

**CITY OF CRAIG  
RESOLUTION 11-04**

**SUPPORTING A BILL TO END REQUIREMENTS THAT EMPLOYERS WHO  
TERMINATE SOME OR ALL PARTICIPATION IN THE PUBLIC EMPLOYEES  
RETIREMENT SYSTEM OF ALASKA PAY TERMINATION COSTS, AND MAKING  
THE CHANGES RETROACTIVE**

WHEREAS, in 2008 the Alaska State Legislature, via SB 125, helped Alaska's PERS employers tremendously by adopting the flat statutory 22% rate of salary to help fund current costs and the unfunded liability of the PERS system, and

WHEREAS, our legislators, in crafting SB 125 struggled hard to come up with a fair and equitable solution to a problem that most of them did not create. Further, in crafting SB 125, legislators never envisioned, intended, nor did they want to create any inequitable financial damage to any PERS member employer, nor negatively interfere with the current or future delivery of any member's services or programs because of SB 125, which the termination studies law does do, and

WHEREAS, if a PERS employer reduces its employee count because it made a decision to alter or suspend one of its programs or services, per 2 AAC 35.235 PERS might send the PERS employer three bills: The first for the cost of a termination study; the second for what the study concludes the employer owes PERS due to the employee change made; and the third requiring the employer to pay the past service cost (PSC) on each altered or suspended position. The employer will be required to pay the PSC (currently 18.63%) on the salary(ies) of the position(s) until the unfunded obligation is paid, perhaps as much as 30 years from away. These three bills cumulatively can run from hundreds of thousands of dollars to several millions of dollars, and

WHEREAS, the future financial stability of PERS employers, and their ability to efficiently and effectively manage the delivery of their programs and services, is directly impacted and undermined by 2 AAC 35.235, and

WHEREAS, the underlying fear that certain employers would purposely act in a manner that jeopardized payment of the unfunded obligation, and thus shrink the salary base that pays off the unfunded obligations, has simply not happened; and

WHEREAS, SB 125 led to an inescapably inequitable impact to small PERS employers. This State law, or its application by PERS creates a clear and unconscionable inequitable impact on small PERS employers, versus larger PERS employers. Many smaller communities have only one employee for a program or service; and

WHEREAS, over time, more and more resources will go toward paying for positions that no longer exist than go to the delivery of services such as fire protection,

law enforcement, teaching, recreational services, landfill services, library services, flood control services, emergency response services, and the list goes on from here. Once a PERS employer start shifting employee resources from one area of responsibility to another, the current program regulations start a negative downward spiral in programs and services, and

WHEREAS, termination studies nullify the intent of SB 125 that employers pay the exact same rate. It is clear that one result of these termination studies is that different employers will in fact be paying different net rates, and therefore, there will not be a single uniform contribution rate for PERS employers. The adoption of SB 125 was based on the acknowledgement that we do not have a single-agent, multiple employer PERS system, but rather we have had a consolidated un-equitable cost share system. The intent of SB 125 was that all employers would pay the same exact rate. That cannot happen when each employer pays a different termination cost amount, or pays none at all, and

WHEREAS, the termination language in SB 125 was a solution to a problem that never materialized, and it's not needed. The negative consequences, the additional charges and the payments that result from the termination language, were never contemplated or intended by the legislature, and they are destructive, and

WHEREAS, A.S. 39.35.625, that requires termination studies, and any other similar statutes or regulations, should be repealed.

NOW, THEREFORE, BE IT RESOLVED that the Craig City Council, while supporting a sustainable salary base to pay off the PERS unfunded obligation, believes that AS 39.35.625 and any other similar statutes or regulations that require termination studies should be repealed, and supports adoption and passage of SB 100 to remove termination study requirements from the law.

Passed and approved this 7th day of April, 2011.

  
Maydr A. Millie Schoonover

  
Vicki Hamilton, City Clerk

