

**POLICE AND FIRE MEDICAL TRUST BOARD
RESOLUTION NO. 2008-1**

A RESOLUTION OF THE POLICE AND FIRE MEDICAL TRUST BOARD URGING THE ANCHORAGE ASSEMBLY TO APPROVE A REMEDIAL ADJUSTMENT TO THE EMPLOYER CONTRIBUTION TO THE POLICE AND FIRE RETIREES MEDICAL BENEFITS.

WHEREAS, in 1994 the Anchorage Assembly adopted AO 94-222(S-1) establishing chapter 3.87 of the Anchorage Municipal Code (AMC) providing a retiree medical funding program for police officers and firefighters; and

WHEREAS, AO 94-222(S-1) was accompanied by Assembly Memorandum 1298-94, which sought to explain the police and fire retiree medical funding program adopted by the assembly. AM 1298-94 and AO 94-222(S-1) notes that there are four classes of retirees who are subject to differing factors as follows:

Class	Retirement Age	OR	Service at Retirement	Annual Adjustment
Class 1	60 or older		25 years	75 percent of medical CPI
Class 2	55--59			50 percent of medical CPI
Class 3	50--54		20--24 years	50 percent of medical CPI, with a maximum of 6 percent
Class 4	Less than 50		0--19 years	25 percent of medical CPI, with a maximum of 3 percent

WHEREAS, AMC 3.87.050(H) establishes a special rule for retirees who are totally or permanently disabled in the line duty; and

WHEREAS, the agreement between the municipality and the police and fire retirees greatly reduced the municipal, unfunded liability for retiree medical benefits in 1995 of \$103.8 million which in today's dollars equals \$144.2 million, consequently protecting the municipality's bond rating; and

WHEREAS, the agreement modified the retiree medical system from a defined benefit plan (where the benefits of the plan are predetermined) to a defined contribution plan (where the employers contribution rate is predetermined) in 1995 with the establishment of the Police and Fire Retiree Medical Trust; and

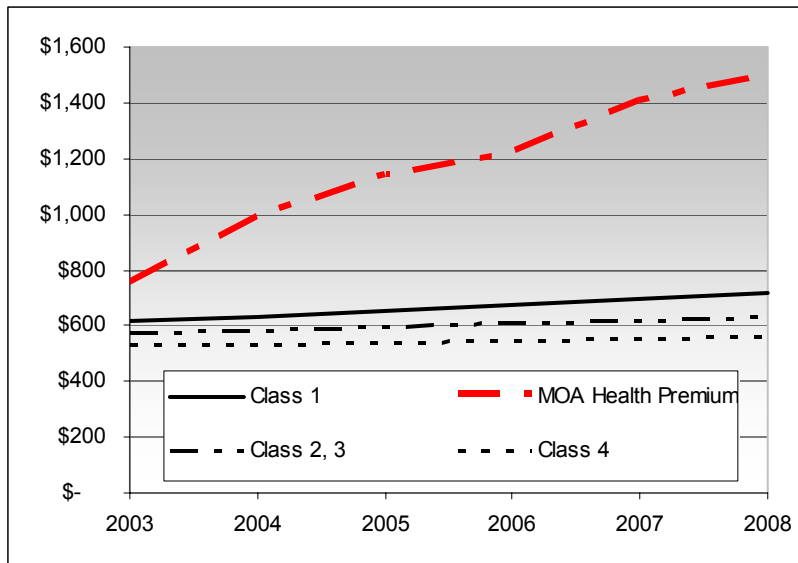
WHEREAS, once a non Public Employee Retirement System ("PERS") sworn employee retirees the municipality will pay a predetermined amount to the trust for the employees benefit; and

WHEREAS, the employee will be able to select options to use the money for reimbursement of medical expenses; and

1 WHEREAS, the system established by the agreement between the municipality and
2 the police and firefighters worked as projected until the era of escalating medical costs
3 diminished the police and fire retirees ability to purchase insurance, since the contribution by
4 the municipality for each of the police and fire retiree classes is substantially less than the
5 cost of the Municipality of Anchorage ("MOA") medical insurance premium as exhibited by the
6 following table and graph:
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CLASS	2004	2005	2006	2007	2008
Class 1	\$634	\$655	\$675	\$696	\$721
Class 2, 3	\$582	\$596	\$607	\$620	\$635
Class 4	\$534	\$540	\$546	\$551	\$558
MOA Health Premium	\$991	\$1,140	\$1,222	\$1,407	\$1,496

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WHEREAS, an internal audit report dated August 2002 states that the monthly insurance premium exceeded the cost for all four Police and Fire Retiree classes; and

WHEREAS, this report contained a recommendation from the Director of Internal Audit that action be taken to increase the contribution rate to cover the insurance premium; and

WHEREAS, to date no increase for the municipal contribution to the retirees insurance premium has been approved beyond the unreliable national medical Consumer Price Index formula contained in AMC 3.87.060(a)(4); and

1 WHEREAS, pensions are designed for protection against economic insecurity for
2 public employees and their families; and
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4 WHEREAS, a primary objective of pension and medical benefits is to induce
5 competent persons to remain in public employment; and
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7 WHEREAS, the police and firefighters who have retired under the system established
8 by AMC 3.87 have provided dedicated, loyal and heroic service to the municipality and its
9 citizens and are subject to economic insecurity due to the increase in medical premiums for
10 medical insurance; and
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12 WHEREAS, it is the opinion of the Board that the municipality has an obligation to
13 increase the insurance contribution for the police and fire retirees so they're protected from
14 economic insecurity; and
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16 WHEREAS, an increase in the municipal contribution to the insurance premium would
17 not result in an increase of the line item budget appropriation to the Police and Fire Retirees
18 Medical Trust since sufficient funds exist in AMC 3.88 to cover any increased amount the
19 assembly approves except for an appropriation of \$1,938,573 dollars to remedy the
20 diminution of benefits suffered by the retirees over the years due to the unreliable formula
21 contained in AMC 3.87.060(4) that does not reflect a realistic cost or approach to determining
22 the true cost of medical insurance premiums to retirees in the 21st century; and
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24 NOW THEREFORE BE IT RESOLVED, The Police and Fire Retiree's Medical Board
25 hereby request the assembly to approve an increase in the municipality's contribution to the
26 medical benefit for each of the classes of police and firefighter retirees as follows:
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Class 1	\$1,151
Class 2	\$877
Class 3	\$732
Class 4	\$600

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29 BE IT FURTHER RESOLVED that the Police and Fire Retiree's Medical Board
30 expresses its sincere appreciation to those dedicated police and fire retirees who have
31 selflessly served the municipality and its residents.
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33 PASSED AND APPROVED by the Police and Fire Retiree's Medical Board this
34 ___ day of _____, 2008.
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ATTEST:
