (putting me at 30 years) would also be paid at my highest wage earning potential.

The bill would simply allow members to retire between their twentieth and twenty-fifth years with full medical coverage depending on how many years they are eligible to buy and would only fill the gap until the age of 60. These members are some of the highest paid in the State and are often the most injured.

I support the bill and will definitely take advantage of it if given the opportunity. This bill is also a great way to show support for our veterans, increase morale, and assist in recruiting former veterans. Most of all, it saves the State money. Thank you for supporting HB116.

Thank you for your consideration.

Sincerely,



Marc D. Cloward
Public Safety Employees Association
Cordova, AK

2-24-13

Dear Legislator,

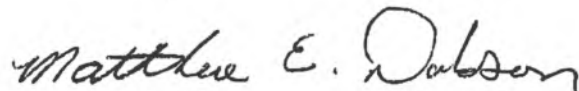
I, Matthew E. Dobson, am writing you in reference to HB 116 Military Medical Buyback. Please support this bill. I proudly served this country as a member of the United States Marine Corps and am a combat veteran. For the last sixteen plus years I have proudly served the people of Alaska as a State Trooper in Sitka, Anchorage, Bethel and now Juneau. By supporting this bill it would give a handful of veterans like me the option of separating from state service between our 20th and 25th year. This option is not a handout as each veteran would be purchasing their own medical coverage.

In my mind, this is also a way for the state to save money as Troopers with over 20 years of experience tend to be on the high end of the pay scale, but for the most part on the low end of productivity. The majority of Tier II and Tier III Troopers that I know would like the option of retiring after 20 years, but currently cannot afford to do so without having full medical coverage. Thus, they "hang on" for another five years. Troopers in this age range are also more susceptible to on the job injuries.

By passing this bill it would give a small number of veterans the option of retiring after 20 years of service, show incredible support for the veterans in this Department, help with recruitment and save the state money.

Thank you for your time and service.

Sincerely,

A handwritten signature in black ink that reads "Matthew E. Dobson". The signature is written in a cursive style with a large, looped 'D' at the end.

Matthew E. Dobson

PSEA Member

Department of Public Safety

Juneau, Alaska

Dear Legislator:

2/25/13

I, Vance I. Peronto, am writing in the hope that you would support HB 116 Military Medical Buyback.

I have served in the military for 21 years and now I am proudly serving the people of Alaska. This bill would provide options for only about 200 prior service military veterans in the State of Alaska Tier II and Tier III system. I believe that it would actually save the State money in the long run. The bill would allow members to retire between their twentieth and twenty-fifth years with full medical coverage depending on how many years they are eligible to buy and would only fill the gap until the magical age of 60. These members are some of the highest paid in the State and are often the most injured. Law Enforcement is a young man's game and is more dangerous and expensive in your 50's.

This bill is a great way to show support for our veterans, increase morale, possibly help with recruitment and most of all save the State money. We are not asking for a hand out, we would be buying the medical coverage.

Thank you for your service and time.

Sincerely,

Vance I. Peronto



February 5, 2014

The Honorable Charisse Millett
Alaska State House of Representatives
State Capitol Rm. 403
120 4th Street, Mail Stop 3100
Juneau AK 99801-1182

Dear Representative Millett:

On behalf of the Alaska Peace Officers Association (APOA), I would like to thank you for introducing House Bill 116, "An Act relating to the use of credited military service by retired peace officers and firefighters to meet certain requirements for major medical insurance coverage; and providing for an effective date."

The APOA Legislative Committee recently reviewed this proposed legislation and unanimously supports this bill in its current form. We applaud your efforts to improve benefits for the law enforcement community who have honorably served the citizens of our great state.

Please contact the APOA office in Anchorage at 277-0515, if there is anything our organization can do to assist in the passage of this bill.

Sincerely,

A handwritten signature in black ink that reads "Brad Johnson". The signature is written in a cursive style.

Brad Johnson
State President

Representative Millett,

Hello, my name is David Denslow. I'm a firefighter with the Municipality of Anchorage and a 17 year employee in PERS Tier 2. I began my firefighting career in the United States Air Force in 1992 and served honorably at Elmendorf AFB for 4 years. I want to thank you for introducing HB 116. This bill could potentially affect my family, by allowing us to retire four years earlier than expected. Its my understanding that the bill has a hearing on the 20th of this month. I would be willing to testify at the hearing if you think it would be helpful. I am currently trying to assess how many Anchorage Firefighters could potentially benefit from your bill. Please let me know if there is anything I can do to be of assistance. I have already urged my Representative Chris Tuck to support the bill.

Thank you!

Sincerely,

David Denslow

907 229-1795 cell

8521 Mentra Circle
Anchorage, Alaska 99518

Draft

PSEA position paper language

State and municipal police officers and firefighters vested in Alaska defined benefit retirement system (Tier II and Tier III), with past military service, are eligible to "purchase" up to 5 years of military service credit to put towards their retirement benefit. However, when a fire-fighter or police officer purchases military service credit in this manner, he or she does not get to count the time they have purchased toward retiree medical benefits. Many of these police and firefighter employees who purchased military retirement time assume that it counts toward retiree medical benefits, but at retirement are disappointed to learn it doesn't. HB 116 will correct this problem. It will allow those purchasing military service time the option to also purchase retiree medical benefits. The bill requires the employee to **fully pay** for the medical benefit to be used at retirement. There is **no cost** to the State of Alaska.

In 2012, only 235 currently employed state or municipal Alaska police and fire-fighter employees had claimed military service, so the number of employees currently eligible for this benefit is small. If this legislation becomes law, it is not clear how many of the estimated 235 would also purchase retiree medical benefits. However, it is clear that the cost associated with the retiree medical benefit will be paid fully by the state or municipal police officer or fire-fighter employee. It is difficult to calculate if additional police and fire-fighters in the defined benefit plans would purchase *both* the military time and medical benefit. But if they choose to purchase time and medical benefits the State of Alaska will only provide the option and will not pay the costs. We feel that the most likely group to purchase the medical benefit will come from those who have already purchased their military time.

After serving our country in the military, and a career in public service as a police officer or firefighter, this option to purchase medical coverage allows a police officer or firefighter to move one step closer to retirement for each year purchased. This option comes at a time in their lives when chasing criminals or climbing ladders becomes more difficult, subjecting them to an increasing likelihood of on the job injuries. The nature of their public service work is physical and demanding. Their service to our country was equally physical, so allowing the option to buy is a complementary action by the State to recognize service in the military and public safety.

We commend Representative Millett for introducing legislation that is good public policy and corrects a problem at no cost to the State of Alaska

