

**ALASKA LEGISLATURE**

**2511**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004**

1 removed from service in the state, the tax due under this chapter is increased by the  
2 recapture percentage of the aggregate decrease in the credit allowed under this section  
3 for all prior tax years that would have resulted solely from reducing to zero the credit  
4 allowed for the qualified expenditure under this section. The amount of tax credit  
5 attributable to the qualified expenditure that is carried forward from prior tax years is  
6 terminated as of the first day of the tax year in which the equipment is disposed of by  
7 the taxpayer, ceases to be a qualified expenditure, or is removed from service in the  
8 state. For purposes of this subsection,

9 (1) the recapture percentage during the year in which the equipment is  
10 first placed into service or during the first year following the year in which the  
11 equipment is first placed into service is 100 percent;

12 (2) the recapture percentage during the second year following the year  
13 in which the equipment is first placed into service is 75 percent;

14 (3) the recapture percentage during the third year following the year in  
15 which the equipment is first placed into service is 50 percent;

16 (4) the recapture percentage during the fourth or subsequent year  
17 following the year in which the equipment is first placed into service is zero percent;

18 (5) equipment used on a vessel is considered to have been removed  
19 from the state on the first day of a tax year in which the proportion of raw salmon  
20 processed in the state on the vessel is less than 50 percent of total weight of raw  
21 salmon processed on the vessel in and outside of the state.

22 (h) The amount of a tax credit recaptured under (g)(1) - (3) of this section may  
23 not be included in the determination of the amount of that tax credit that is allowable  
24 under this section or AS 43.75.035.

25 (i) In this section,

26 (1) "first placed into service" means the moment when equipment is  
27 first used for its intended purpose;

28 (2) "new equipment" means tangible, depreciable personal property  
29 with a useful life of three years or more whose original use commences with the  
30 taxpayer and does not include property first used by another person;

31 (3) "qualified expenditure" means

1 (A) the cost associated with the development, manufacture, or  
2 purchase of new equipment by a taxpayer to produce marketable products  
3 using salmon waste;

4 (B) the cost associated with the operation of new equipment, or  
5 with the purchase of custom processing services, to produce marketable  
6 products using salmon waste less the market value of the products produced; or

7 (C) the direct cost of transporting salmon waste to a facility in  
8 the state that produces a marketable product from salmon waste less the  
9 amount of consideration that the taxpayer receives for the salmon waste;

10 (4) "tax liability" means the liability for all taxes under this chapter  
11 before all credits allowed by this chapter;

12 (5) "useful life" means the useful life of equipment that is or would be  
13 applicable for purposes of depreciation.

14 \* Sec. 2. AS 43.75.130 is amended by adding a new subsection to read:

15 (g) For purposes of this section, tax revenue collected under AS 43.75.015  
16 from a person entitled to a credit under AS 43.75.035 or 43.75.036 shall be calculated  
17 as if the person's tax were collected without applying the credit; tax revenue collected  
18 does not include the amount of a tax credit recaptured under AS 43.75.035(g) or  
19 43.75.036(g).

20 \* Sec. 3. AS 43.75.035, 43.75.036, and 43.75.130(g) are repealed.

21 \* Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to  
22 read:

23 RETROACTIVITY. Sections 1 and 2 of this Act are retroactive to January 1, 2003.

24 \* Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to  
25 read:

26 RETROACTIVITY. If the attorney general provides notification under sec. 7(2) of  
27 this Act, sec. 3 of this Act is retroactive to January 1, 2003.

28 \* Sec. 6. Sections 1, 2, and 4 of this Act take effect immediately under AS 01.10.070(c).

29 \* Sec. 7. Section 3 of this Act takes effect on the earlier of the following:

30 (1) January 1, 2009; or

31 (2) the date of the attorney general's notification to the lieutenant

1 governor and to the revisor of statutes that

2 (A) a court has entered final judgment that AS 43.75.035 or  
3 43.75.036, added by sec. 1 of this Act, violates the commerce clause contained  
4 in art. I, sec. 8, of the United States Constitution; and

5 (B) the time for an appeal of that judgment has expired, or, if  
6 an appeal was taken, a final order on the appeal has been entered that  
7 AS 43.75.035 or 43.75.036, added by sec. 1 of this Act, violates the commerce  
8 clause contained in the United States Constitution.

9 \* Sec. 8. Section 5 of this Act takes effect on the date of the attorney general's notification  
10 under sec. 7(2) of this Act.

# Joint Legislative Salmon Industry Task Force 5/3/03

## Legislative Members

Senator Ben Stevens, Chair  
Representative Gary Stevens, Vice-Chair  
Senator Kim Elton  
Representative Bill Williams  
Senator Alan Austerman, Alternate  
Representative Drew Scalzi, Alternate



## Public Members

Sue Aspelund  
Sam Cotten  
Duncan Fields  
Don Giles  
John Lowrance  
Robin Samuelson  
Gary Slaven  
Stephanie Madsen, Alternate  
Chris Moss, Alternate

## Sectional Analysis

Committee Substitute for House Bill 90 (FIN)

"An Act relating to a salmon product development tax credit and a salmon utilization tax credit under the Alaska fisheries business tax; and providing for an effective date."

### Intent

To provide a salmon product development tax credit for the development of value-added salmon products and for full utilization of salmon.

### Sectional Analysis

#### Section 1.

Section 43.75.035. Salmon product development tax credit

- Amends AS 43.75 (Fisheries Business Tax) to add a salmon product development tax credit of 50 percent of the taxpayer's salmon tax liability for new property first placed into service in a shore-based plant or on a vessel in the state. *(a)*
- The tax credit cannot exceed 50 percent of the taxpayer's liability incurred under AS 43 for salmon or be applied for property first placed into service after December 31, 2005. *(b)*
- Delineates how the tax credit is determined and calculated for eligible vessel tax credits. *(c)*
- Specifies the qualifying tax year as the tax year in which the property is first placed into service. *(c)*
- Allows an unused credit to be carried forward and applied against incurred tax liability on salmon in the three years following the qualifying tax year. *(d)*

- Qualified investment costs may not be considered for another tax credit under AS 43 and ensures that combined salmon tax credits cannot exceed 50 percent of the tax liability incurred for salmon. *(e)*
- A tax credit under this section may not be claimed if the taxpayer is in arrears on any tax or assessment under AS 43; AS 16.51.120; or AS 23.20. *(f)*
- Creates a tax credit recapture provision for property that is disposed of, ceases to be qualified investment property, or is removed from service in the state. *(g)*
- The recapture percentage during the qualifying tax year and the first year following is 100 percent. *(g(1))*
- The recapture percentage during the second year following the qualifying year is 75 percent. *(g(2))*
- The recapture percentage during the third year following the qualifying year is 50 percent. *(g(3))*
- The recapture percentage during the fourth and subsequent years following the qualifying year is zero. *(g(4))*
- Provides definitions for this section. *(i)*

#### Section 43.75.036. Salmon utilization tax credit

- Amends AS 43.75 (Fisheries Business Tax) to add a salmon utilization tax credit of 50 percent of the amount of the qualified expenditure for full utilization. *(a)*
- The tax credit cannot exceed 50 percent of the taxpayer's liability incurred under AS 43 for salmon or be claimed for property first placed into service or for expenditures incurred after December 31, 2005. *(b)*
- Delineates how the tax credit is determined and calculated. *(c)*
- Specifies the eligible tax year by tying it to the tax year in which the property is first placed into service. *(c)*
- Allows an unused credit to be carried forward and applied against incurred tax liability for salmon in the three years following the qualifying tax year. *(d)*
- Qualified expenditures may not be considered for another tax credit under AS 43 and ensures that combined salmon tax credits cannot exceed 50 percent of the taxpayer's salmon liability. *(e)*
- A tax credit under this section may not be claimed if the taxpayer is in arrears on any tax or assessment under AS 43; AS 16.51.120; or AS 23.20. *(f)*
- Creates a tax credit recapture provision for equipment that is disposed of, ceases to be qualified expenditure, or is removed from service in the state. *(g)*
- The recapture percentage during the qualifying tax year and the first year following is 100 percent. *(g(1))*
- The recapture percentage during the second year following the qualifying year is 75 percent. *(g(2))*
- The recapture percentage during the third year following the qualifying year is 50 percent. *(g(3))*
- The recapture percentage during the fourth and subsequent years following the qualifying year is zero. *(g(4))*
- Provides definitions for this section. *(i)*

#### Section 2.

- Amends AS 43.75.130 by adding a new subsection (g) to provide that tax credits approved under this measure are not to be deducted when calculating tax revenue collected under AS 43.75.015; and ensures that any "recaptured" tax credit is not unduly distributed.

- qualified tax credit *is not* deducted from the municipal portion of the fisheries business tax.
- A qualified tax credit *is* deducted from the state's portion of the fisheries business tax.

**Section 3.**

- Repeals AS 43.75.035; 43.75.036; and 43.75.130(g).

**Section 4.**

- Makes Sections 1 - 2 retroactive to January 1, 2003. This is the effective date of the qualifying tax years.

**Section 5.**

- If the attorney general provides notification under sec. 7(2) of this Act, section 3 of this Act is retroactive to January 1, 2003.

**Section 6.**

- Sections 1, 2 and 4 of this Act take effect immediately under AS 01.10.070(c).

**Section 7.**

- Section 3 of this Act takes effect on the earlier of January 1, 2009, or if the attorney general notifies the lieutenant governor and the revisor of statutes that a court has entered a final judgment that AS 43.75.035 or 43.75.036, added by section 1 of this Act, violates the commerce clause contained in article I, section 8, of the United States Constitution; and, the time for an appeal of that judgment has expired or if an appeal was taken, a final order has been entered that AS 43.75.035 or 43.75.036, added by section 1 of this Act, violates the commerce clause contained in the United States Constitution.

**Section 8.**

- Section 5 of this Act takes effect on the date of the attorney general's notification under section 7(2) of this Act.

# *Joint Legislative Salmon Industry Task Force*

## Legislative Members

Senator Ben Stevens, Chair  
Representative Gary Stevens, Vice-Chair  
Senator Kim Elton  
Representative Bill Williams  
Senator Ann Austerman, Alternate  
Representative Drew Scalzi, Alternate



## Public Members

Sue Aspelund  
Sam Cotten  
Duncan Fields  
Don Giles  
John Lowrance  
Robin Samuelson  
Gary Slaven  
Stephanie Madsen, Alternate  
Chris Moss, Alternate

## *Sponsor Statement*

### *House Bill 90*

"An Act relating to a salmon product development tax credit and a salmon utilization tax credit under the Alaska fisheries business tax; and providing for an effective date."

House Bill 90 provides two tax credits: one for salmon product development and another for salmon utilization. The purpose of the measure is to encourage industry to invest in the production of new value-added salmon products to improve the marketability of Alaska salmon through diversification of product forms as well as to encourage the full utilization of all salmon parts for the production of marketable products. The measure would provide an added impetus for new fishery businesses considering processing salmon to make investments in Alaska.

Alaska's salmon industry is a vital element in the economy of the state. Although Alaska salmon is one of the premiere food commodities in the world, an enormous increase in the world supply of salmon in recent years has caused significant decreases in the market value of Alaska salmon. This situation threatens investments and livelihoods in the salmon industry and related businesses and also negatively affects Alaska's state and local economies.

House Bill 90 will assist in improving Alaska's competitive position in salmon markets as it is utilized to develop value-added salmon products for placement into world markets.

Department of Revenue  
Tax Division

**Fisheries Business Tax (\$ million)**

	Actuals												Forecast	
	FY 1997 (CY 1996*)		FY 1998 (CY 1997*)		FY 1999 (CY 1998*)		FY 2000 (CY 1999*)		FY 2001 (CY 2000*)		FY 2002 (CY 2001*)		FY 2003 (CY 2002*)	
	Value	Tax	Value	Tax	Value	Tax	Value	Tax	Value	Tax	Value	Tax	Value	Tax
<b>Halibut</b>	\$73	\$2.1	\$100	\$3.1	\$63	\$1.9	\$107	\$3.2	\$128	\$3.9	\$112	\$3.4	\$112	\$3.4
<b>Salmon</b>	\$373	\$14.1	\$288	\$11.0	\$271	\$10.3	\$383	\$14.7	\$292	\$11.2	\$227	\$8.5	\$152	\$5.6
<b>Herring</b>	\$60	\$2.3	\$18	\$0.7	\$12	\$0.5	\$20	\$0.8	\$12	\$0.5	\$15	\$0.5	\$10	\$0.4
<b>Shellfish</b>	\$160	\$5.7	\$179	\$6.6	\$206	\$7.8	\$284	\$10.9	\$134	\$4.8	\$113	\$3.9	\$115	\$4.0
<b>Groundfish</b>	\$213	\$6.8	\$220	\$7.1	\$171	\$5.4	\$224	\$7.1	\$312	\$10.1	\$275	\$8.9	\$275	\$8.9
<b>Totals</b>	<b>\$879</b>	<b>\$31.0</b>	<b>\$805</b>	<b>\$28.5</b>	<b>\$723</b>	<b>\$25.9</b>	<b>\$1,018</b>	<b>\$36.7</b>	<b>\$878</b>	<b>\$30.5</b>	<b>\$742</b>	<b>\$25.2</b>	<b>\$664</b>	<b>\$22.3</b>

\*Data is from fisheries business tax returns by fiscal year. In general, this corresponds to the previous calendar year fishing season. However, due to late or amended returns, this data may reflect more than one calendar year.

**Note: Revenue amounts are before fifty percent of the fisheries business tax revenue is shared to qualifying communities.**

**FY 2003 estimate is from the Spring 2003 Revenue Sources Book**



# UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110  
Juneau, Alaska 99801-1172  
(907) 586-2820  
(907) 463-2545 Fax  
E-Mail: [ufa@ufa-fish.org](mailto:ufa@ufa-fish.org)  
[www.ufa-fish.org](http://www.ufa-fish.org)

April 11, 2003

Senator Scott Ogan  
Chair  
Senate Resources Committee  
State Capitol (MS 3100)  
Juneau, AK 99801

Dear Senator Ogan,

Re: HB 90 Tax Credit for Salmon Development

United Fishermen of Alaska strongly supports HB 90 and recommends swift passage of this bill so that Alaska processors can make plans to use this bill this salmon season.

It is very clear from discussions during Salmon Task Force proceedings that providing salmon in forms that the consumer wants is critical to boosting the value of our salmon harvest. It is imperative that the Legislature and Administration provide incentives so that more value added work can be done in Alaska. Not only will this benefit harvesters but it will also help secure processor jobs in Alaska and mitigate against raw fish being shipped to foreign countries for value added processing.

We look forward to working with you on this important piece of legislation.

Sincerely,

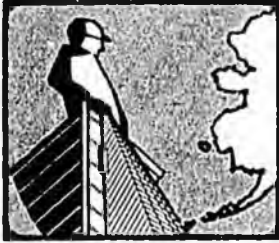
Thomas M. Gemmell  
Executive Director

Copy: Senator Ben Stevens  
Senator Tom Wagoner  
Senator Fred Dyson  
Senator Ralph Seekins  
Senator Kim Elton  
Senator Georgianna Lincoln

#### MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Dragger Association • Alaska Longline Fishermen's Association • Alaska Trollers Association • Alaska Processors Association • Bristol Bay Reserve  
Chignik Regional Aquaculture Association • Chignik Seiners Association • Concerned Area "M" Fishermen • Cook Inlet Aquaculture Association • Cordova District Fishermen United  
Crab Rationalization and Buyback Group • Douglas Island Pink and Chum • Groundfish Forum • Ketchikan Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association  
Kodiak Seiners Association • North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association • Old Harbor Fishermen's Association  
Petrelburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Puffin Blaine Vessel Owners Association • Seafood Producers Cooperative  
Seward Alaska Regional Dive Fisheries Association • Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association  
United Cook Inlet Dredge Association • United Salmon Association • United Southeast Alaska Gillnetters • Western Gulf of Alaska Fishermen

# BSFA



## Bering Sea Fishermen's Association

725 Christensen Drive, 3  
Anchorage, Alaska 99501  
(907) 279-6519  
FAX (907) 258-6688

*Serving western Alaska small boat fisheries since 1980*

February 26, 2003

Representative Paul Seaton, Chair  
House Special Committee on Fisheries  
State Capitol  
Juneau, AK 99801

Re: HB 90 Salmon Product Development Tax Credit

Dear Representative Seaton:

On behalf of the Bering Sea Fishermen's Association ("BSFA"), I appreciate the opportunity that you provided to our representative to present testimony today on HB 90. BSFA is a membership organization that works to support the over 2,000 commercial salmon fishermen in western Alaska. Our membership is very interested in the recommendations of the Joint Legislative Industry Salmon Task Force. As we testified today, we are in support of HB 90.

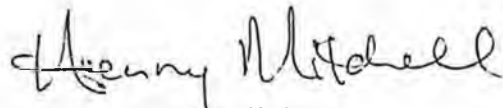
This bill will provide a tax credit for the purchase of equipment used for value-added salmon processing. With today's depressed salmon markets, the competition from farmed salmon, and the high costs of transportation of product from the remote western Alaska fisheries, value-added processing is the only hope for the survival of this important industry. The tax credit proposed in HB 90 will assist in the purchase of the expensive, yet necessary, equipment to produce these value-added products. In places where such equipment has been installed, the products are able to compete in the world market.

At the committee hearing, you requested our position on whether the tax credit should be facility specific or apply on a company-wide basis. We support the company-wide approach. Say a company invests in new equipment for value-added processing in Bethel, but there is a run failure and little or no fisheries business tax liability is created. Yet, the same company has revenue from the Yukon River. This company should be able to offset at least some of the costs of the investment in Bethel by its activities on the Yukon as it may very well have been basing its investment decision on the expectation of the tax credit.

One other issue that was raised during the hearing was the ability to have the tax credit applied to used equipment that had not previously been used as the basis for the tax credit. We also support this concept as the goal is to increase the amount of value-added production, not to support the manufacture of new equipment. For small processors operating in western Alaska, used equipment, even with the tax credit, may be all that the operator can afford.

Again, thank you for the opportunity to comment on this legislation and we will continue to follow its progress through the legislative process.

Very truly yours,

A handwritten signature in cursive script that reads "Henry Mitchell".

Henry Mitchell *EG*  
Executive Director

cc: Senator Ben Stevens

SENATE FINANCE COMMITTEE

SIGN-IN

HB 90-TAX CREDIT:SALMON DEVELOPMENT/UTILIZATION

NAME: Chuck Harlamert Subject/Bill No: HB 90

Co./Dept./Title: Dept. of Revenue Phone: 4773

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

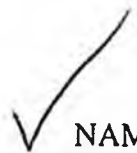
Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

SENATE FINANCE COMMITTEE

SIGN-IN

HB 90-TAX CREDIT:SALMON DEVELOPMENT/UTILIZATION



NAME: Chuck Harlament Subject/Bill No: HB 90

Co./Dept./Title: Revenue Chief of Operations Phone: 4773

Address: 11th floor SOB Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

# SENATE COMMITTEE REPORT

DATE: 4/2/03

FURTHER: Finance

DATE TURNED  
IN TO OFFICE: 4-17-03

Resources Committee considered CS FOR HOUSE BILL NO. 90(FIN)

## HB 90 TAX CREDIT: SALMON DEVELOPMENT/UTILIZATION

"An Act relating to a salmon product development tax credit and a salmon utilization tax credit under the Alaska fisheries business tax; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**

- same title
- new title

**House Bill:**

- same title
- technical title
- new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
REV	3/25/03	✓		2

APPROPRIATION - no fiscal note

	SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
Seekins	<i>Joseph Seekins</i>	✓			
B. Stevens	<i>Ben Stevens</i>	✓			
Wagoner	<i>Thomas H. Wagoner</i>	✓			
Dyson	<i>Paul Dyson</i>	✓			
Lincoln	<i>Scott Lincoln</i>	✓			
Elton	<i>Scott Elton</i>	✓			
Ogan	CHAIR: <i>Scott Ogan</i>			✓	

**HB**

**91**

**HFIN**

**FILE**



# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: HB 91  
( ) Publish Date: 2/12/2004

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>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF				All Funding Sources		
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

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

BILL NO. HB 91

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%.

# FISCAL NOTE

**STATE OF ALASKA**  
**2003 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: HB 91  
 (H) Publish Date: 2/24/03

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
 Title: An Act relating to COLA and medical BRU: Centralized Admin Services  
benefits for retired peace officers..... Component: Retirement & Benefits  
 Sponsor: Rep Anderson  
 Requester: House Labor and Commerce Component No. 64

**Expenditures/Revenues** (in thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	*	*	*	*	*	*

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**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>	*	*	*	*	*	*

Estimate of any current year (FY2003) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** *(Attach a separate page if necessary)*  
 This bill would improve the Alaska Cost of Living Allowance (COLA) retirement benefit and retirement system paid medical coverage for all peace officers who first entered the PERS after June 30, 1986, and who have at least 20 years of credited service at retirement.

Our actuarial consultant has computed this legislation to increase the PERS accrued liability by approximately \$13.45 million. The estimated increase in the average PERS calculated contribution rate would be 0.18% of payroll. Based on a state PERS payroll of approximately \$680 million, the annual cost increase to the State of Alaska would be \$1,224.0 and would be paid from all state agency personal services line items.

Prepared by: Guy Bell Phone: \_\_\_\_\_  
 Division: Retirement & Benefits Date/Time: February 20, 2003  
 Approved by: Mike Miller Date: February 20, 2003  
 Agency: Department of Administration

23-LS0426U

Craver

1/14/04

*Adopted 2/17/04*

**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**

**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 39.35.535(c) is amended to read:**

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

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

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

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

13 (ii) 30 years of credited service under AS 39.35.360 and  
14 39.35.370 that is not service as a peace officer; or

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(B) of any age and has less than 10 years of credited service;  
(2) a person is not required to make premium payments for retiree major medical coverage if the person

- (A) is a disabled member;
- (B) is a disabled member who is appointed to normal retirement;

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

(D) has at least

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

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

For HB 91 From Mike Fox

Fiscal Note Discussion - Questions for DRB

Ref: the original note The Director of DRB, M. Millhorn, advised: "the actuaries looked at the value of the current benefits and then calculated the value of the proposed benefits. The difference is the cost to the retirement system for the enhancement. They then looked at the current members who would be impacted by the change and determined the past service amount to pay the benefits for those members

The only members impacted by this bill are Peace Officers who will retire with between 20 and 25 years of service - and - are less than 60 years of age.

Neither DPS, DOC, or DRB have provided an estimate of the number of the current members who will qualify for the benefit. Seniority lists indicate a Trooper has less than a 50% chance of completing 20 years of service. For Correctional Officers DOC estimates approximately 16% annual turnover. At 16%, presuming equal distribution, only 2.4% would work 20 years.

#1 QUESTION

When analyzing the cost of this change: How many of the 700+ Correctional Officers and 300+ Troopers did DRB estimate will actually receive the benefit?

Without knowing how many make it to 20, how accurate is the note? What's the range?

There are significant savings associated with members impacted. If a Peace Officer completes 20 years of service and takes normal retirement the State enjoys significant operational savings. If 20 years is not completed, there is no benefit and the State incurs no new costs.

#2 QUESTION

How were savings in Department budgets represented in the fiscal note?

---

The fiscal note does not describe the change to the State's PERS employer contribution rate. During the last 15 years that rate has ranged between 17.22% and 7.1%. The average annual change is 1.61%. Using last years' State payroll estimate of \$680 million the change for this bill would be 0.12%.

#3 QUESTION

The employer contribution rate changes every year. Over the last 15 years the average change is 1.61% - What is the margin of error?

Are those errors balanced out in future annual adjustments?

Is it correct that this fiscal note represents a 0.12% change in the employer contribution rate?

If the contribution change described in this note is higher than needed, would future annual adjustments simply be that much less?

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The contribution change is 0.12%.

#4 QUESTION

Is it correct that for a PERS member earning \$60,000/year the employer contribution change would be \$72/year?

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

#5 QUESTION -

Why is a benefit that is available to "All Others" at normal retirement withheld from Peace Officers, for 5 years beyond normal retirement?

Were Peace Officers', or their employers', contribution rate lowered as a consequence of the unequal distribution of the benefits? - OR - Were "All Other" members, or their employers contribution, raised as a consequence of the unequal distribution of benefits?

In regards to the medical benefit - Are Peace Officers being treated equally with "All Other" PERS members?

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# Alaska State Legislature

## House of Representatives



Official Business

State Capitol  
Juneau, AK 99801

### SPONSOR STATEMENT FOR HB 91 BY: Representative Tom Anderson

**TITLE:** An Act relating to the cost-of-living allowance and medical benefits for retired peace officers after 20 years of credited service.

The state troopers, firemen, correctional officers, and others known as "peace officers," employed by the State of Alaska, 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 addition, peace officers were eligible to receive an Alaska Cost-of-Living-Allowance (COLA) upon retirement. In 1986, the requirements for medical benefits and COLA were modified to reduce the number of benefit recipients eligible to receive these benefits.

Currently, PERS participants may receive major medical insurance benefits upon their normal retirement after 30 years of service. Normal retirement for peace officers is after 20 years of service, however, current law requires peace officers to have 25 years of service before they are eligible to receive medical benefits. This undermines the intent of the peace officer normal retirement by withholding their medical insurance benefit until an additional 5 years of service are given.

HB 91 corrects the existing benefit delay by allowing peace officers to receive major medical insurance at their normal retirement.

Alaska COLA is currently payable to non-disabled PERS benefit recipients, age 65 or older, who remain in Alaska after retirement. HB 91 will provide the COLA benefit to peace officers upon normal retirement after 20 years of service, offering an incentive to these honorable citizens to remain in Alaska where they may continue contributing to the public good.

This legislation will end the requirement that peace officers work beyond their normal retirement in order to obtain their medical benefits. By offering the COLA benefit upon retirement, this legislation also encourages retired peace officers to remain in Alaska.

I urge your support.

# Alaska Division of Retirement & Benefits

## Public Employees' Retirement System Plan Comparison Chart

### Rev. 10/30/2002

Tier I 1/1/61 - 6/30/86	Tier II Entered on or after 7/1/86	Tier III Entered on or after 7/1/96
After tax employee contribution: 4.25% for all others 5% for police and fire 4.25% for school district employees <b>Contributions changed to Tier II level as noted under Tier II.</b>	Pre-tax employee contribution: 6.75% beginning 1/1/87—All others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/99—school district	No change from Tier II.
Members vest with 5 years of service.	No change.	No change.
Normal retirement age is 55, with early retirement at age 50; police/fire members can retire at any age after 20 years of police/fire service; all other members can retire at any age after 30 years of membership service. <b>7/1/96—Early retirement reduction changed to Tier III.</b>	Normal retirement age is 60, with early retirement at age 55; police/fire members can retire at any age after 20 years of police/fire service; all other members can retire at any age after 30 years of membership service. <b>7/1/96—Early retirement reduction changed to Tier III.</b>	No change from Tier II. However, early retirement reduction will be 1/2% per month or 6% per year for every year less than the required normal retirement age.
Benefit formula was 2% X "years of service" X "average salary" based on the high three consecutive years salaries.  Benefit formula changed to Tier II in 1986 applied to all service earned after that effective date.	Benefit formula is 2% for first 10 years, 2.25% for the next 10 years, and 2.5% per year thereafter. Benefit calculation is determined on the average of the high three consecutive years salary.	Benefit formulas did not change; however, the benefit calculation for "A" occupation is determined on the average of the high five consecutive years salary and the Benefit calculation for "P" occupational code is high three consecutive years regardless of tier.
An Alaska Cost-of-Living Allowance is payable to benefit recipients who remain domiciled in Alaska after retirement. The allowance is \$50 or 10% of the base benefit, whichever is greater.	An Alaska Cost-of-Living Allowance is payable to benefit recipients 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. The allowance is \$50 or 10% of the base benefit, whichever is greater.	No change from Tier II.
PRPA increases granted on an ad hoc basis. The automatic PRPA legislated in 1986 applied to all members regardless of hire date.	Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 5 years.	No change from Tier II.
Major medical insurance is provided to all benefit recipients and their eligible dependents at no cost.	Major medical insurance is provided at no cost to disabled members, regardless of age and benefit recipients over age 60 or <ul style="list-style-type: none"> <li>• police/fire members with 25 years of police/fire</li> <li>• all other members with 30 years of membership service</li> </ul> and their eligible dependents at no cost. Benefit recipients under age 60 must pay the full premium cost.	Same as Tier II. However, employees must accrue a minimum of 10 years of <b>credited service</b> , to have system-paid coverage at age 60. Employees with less than 10 years must pay the full premiums as long as they wish to continue medical coverage.
Disability benefits for members: Nonoccupational disability benefits are calculated as a normal retirement. Occupational disability provides 40% of the gross monthly compensation.	No change.	No change.

## **Sectional Analysis HB 91**

**Section 1:** Amends the statute requiring Alaska COLA recipients be age 65 or older, or be receiving a disability benefit, to allow peace officers with at least 20 years of credited service to receive the COLA benefit upon retirement.

**Section 2:** Amends the statute requiring peace officers to work 25 years in order to receive medial benefits upon retirement to allow peace officers with at least 20 years of credited service to receive medical benefits upon normal retirement.

HB 91 only affects "peace officers" as defined by the Public Employees Retirement System (PERS).

#### **Sec. 39.35.680 Definitions**

In this chapter, unless context otherwise requires,

(28) "peace officer" or "fire fighter" means an employee occupying a position as a peace officer, chief of police, regional public safety officer, correctional officer, correctional superintendent, fire fighter, fire chief, or probation officer, but does not include a village public safety officer employed by a village public safety officer program established under AS 18.65.670;

#### **Regulation 2 AAC 35.850**

(a) Except as may be expressly authorized by AS 39.35, a "peace officer" means only a person who is a regular employee of a police agency or organization which is part of the state or a political subdivision of the state, and who has primary responsibility for the prevention and detection of crime and the enforcement of the fish and game, penal, traffic or highway laws of the state or employing political subdivision. A "fireman" or "fire chief" means only a person who is a regular employee of a fire agency or organization of the state or a political subdivision of the state and who is authorized to act under AS 18.70.

**Note:**

The 2002 Validation report for PERS lists 2,683 active occupation code "P" (peace officer) members. Of those, 2,021 were hired after July 1, 1986 and would be affected by HB 91.

### **Public Employees Retirement System "Mission" (in part):**

On January 1, 1961, the Alaska Legislature established the Public Employees Retirement System (PERS) to attract and retain qualified people into public service employment.

HB 91 will assist in this mission. It provides incentives for peace officers to work to normal retirement by recovering, in part, two of the benefits lost in 1986.

#1 Alaska COLA for peace officers at normal retirement: 20 years of credited service.

#2. Major medical insurance for peace officers at normal retirement: 20 years of credited service.

It is not PERS' mission or intention to provide participants with enough income to meet all their financial needs at normal retirement.

For peace officers, the base benefit at normal retirement is only 45% of their average monthly salary. It is understandable that peace officers usually need to continue to work in new careers after retiring with a 55% loss of income.

### **History:**

PERS participants hired prior to June 30, 1986, are referred to as Tier I. Tier I participants qualify to receive major medical insurance and the Alaska COLA when they are eligible to receive a monthly retirement benefit.

In 1986, SCSCSHB 252 (FIN) Miller and Duncan: by Finance, made significant cuts to PERS benefits. The medical benefit was eliminated until the participant reached age 60 and the Alaska COLA was revoked until age 65.

In 2001, HB 242, KOTT, Stevens, Dyson, Cissna, Crawford and Guess, made significant, positive changes to retirement law, including partially restoring the medical insurance benefit cut in 1986. This change now allowed PERS participants to receive the medical insurance benefit at their normal retirement (30 years), however, peace officers must work 5 additional years beyond *their* normal retirement in order to receive the medical benefit.

The eligibility requirements for the Alaska COLA benefit remain unchanged since 1986.

### **Note:**

See following PERS Plan Comparison Chart

## Explanation of Graphs

Current law requires peace officers to work 5 years beyond their normal retirement to receive their medical benefit. This inhibits recruitment and retention of peace officers and generates associated costs.

Requiring an extra 5 years creates a significant disincentive for younger peace officers to continue in public service. After their youthful exuberance wears off, the reality of being a peace officer begins to weigh heavily on their shoulders.

The thought of working 25 years in order to qualify for their retirement medical benefit, too often, becomes unrealistic.

Anecdotal and statistical data indicate significant turnover in peace officer employment.

The first graph shows turnover by using the percentage of Troopers, by year class, who are still working compared to those who separated.

**See graph: Troopers Retained v. Separated.**

The next graph shows turnover by using the number of Troopers by groups of year class. Please note that there are 237 Troopers out of 315 who have ten or less years of service.

**See graph: Troopers, by number and years of service.**

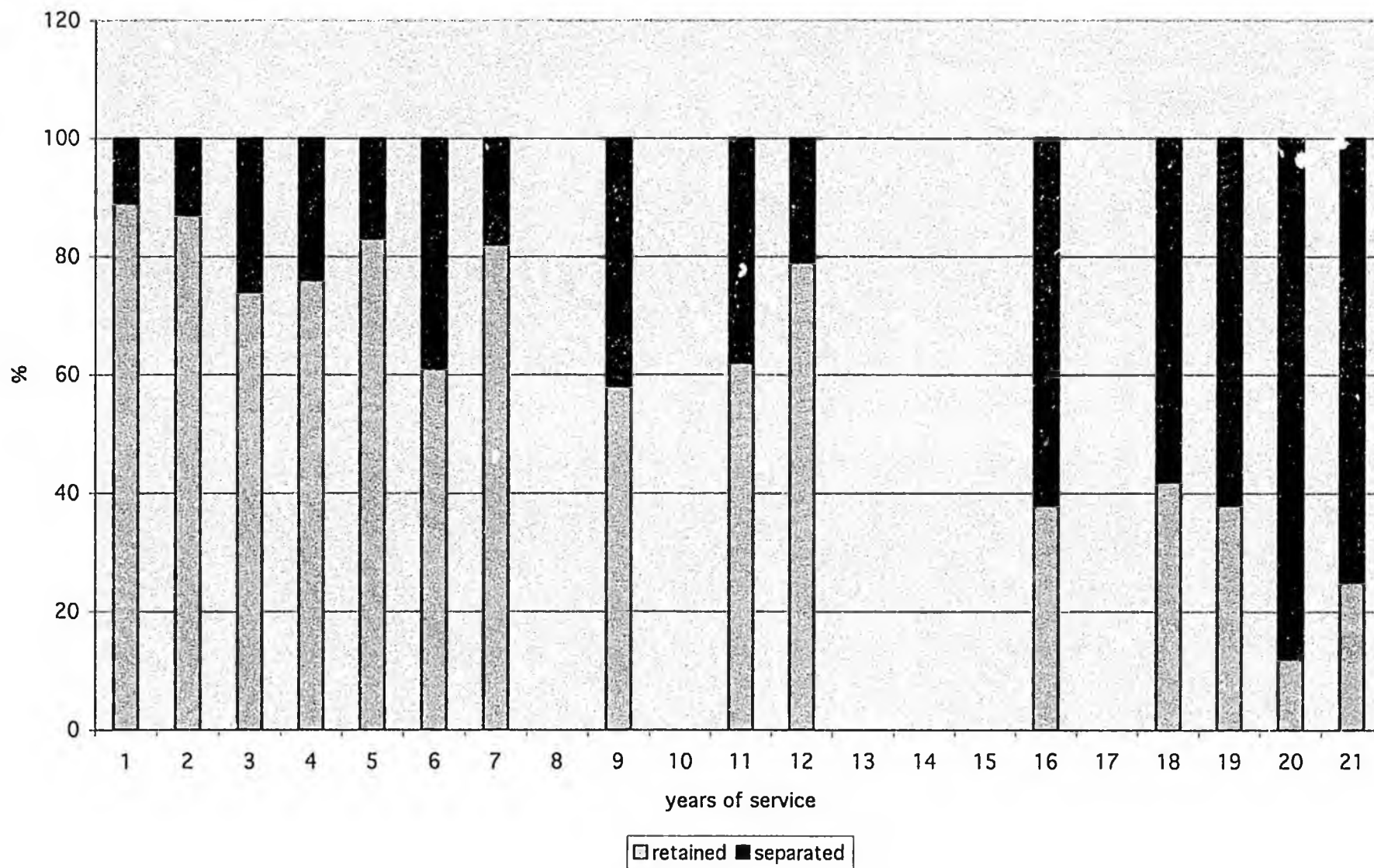
The next graph shows turnover by using the number of Correctional Officers by years of service.

**See graph: Number of COs by years of service.**

There is very limited opportunity for peace officers to promote into administrative positions. The next illustration compares the number of patrol-level officers to the number of administrative-level positions.

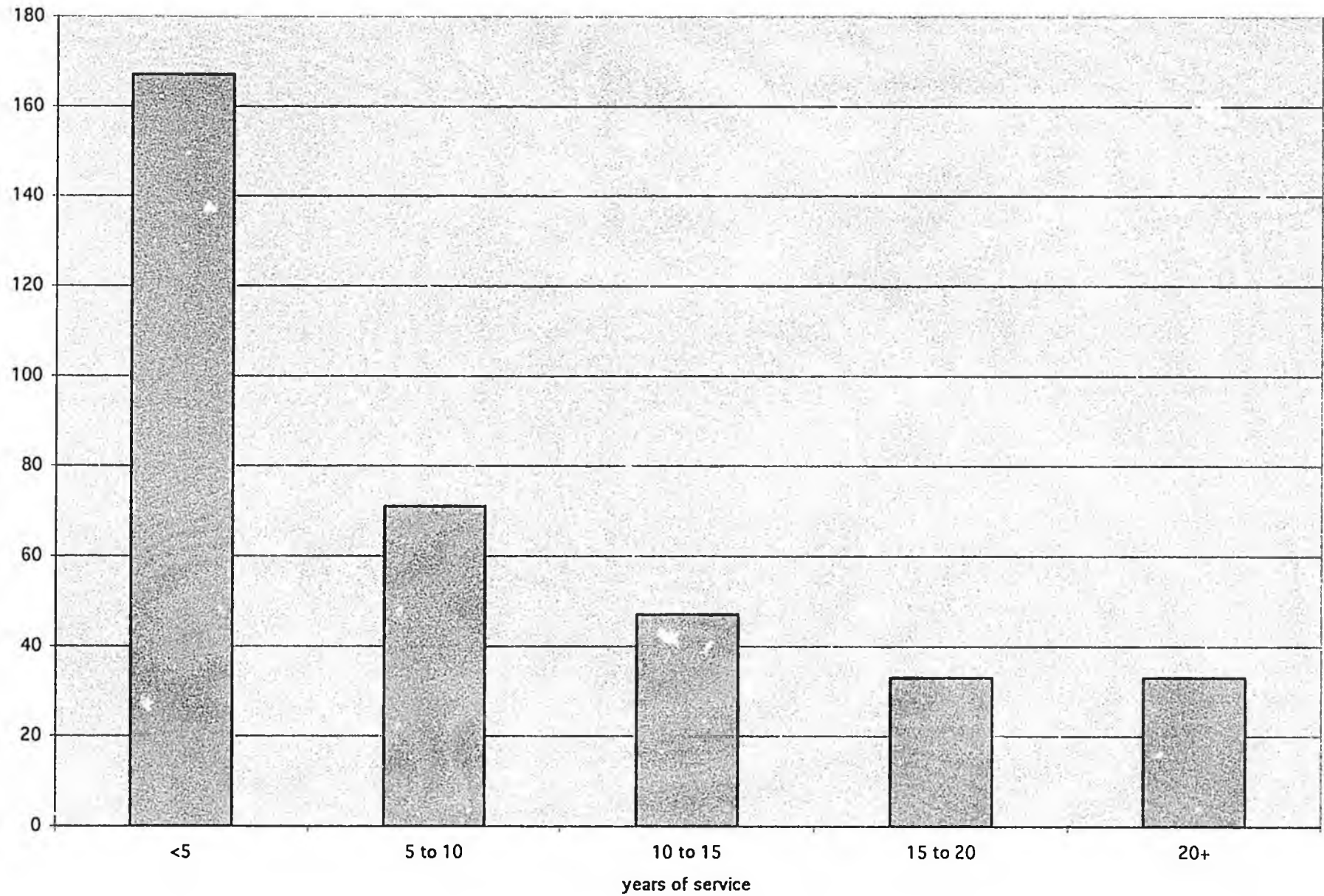
**See graph: DOC/AST/FWP-Administration vs. Officer Positions.**

### Troopers - Retained / Separated



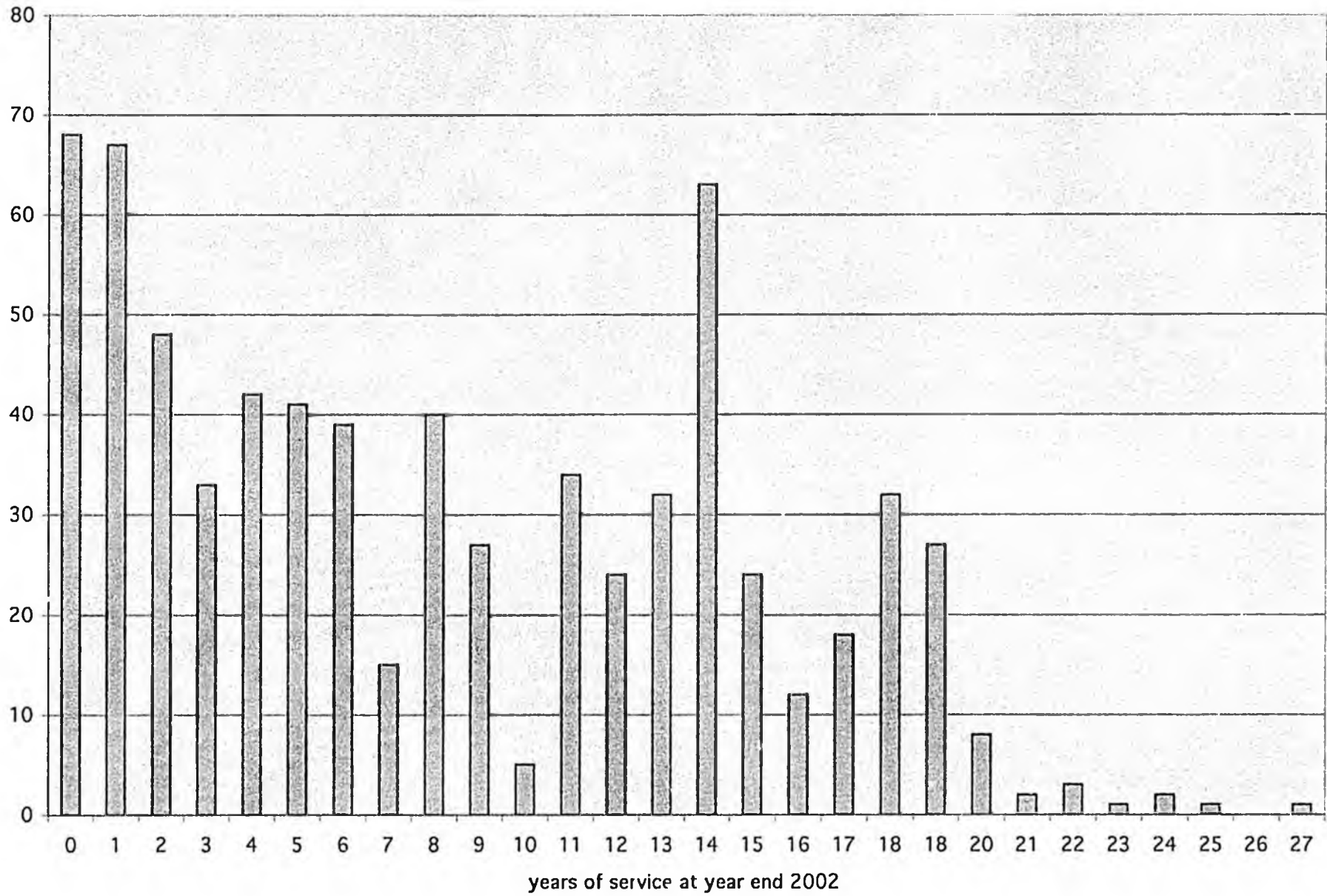
Information from DPS records of Troopers commissioned, dates of hire, and 09/02 seniority list.

# Troopers by number and years of service.



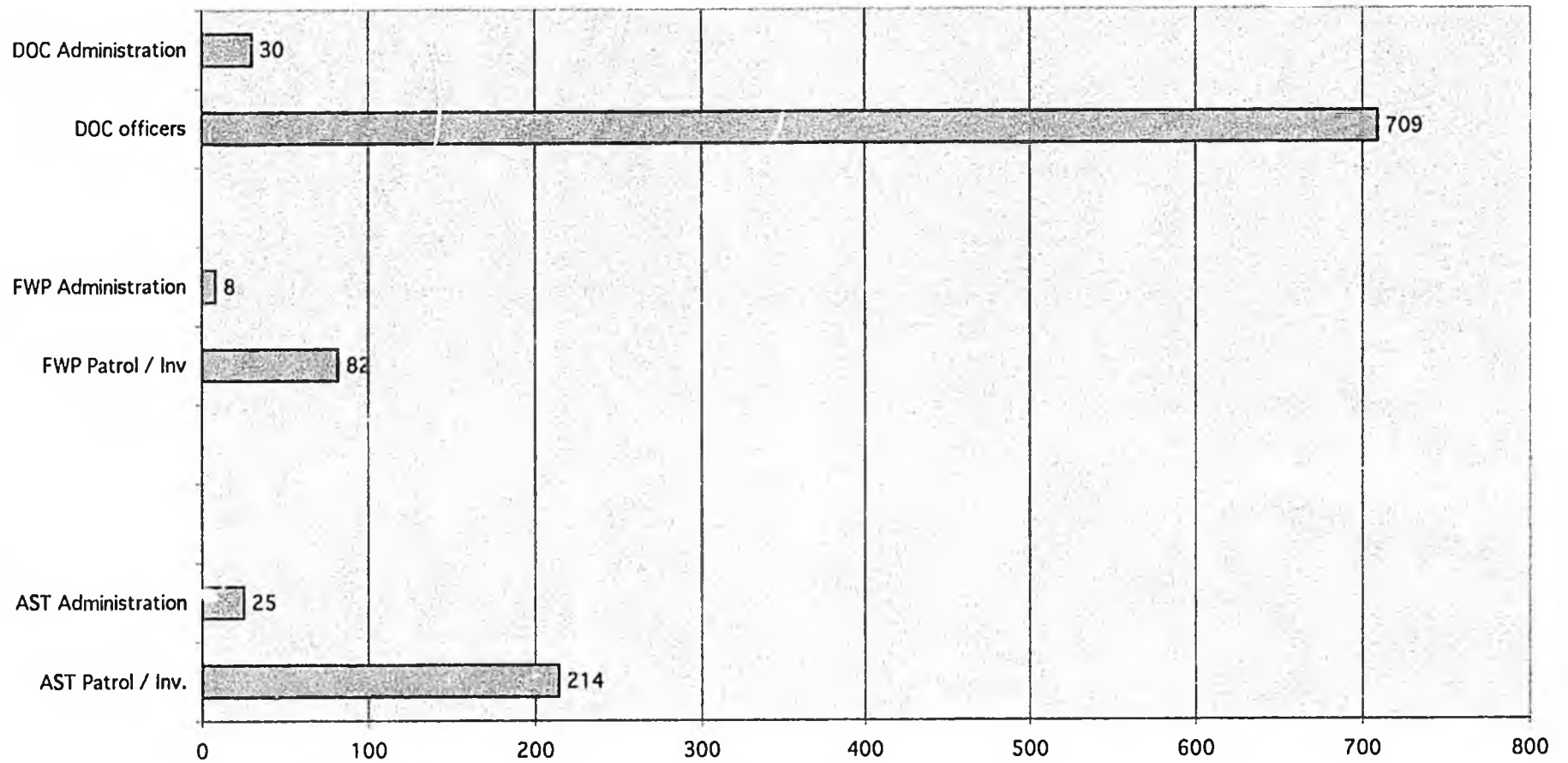
Information from 09/02 AST + FWP seniority lists and DPS date of hire records.

# Number of COs by years of service



Information from DOC seniority roster 02/03

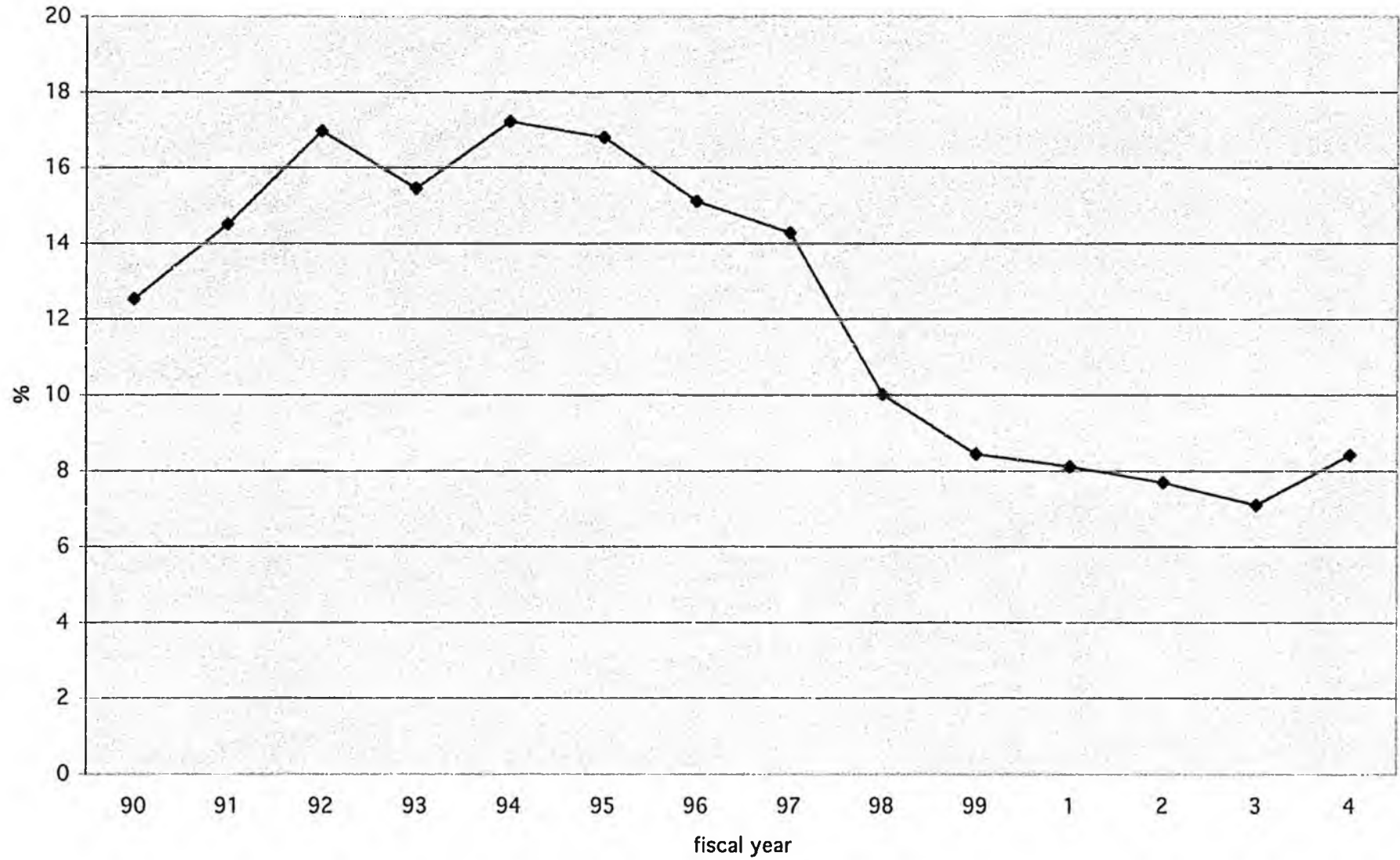
### DOC/AST/FWP - Administration vs. Officer Positions



Information from DPS and DOC personnel directories, 10/02.

# PERS Peace Officer/Fire Fighter Employer Contribution

## Percentage of Salary



Information from the Department of Administration, Division of Retirement and Benefits, 02/03.

**PERS Peace Officer/Firefighter Employer Contribution as a Percentage of Salary graph**

Fiscal note attached:

Currently, the State's employer contribution to PERS is 8.42%.

HB 91 would increase that by 0.18%.

For a peace officer whose salary is \$50,000/year, the increase in contributions would be \$90/year.

Peace officers' contribution to PERS is 7.5%.

All others contribution to PERS is 6.75%.

## Retention Data

With increased retention, employers would enjoy significant cost savings in recruitment and training. For example, the cost to recruit and train an Alaska State Trooper is \$104,871.

The argument that it saves money to retain peace officers beyond normal retirement is flawed. In basic pay alone, not including any overtime, leave, or other expenses, a Trooper with 20 years of service earns \$18,854 more per year than a Trooper with 1 year on the job. For Airport Police the difference is \$16,266 and for a Corrections Officer it is \$11,859.

Problems with health, physical fitness and morale all become more common as a peace officer ages. Requiring peace officers to work at the patrol level, beyond normal retirement, is simply not a good idea.

Where do peace officers go when leaving public service in PERS? In the absence of records, anecdotal information was used to determine that they pursue a wide variety of careers. Recent examples include:

- A Trooper who went to work for Agrium Chemicals in Nikiski
- A Trooper who went to a California police department
- A Trooper who went to the USFWS
- A Trooper who went to work for an oil company
- A Trooper who went into a construction career
- A Trooper who simply quit with the hope of finding a job that didn't take him away from his family so often

Peace officers' experience and training allows them to be positive influences in society. After retiring, peace officers continue to fill important roles in service to their neighbors, communities, and state. They often work in the field of security, protecting private and public interests. Many become involved in public service on boards, commissions, through political activities and by election to public office. It is also common for retired peace officers to become involved in public service through volunteer activities. An Alaska COLA benefit at normal retirement would help retired peace officers to be able to remain in Alaska.



# State of Alaska

## Public Employees' Retirement Board

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

### Retirement Board

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

### Board Attorney

Robert M. Johnson

### PERS Administrator and Board Secretary

Guy Bell

### Internet

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

### E-Mail

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

February 26, 2003

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

RE: HB 91 (peace officer legislation)

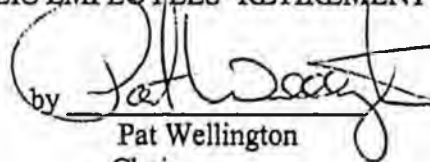
Dear Mr. D'Amico:

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

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

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

PUBLIC EMPLOYEES' RETIREMENT BOARD

by   
Pat Wellington  
Chair

cc: Mike Miller, Commissioner  
Department of Administration

Guy Bell, Director  
Division of Retirement and Benefits

✓ Representative Tom Anderson  
Alaska State Legislature

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COPIES

**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

# ANCHORAGE FIRE FIGHTERS UNION



LOCAL 1264  
INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS  
AFL-CIO

1200 E. 76TH #1227  
ANCHORAGE, ALASKA 99518



February 18, 2003

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

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

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

Sincerely,

Brian Reed, President



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

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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



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
 committee on House Bill 91, dated 3-18-03  
 bill/subject committee name

This Bill is very important to the State of Alaska. The Alaska State Troopers have slipped lower than several Law Enforcement Agencies in Alaska and many in the lower 48, as far as wages and benefits. This Bill will help in Recruiting and Retaining professional people.  
 Your support would be highly appreciated.

Signed: Rick SWANSON  
 Testifier  
Self (State Trooper)  
 Representing (Optional)  
P.O. Box 1556 Delta Jct AK  
 Address  
907 895 -2224  
 Phone No.



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
 committee on HB 91, dated 3-17-03  
 bill/subject committee name

I would like to express my support and appreciation for all Legislators who drafted and support H.B. 91. These changes would help to begin narrowing the gap between benefits that we receive and benefits received by other Peace officers across the country.

This bill will also help encourage current Alaska Peace officers to continue serving here instead of moving to other agencies that offer better benefits.

This bill will also help to attract a larger number of qualified applicants to a career as a Peace officer in Alaska.

Thank you

Signed: Nasruk Nay

**Testifier**  
Self (Alaska State Trooper)

**Representing (Optional)**  
P.O. Box 1578 Delta Jet, AK 99737

**Address**  
(907) 895-2241

**Phone No.**

February 9, 2004

RE: House Bill No. 91

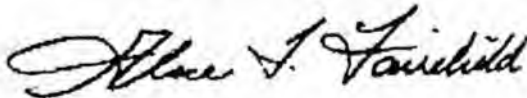
In the above bill I fully agree that peace officers are entitled to receive a monthly cost of living allowance in additions to their basic benefits. And that they should also receive medical coverage after 20 years of service.

My husband is a Correctional Officer and I have seen the job that he has had to do over his last 17 years. His knees are gone and will need replacement on both of them from walking the concrete floors. He is sleep deprived because of the day to night shifts and it is not an easy job to put up with the inmates or the administration. At times he comes home so beat he can't eat and just goes to bed where sometimes he lucky if he can get four hours of continual sleep. And this man is only 54.

The job is difficult and unappreciated by most people. He's not a cop driving around in a pretty car in a beautiful uniform armed and ready to go. He is sometimes on his floor at Wildwood with over 100 inmates and he is the only guard on the floor. And what would you and the State do without people like him to protect you from the people you are so gung ho to put away in prison and then forget about the Correctional Officers who have to watch them.

I would say that such dedication is well worth a cost of living and medical coverage after 20 years, wouldn't you? If you agree with me than please pass this bill.

Thank you for your attention,



Alice I. Fairchild  
P.O. Box 302  
Kasilof, Alaska 99610

262-3758

**HB**

**91**

SFIN

FILE

HB 91

was referred to the  
Senate Finance  
Committee

No hearing was held  
on this bill

# Alaska State Legislature

## House of Representatives



Official Business

State Capitol  
Juneau, AK 99801-1182

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

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

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

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

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

I urge your support for this important and timely legislation.

## House Changes from HB 91 to CS HB 91

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

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

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

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

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

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

# MERCER

Human Resource Consulting

One Union Square  
600 University Street, Suite 3200  
Seattle, WA 98101-3137  
206 808 8925 Fax 206 382 0627  
chris.byres@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

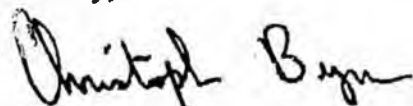
March 30, 2004

Ms. Melanie Millhorn

State of Alaska

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

Sincerely,

A handwritten signature in black ink that reads "Christopher Byrnes". The signature is written in a cursive, flowing style.

Christopher Byrnes, EA

CMB/MAG/RMR/kmp

Copy:

Bob Reynolds

Anselm Staack

Kathy Lea

HB 91 discussion points.

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

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

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

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

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

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

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

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

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

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

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

Provided by Rep. Anderson

## L+G FOCUS IS FAIRNESS

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

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

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

For example:

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

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

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

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

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

**Subject: cost avoidance question**

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

**From:** fox <foxhouse@gci.net>

**To:** Josh Applebee <Josh\_Applebee@Legis.state.ak.us>

Josh and Tom,

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

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

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

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

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

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

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

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

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

*QUESTION (for who):*

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

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

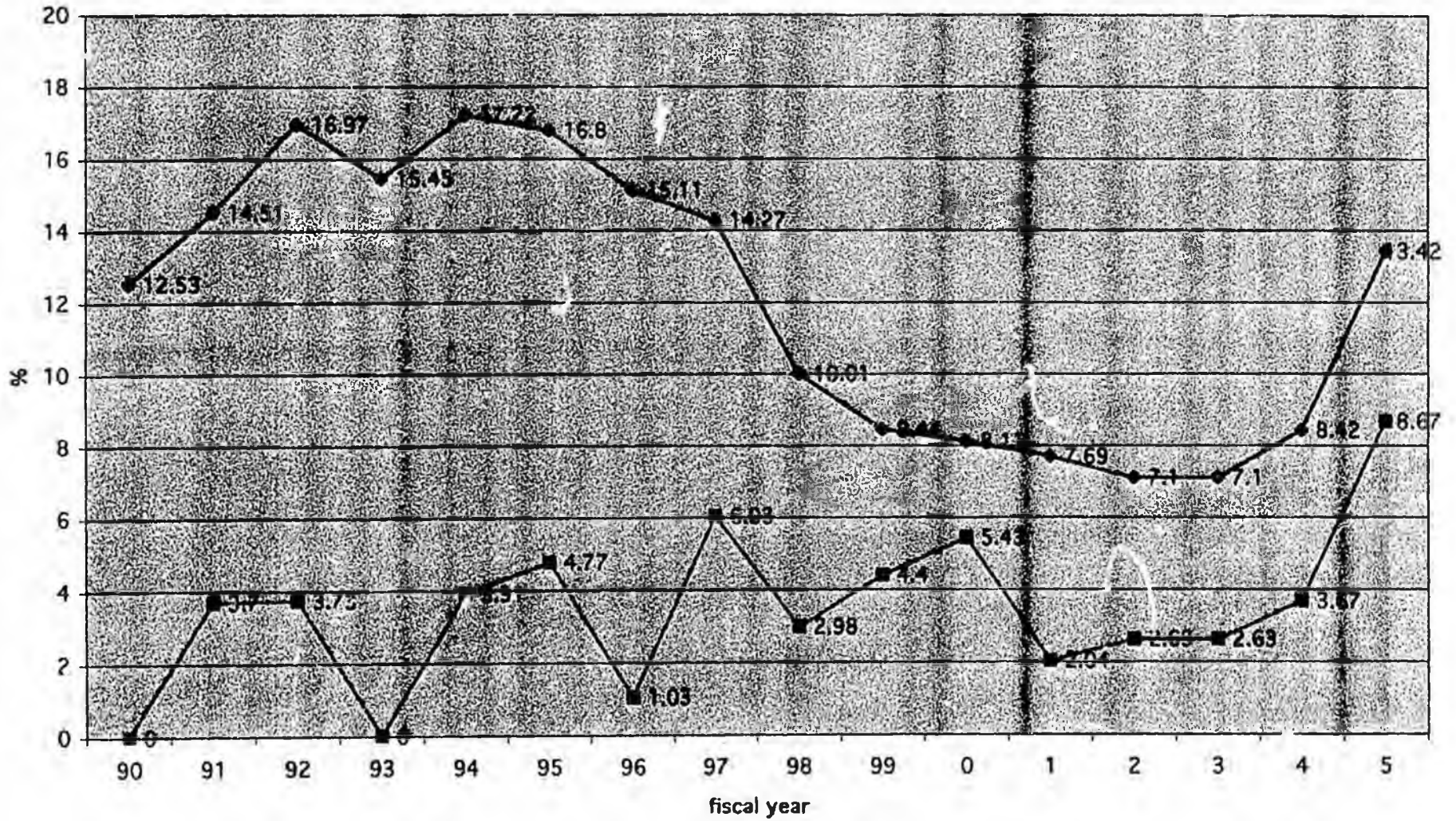
Perhaps one reason that they are under funded is because of their long history of low contribution rates.

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

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

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

### Contribution Rates

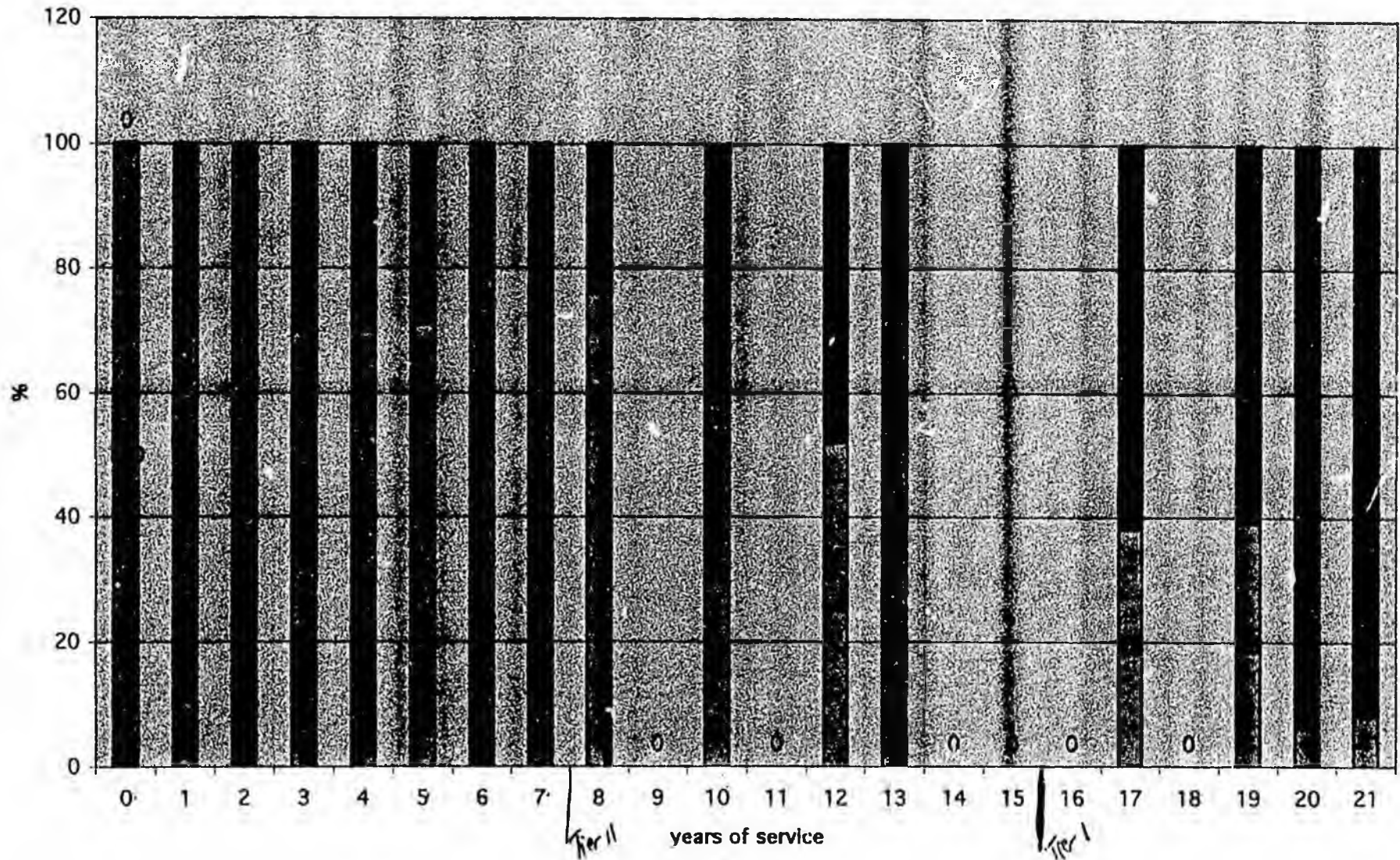


There is a price tag associated with deferring retirement. These graphs show that most Tier 1 Troopers and Correctional Officers leave at 20.

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

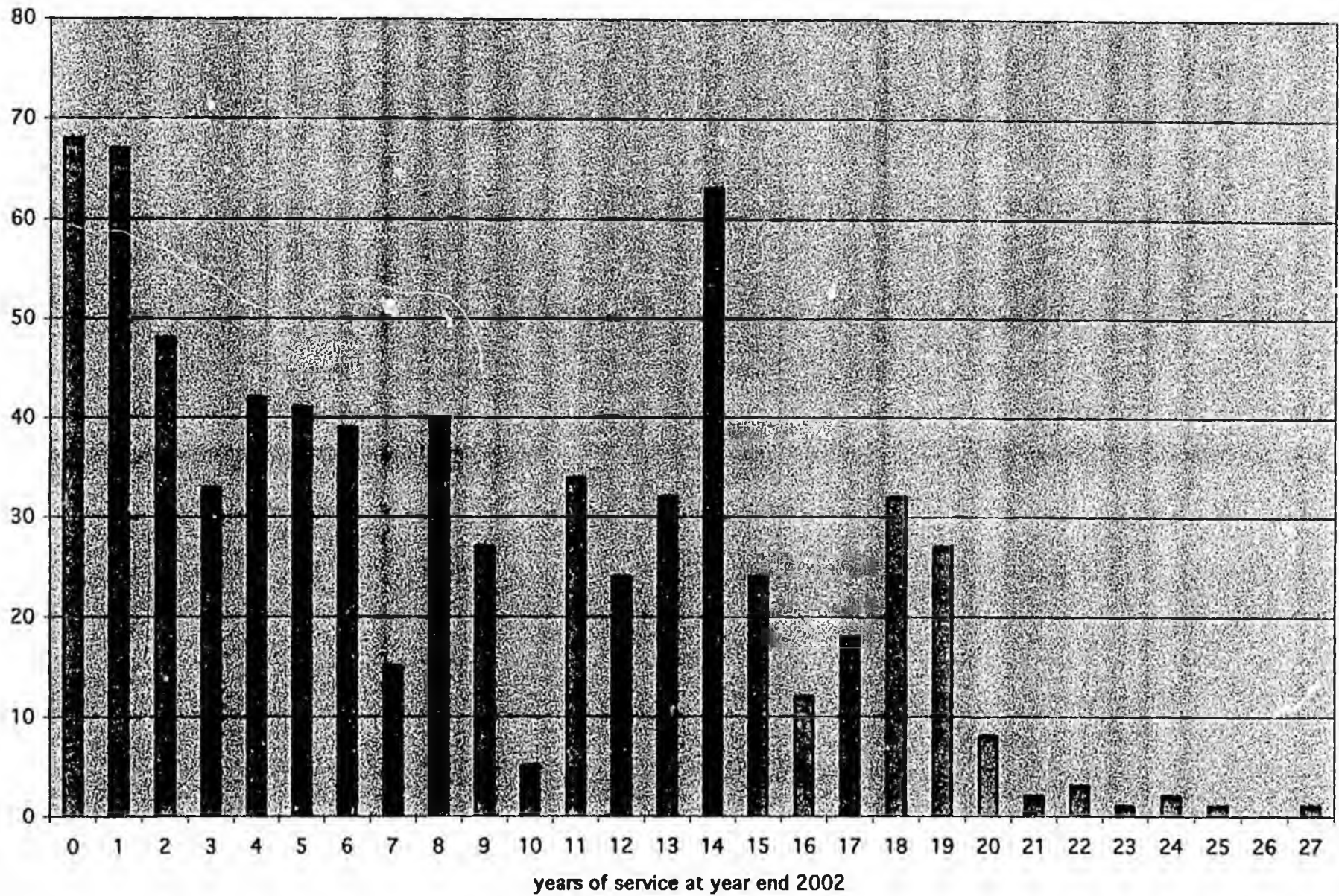
THE  
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### Troopers - Retained / Seperated



09/03 Seniority lists and DPS commissioning records

### Number of COs by years of service



Information from DOC seniority roster 02/03

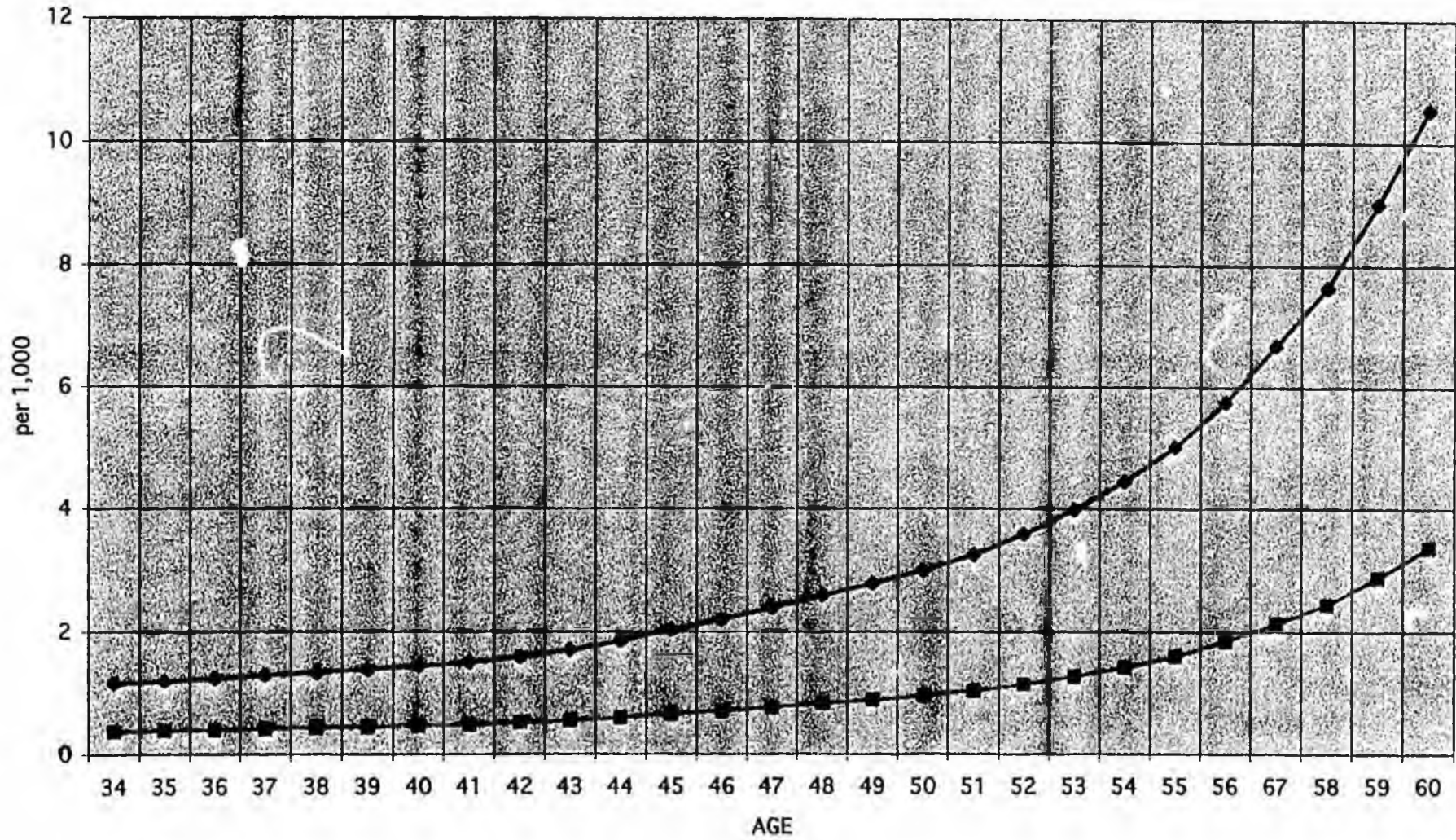
It is not good policy to encourage Peace Officers to defer retirement.

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

The attached graph helps illustrate this point.

### Alaska PERS Disability Rates

◆ Police/Fire Rate    ■ Other PERS Members Rate



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

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

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

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

HB 91 corrects this unfair and prejudicial policy.

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

*HB 91 is a "cost avoidance" Bill.*

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

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

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

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

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

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

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

Reference: Sec. 39.35.535. Medical benefits.

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

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

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

(HB 91)

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

Senator Seekins,

4/20/04

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

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

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

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

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

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

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

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

*REP ANDERSON*

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

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

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

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

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

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

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

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

## Appendix

### Trooper

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

Cost for a 20 year Trooper -----	\$83,418
Cost for a 1 year Trooper -----	\$56,774
Savings during <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>\$111,115</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 <b>the first year</b> after retirement-----	<b>\$32,508</b>

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>\$18,252</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

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

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

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

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

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



# Municipality of Anchorage

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

Mayor Mark Begich

Office of the Mayor

March 1, 2004

Representative Tom Anderson  
Alaska House of Representatives  
Juneau, AK 99811

Dear Representative Anderson:

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

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

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

Sincerely,

Mark Begich  
Mayor

*Community, Security, Prosperity*

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

February 14, 2003

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

Ref: House Bill 91

Dear Representative Anderson,

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

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

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

Sincerely,

  
Joe D'Amico  
Business Manager



# State of Alaska

## Public Employees' Retirement Board

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

### Retirement Board

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

### Board Attorney

Robert M. Johnson

PERS Administrator  
and Board Secretary  
Guy Bell

### Internet

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

### E-Mail

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

February 26, 2003

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

RE: HB 91 (peace officer legislation)

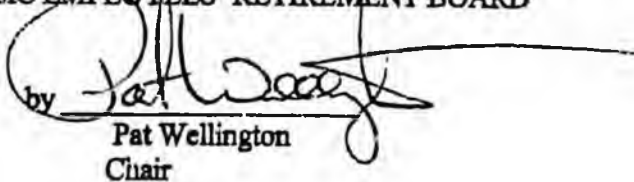
Dear Mr. D'Amico:

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

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

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

PUBLIC EMPLOYEES' RETIREMENT BOARD

by   
Pat Wellington  
Chair

cc: Mike Miller, Commissioner  
Department of Administration

Guy Bell, Director  
Division of Retirement and Benefits

✓ Representative Tom Anderson  
Alaska State Legislature



Anchorage  
Police  
Department  
Employees  
Association

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

Representative Tom Anderson  
State Capital Building  
Juneau, Alaska 99801

April 3, 2003

Dear Representative Anderson:

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

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

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

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

Sincerely,

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

SGT Rob Heun  
President  
APDEA

# ANCHORAGE FIRE FIGHTERS UNION



LOCAL 1264  
INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS  
AFL-CIO

1200 E. 76TH #1227  
ANCHORAGE, ALASKA 99518



February 18, 2003

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

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

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

Sincerely,

Brian Reed, President



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

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February 20, 2003

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

Dear Representative Anderson:

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

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

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

Respectfully,

  
Charles T. Kamai,  
Chief of Police

May 4, 2004

Senate Finance Committee

HB 91

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

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

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

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

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

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

Sincerely

Larry Semmens, CPA