

MUNICIPALITY OF SKAGWAY, ALASKA

RESOLUTION NO. 10-12R

A RESOLUTION OF THE MUNICIPALITY OF SKAGWAY, ALASKA AMENDING THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) OF ALASKA AGREEMENT WITH THE STATE OF ALASKA PURSUANT TO AS 39.35 ET SEQ. BY REMOVING THE CLASSIFICATION OF FIRE CHIEF FROM PARTICIPATION.

WHEREAS, the Municipality of Skagway, located in Skagway, wishes to remove the classification of Fire Chief from participation in the Public Employees' Retirement System of Alaska; and

WHEREAS, the Municipality of Skagway, located in Skagway, wishes to amend the PERS Agreement approved October 1, 2007 and approved by the State of Alaska on October 23, 2007; and

WHEREAS, the State of Alaska hired Buck Consultants to complete a termination study on the Skagway Fire Chief position;

NOW THEREFORE BE IT RESOLVED by the Borough Assembly that subparagraph 2 on page 1 shall read as follows:


All permanent full time employees (those positions that require 30 or more hours or work each week) will participate in the PERS except for those employees in the following departments, groups or other classifications as designated by the Municipality of Skagway;

- Fire Chief

PASSED AND APPROVED this 3rd day of June, 2010 by the Assembly of the Municipality of Skagway, Alaska.


Thomas D. Cochran, Mayor

ATTEST:


Marjorie D. Harris, CMC
Municipal Clerk

(SEAL)





PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Division of Retirement and Benefits
PO Box 110203 Juneau, AK 99811-0203
Phone: (907) 465-4460
Fax: (907) 465-3086

PARTICIPATION AGREEMENT AMENDMENT NO. 2

The Public Employees' Retirement System (PERS) Participation Agreement entered into between the State of Alaska (hereafter referred to as the State) and the Municipality of Skagway (employer name) on 10/1/2007 and approved by the State on 10/23/2007 (date) (date)

is amended effective June 30, 2010 after termination study completed May 27, 2010 by Buck Consultants, by changing subparagraph 2 on page 1 to read as follows (type text of new subparagraph):

All permanent full time employees (those positions that require 30 or more hours or work each week) will participate in the PERS except for those employees in the following departments, groups or other classifications as designated by the political subdivision;

- **Fire Chief**

Thomas D. Cochran
Authorized Representative Signature

THOMAS D. COCHRAN
Authorized Representative Name (please type/print)

MAYOR
Authorized Representative's Title

Approved:

Administrator

Date

From: Michelle Greenstreet [mailto:m.greenstreet@skagway.org]
Sent: Wednesday, March 03, 2010 1:35 PM
To: Slishinsky, David
Cc: Tom Smith; Cindy O'Daniel
Subject: Municipality of Skagway Termination Study Information

Hi David,

Thank you for speaking with me regarding a termination study for the Municipality of Skagway's PERS retirement program. Our Fire Department is currently undergoing an entire re-organization of the department in which they are eliminating some paid positions and replacing those positions with either volunteer positions or other paid positions with different titles and pay. I will provide a table (below) with the changes as well as attach diagrams of the organizational changes that the fire department has developed. The changes are as follows:

Old Position	Position Status	PERS Eligible?	New Position	Position Status	PERS Eligible?	Pay Increase/Decrease
Fire Chief	Full Time-Paid	Yes-Responder PERS	Fire Chief	Volunteer	No	Stipend
Emergency Responder/Coordinator	Full Time-Paid	Yes-Regular PERS	Emergency Services Administrator	Full Time-Paid	Yes-Regular PERS	Higher Grade/Higher Pay
Maintenance Supervisor	Full Time-Paid	Yes-Regular PERS	No Change	No Change	No Change	No Change
Maintenance Training Officer	Full Time-Paid	Yes-Regular PERS	No Change	No Change	No Change	No Change
			Maintenance Clerical Assistant	Full Time-Paid	Yes-Regular PERS	New Position

I hope this makes sense and is easy to understand.

Thank you for reviewing the information, and I look forward to receiving your quote for services. Please let me know if you have any questions regarding the information I have provided.

From: Michelle Greenstreet [mailto:m.greenstreet@skagway.org]
Sent: Wednesday, December 16, 2009 8:47 AM
To: Ireland, Amanda A (DOA)
Cc: Cindy O'Daniel
Subject: PERS Eligibility Question

Hi Mandy,

A quick question, that I don't think is an issue, but before we move forward too much, we wanted some clarification on a revised job. We have eliminated our paid, full time Fire Chief position, and made it only a Volunteer position that receives a monthly stipend. In the first bullet point under Duties and Responsibilities, the Fire Chief is given authority to act. Our question is, since it is stated that he is authorized to act, does this make him eligible for PERS. Our opinion is that it does not because our part time, seasonal and volunteer members do not qualify for PERS under our agreement. Would you please confirm this for us?

Thanks!

Michelle

Michelle Greenstreet
Administrative Assistant/Deputy Clerk
Municipality of Skagway
907-983-2297 Phone
907-983-2151 Fax
m.greenstreet@skagway.org
www.skagway.org

From: Schmidt, Brian E (DOA)
Sent: Friday, December 18, 2009 3:26 PM
To: 'mgreenstreet@skagway.org'; 'codaniel@skagway.org'
Cc: Ireland, Amanda A (DOA); Oliva, Courtney A (DOA)
Subject: FW: PERS Eligibility Question

Hi Michelle,

This afternoon I talked to Cindy Odaniel about this, but wanted to email both of you the information.

I received your email from our Accounting section. Because you have changed the Fire Chief to a volunteer position, there are a few things that need to occur.

As a volunteer, the position is no longer eligible from PERS. Therefore, you must amend your participation agreement to exclude the Fire Chief.

In addition to amending your participation agreement, there will be some costs to the Municipality for excluding the position.

2 AAC 35.235 is written to clarify the statutes regarding termination in the defined benefit plan as amended by Senate Bill 125 in 2008. The statutes (AS 39.35.615, AS 39.35.620 and AS 39.35.625) are and have been effective since July 1, 2008 and will affect any of the defined benefit employees you remove. Defined contribution employees are not subject to this regulation.

The first thing that needs to be done is a termination study. You will need to contact David Slushinsky at Buck Consultants (720-359-7700) to have a termination study done. This study will tell you what your one-time termination cost is. This cost represents the amount necessary to fully fund the costs to the plan for employees who become vested through this process and for other changes in actuarial assumptions, like earlier than expected retirement, that arise because of the act of termination from coverage. Benefits due to terminated employees must be funded by the employer and the employer must either pay the amount in a lump sum within 60 days of termination or enter into a payment plan that is acceptable to the PERS Administrator. Even if the Fire Chief position is vacant, the termination study must still be done.

In addition to this cost, you will continue to make contributions toward the unfunded liability for this position (Tiers I, II and III) each pay period by the amount determined by applying the past service rate times the salary of the individual you are removing, or the salary of the person that last held the position. The current past service rate is 18.19%. The past service rate changes every fiscal year.

Please feel free to contact me if you have any questions regarding this process and costs.

Brian Schmidt
Regional Counselor
465-4467 or 800-821-2251

From: Tom Smith
Sent: Monday, December 21, 2009 11:27 AM
To: Michelle Greenstreet
Subject: RE: PERS Eligibility Question

Michelle

Thank You-As we are into the Re-Org.-please proceed to comply with the proceed provided by the DOA Officials & please keep me advised .

Tom

From: Michelle Greenstreet
Sent: Monday, December 21, 2009 8:38 AM
To: Tom Smith
Cc: Cindy O'Daniel
Subject: FW: PERS Eligibility Question

Hi Tom,

Here is the PERS e-mail you have requested.

Michelle Greenstreet
Administrative Assistant/Deputy Clerk
Municipality of Skagway
907-983-2297 Phone
907-983-2151 Fax
m.greenstreet@skagway.org
www.skagway.org

From: Michelle Greenstreet
Sent: Thursday, February 11, 2010 10:47 AM
To: 'Schmidt, Brian E (DOA)'; Cindy O'Daniel
Cc: Tom Smith
Subject: RE: PERS Eligibility Question

Hi Brian,

Sorry for the delay in getting back to you, but we have been working on this re-organization of our fire department for some time, and it is still going on. I am curious about something, and forgive me if I am trying to simplify this process too much, but, although we are going to a volunteer fire chief instead of a paid fire chief position, our fire department is proposing having a paid Administrator position instead. So, although there will not be a paid fire chief by title, we will continue to have a management position at the fire department. Does this change anything in the process you described below? Re-reading it, my hunch is that it won't, but I wanted to make sure before we move forward.

Also, from reading your response below, it appears that if the Municipality, for some reason, decided to say, have the municipal clinic become a non-profit organization instead of a municipal department, we would have to continue to pay in for each and every employee that is in the defined benefit program? This is not happening, it is just an example.

Thanks in advance,

Michelle

Michelle Greenstreet
Administrative Assistant/Deputy Clerk
Municipality of Skagway
907-983-2297 Phone
907-983-2151 Fax
m.greenstreet@skagway.org
www.skagway.org

From: Schmidt, Brian E (DOA) [mailto:brian.schmidt@alaska.gov]
Sent: Wednesday, February 24, 2010 10:59 AM
To: Michelle Greenstreet; Cindy O'Daniel
Cc: Tom Smith
Subject: RE: PERS Eligibility Question

Hi Michelle,

I apologize for the delayed response—I've been out of the office on field travel. To answer your first question, no, that won't change things. You are removing a position from PERS, so the costs apply, as well as an amendment to your participation agreement.

To answer your second question, yes, you are correct. If you take those employees from the clinic (which I take from your email to be PERS eligible), and move them to a non-profit organization, you would have to exclude them from your participation agreement, do the termination study, pay the cost resulting from the outcome of the study, as well as the ongoing costs for each of those employees.

How have you decided to proceed in regard to the Fire Chief position?

Thanks,
Brian

From: Schmidt, Brian E (DOA) [mailto:brian.schmidt@alaska.gov]
Sent: Wednesday, February 24, 2010 11:11 AM
To: Michelle Greenstreet
Subject: RE: PERS Eligibility Question

The ongoing costs last until the unfunded liability is gone, which we don't know when that might be. You'll want to get started on the amendment to your participation agreement, to exclude the position from PERS. If you have any questions on this process, please feel free to give me a call, and I can provide you with the forms. I will need two original signed amendments by the person authorized to sign them, as well as a certified copy of the resolution authorizing the change. Once this is done, it will go to the PERS Administrator for review and signature.

Thanks,
Brian
465-4467

Well, it appears we are going to have to do the study because they want to go to a volunteer position. How long do the ongoing costs last?

Michelle Greenstreet
Administrative Assistant/Deputy Clerk
Municipality of Skagway
907-983-2297 Phone
907-983-2151 Fax
m.greenstreet@skagway.org
www.skagway.org

Hi Brian,

You had mentioned last week you could provide the necessary forms for amending our PERS Participation Agreement. Is it possible I can get those forms from you? Also, I have been in touch with David Slisinsky regarding the completion of a termination study. Thanks for that information.

Michelle

Michelle Greenstreet
Administrative Assistant/Deputy Clerk
Municipality of Skagway
907-983-2297 Phone
907-983-2151 Fax
m.greenstreet@skagway.org
www.skagway.org

Michelle Greenstreet

From: Larry Semmens [lsemmens@ci.soldotna.ak.us]
Sent: Monday, April 12, 2010 4:02 PM
To: Michelle Greenstreet
Subject: FW: PERS

Follow Up Flag: Follow up
Flag Status: Completed

Hi

There are two thresholds that can cause a PERS member employer to have to pay past service rates:

1. If the municipality changes their participation agreement to remove a position from PERS. This will trigger a termination study requirement and may require additional payment for liability which was not previously considered in the actuarial valuation. At a minimum the municipality will have to pay the past service rate – FY11 is 18.63% - on the salary at the time it was opted out.
2. If the municipalities total PERS'able salary for any year is less than the floor amount, the municipality will have to pay the PERS rate on the floor amount. The floor is established at a date in time, I think it is 2008 salary, but I am not sure.

In your situation I think it would be far better to leave the fire chief position vacant than it would to amend the PERS agreement opting the position out. This would make it like any other vacant position, there would be no requirement to pay PERS unless #2 above results from the lower citywide salary.

The City can certainly argue that while at this time there isn't a need for a fire chief, the need could come up later and perhaps it would be in the City's interest at that time to have the position in PERS.

One thing that I just learned is that it is better to ask for a termination study after a position is vacant. This is an evolving area, but I think Buck told me that in that case the last person in the position is less critical.

I am interested in how this progresses and I would be happy to help.

Regards,

Larry Semmens

City of Soldotna • City Manager

177 N Birch St • Soldotna, AK 99669
(907)262-9107 ex.1227



From: Michelle Greenstreet
Sent: Wednesday, April 28, 2010 10:39 AM
To: 'mlamb@fnsb.us'
Cc: Tom Smith; Cindy O'Daniel
Subject: FW: PERS Eligibility Question

Hi Michael,

Below is my exchange with Brian Schmidt from the State.

We request that you please keep us in the loop of what transpires with this situation. Since we are directly impacted by this legislation, we would like to be aware of any responses, changes, etc.

Thanks much,

Michelle

Michelle Greenstreet
Deputy Clerk/Deputy Manager
Municipality of Skagway
907-983-2297 Phone
907-983-2151 Fax
m.greenstreet@skagway.org
www.skagway.org



**State of Alaska
Municipality of Skagway
Fire Chief Position**

Termination Study
as of June 30, 2010

buckconsultants

Submitted By:
Buck Consultants
1200 Seventeenth Street, Suite 1200
Denver, CO 80202

May 27, 2010

VIA EMAIL

Ms. Michelle Greenstreet
Administrative Assistant/Deputy Clerk
Municipality of Skagway
P.O. Box 415
Skagway, AK 99840

Re: Municipality of Skagway – Fire Chief Position Termination Study

Dear Ms. Greenstreet:

At your request, we have performed a termination study for the Municipality of Skagway – Fire Chief Position assuming termination from PERS as of June 30, 2010.

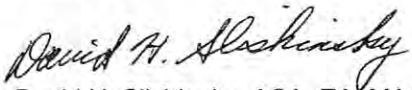
We have estimated that terminating this position increases liabilities by \$17,470. Termination liabilities were calculated as of June 30, 2009 based upon the member data, assumptions, methods, and provisions summarized in this report, and rolled forward to June 30, 2010. In addition to the increase in accrued liabilities due to termination, Alaska statutes require that the Municipality of Skagway continue to pay the past service cost rate until the unfunded liability for PERS has been fully paid off. This rate is 18.63% for Fiscal Year 2011.

We have assumed that the member chose to become immediately vested in his pension and healthcare benefits rather than receive a refund of his account balance. The total liability for this position has been estimated by prorating service at Skagway over total service.

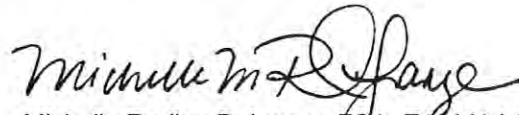
The undersigned are members of the American Academy of Actuaries and the Society of Actuaries, are fully qualified to provide actuarial services to the State of Alaska, and are available to answer questions regarding this report.

If you have any questions, please feel free to call either of us at (720) 359-7700.

Sincerely,



David H. Slishinsky, ASA, EA, MAAA
Principal, Consulting Actuary



Michelle Reding DeLange, FSA, EA, MAAA
Director, Consulting Actuary

/mlp

c: Ms. Teresa Kesey, State of Alaska
Ms. Kathy Lea, State of Alaska
Mr. Pat Shier, State of Alaska

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Development of Termination Liability at June 30, 2010

(1) Accrued Liability Prior to Termination

(a) Pension Liability

Tier 1	\$ 70,732
Tier 2	0
Tier 3	0
Total	\$ 70,732

(b) Healthcare Liability

Tier 1	\$ 81,164
Tier 2	0
Tier 3	0
Total	\$ 81,164

(c) Total Accrued Liability Prior to Termination as of June 30, 2009 \$ 151,896

(d) Interest to June 30, 2010 12,531

(e) Total Accrued Liability Prior to Termination as of June 30, 2010 \$ 164,427

(2) Termination Liability

(a) Pension Liability

Tier 1	\$ 44,683
Tier 2	0
Tier 3	0
Total	\$ 44,683

(b) Healthcare Liability

Tier 1	\$ 123,351
Tier 2	0
Tier 3	0
Total	\$ 123,351

(c) Total Termination Liability as of June 30, 2009 \$ 168,034

(d) Interest to June 30, 2010 13,863

(e) Total Termination Liability as of June 30, 2010 \$ 181,897

(3) Total Cost of Termination (2.e. – 1.e.) \$ 17,470

Member Information

The following member information was used to determine the termination liability for the Municipality of Skagway Fire Chief Position as of June 30, 2009:

Fire Chief Position

Number	1
Average Age as of June 30, 2009	44.80
Average Service as of June 30, 2009 (Skagway service only)	4.73
Average Annual Compensation as of June 30, 2009	\$74,547

Summary of the Provisions of the Alaska Public Employees' Retirement System as of June 30, 2009

The plan provisions used for this study are the same as those used in the June 30, 2009 valuation for the State of Alaska Public Employees' Retirement System.

Actuarial Basis

The actuarial assumptions and methods used for this study are the same as those described in the June 30, 2009 valuation for the State of Alaska Public Employees' Retirement System unless otherwise noted below.

- Liability was allocated to the Municipality of Skagway by the ratio of his Skagway service to his total service.
- We assumed that the member would elect to become vested in his pension and healthcare benefits and not take a refund of his contributions. We assumed he will start his pension and healthcare benefits on the earliest date he is eligible.

Marj Harris

From: Tom Smith
Sent: Wednesday, June 02, 2010 3:07 PM
To: Marj Harris
Subject: FW: Termination Statutes

Marj-Info re: PERS Term. Study-State Code-Please forward to Assembly.
Thank You
Tom

From: Lea, Kathleen S (DOA) [mailto:kathy.lea@alaska.gov]
Sent: Wednesday, June 02, 2010 2:18 PM
To: Tom Smith
Subject: Termination Statutes

Mr. Smith:

The governing statutes for termination of participation of either the employer or a group, department or other classification of employees are found in AS 39.35.625. These costs were implemented by the legislature in 2008 when the PERS was change from a single agent employer cost to a shared cost system.

AS 39.35.625(a) covers the ongoing contribution to the PERS unfunded liability and states:

- (a) Notwithstanding AS 39.35.255, an employer that terminates participation of a department, group, or other classification of employees in the plan under AS 39.35.615 or that terminates participation in the plan under AS 39.35.620 shall pay to the plan each payroll period until the past service liability of the plan is extinguished an amount calculated by applying the current past service contribution rate adopted by the board to the greater of total base salaries paid
- (1) during the payroll period to employees in positions for which coverage has been terminated;
 - (2) at the time of termination to employees in positions for which coverage has been terminated; or
 - (3) during the corresponding payroll period for the fiscal year ending June 30, 2008, to employees in positions for which coverage has been terminated.

If, after removal of the fire chief position from participation, the salary paid to the fire chief increases, the new increased salary will be used as stated under AS 39.35.625 (a)(1). If, after removal of the position from participation, the fire chief's salary decreases, the salary at the time of termination will be used to calculate the required ongoing contributions as stated under AS 39.35.625(a)(2).

AS 39.35.625(c) is the requirement to obtain a termination study to determine the liability incurred from moving the individual(s) from participation. This cost is based on the employee's vesting status, age, service and estimated retirement date and is required to

determine the cost that needs to be paid to the system now to pay benefits for the individual(s) in the future.

The governing regulation is:

2 AAC 35.235. Calculation of termination costs. (a) An employer that proposes to terminate coverage of a department, group, or other classification of employees under AS 39.35.615 or 39.35.957, or terminate participation of the employer under AS 39.35.620 or 39.35.958, must have a termination study completed by the plan actuary to determine the actuarial cost to the employer for future benefits due employees whose coverage is terminated. The employer shall pay the termination costs determined by the study either in a lump sum or under a payment plan acceptable to the administrator. The employer shall pay the cost of the study.

(b) In addition to the costs calculated in (a) of this section, an employer that proposes to terminate coverage of a department, group, or other classification of employees under AS 39.35.615 or 39.35.957, or termination of participation of the employer under AS 39.35.620 or 39.35.958, is required to pay to the plan until the past service liability of the plan is extinguished an amount calculated by applying the current past service rate adopted by the board to salaries of the terminated employees as required by AS 39.35.625(a). This payment shall be made each payroll period or the employer may enter into a payment plan acceptable to the administrator for each fiscal year.

(c) Interest as provided under AS 39.35.610(a) is applied to the termination costs if an employer defaults in the payments under (a) or (b) of this section. (Eff. 01/13/2010, Register 193)

Authority:	AS 39.35.003	AS 39.35.620	AS 39.35.957
	AS 39.35.615	AS 39.35.625	AS 39.35.958

If you have questions regarding these statutes or the regulation, please let me know.

Kathy Lea
Retirement Manager
Division of Retirement and Benefits
Phone: (907) 465-3226
FAX: (907) 465-5404
Toll-Free: 1-800-821-2251

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