

Submitted by: Assembly Member Allan Tesche
Prepared by: Anchorage Police & Fire Medical
Trust Board
For reading: April 15, 2008

**ANCHORAGE, ALASKA
AR NO. 2008-76**

**A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY SUPPORTING THE
APPROVAL OF AN INCREASE IN 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) note that there are four classes of retirees who are subject to differing factors as follows:

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

WHEREAS, AMC 3.87.060(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 \$144.9 million, consequently protecting the Municipality's bond rating; and

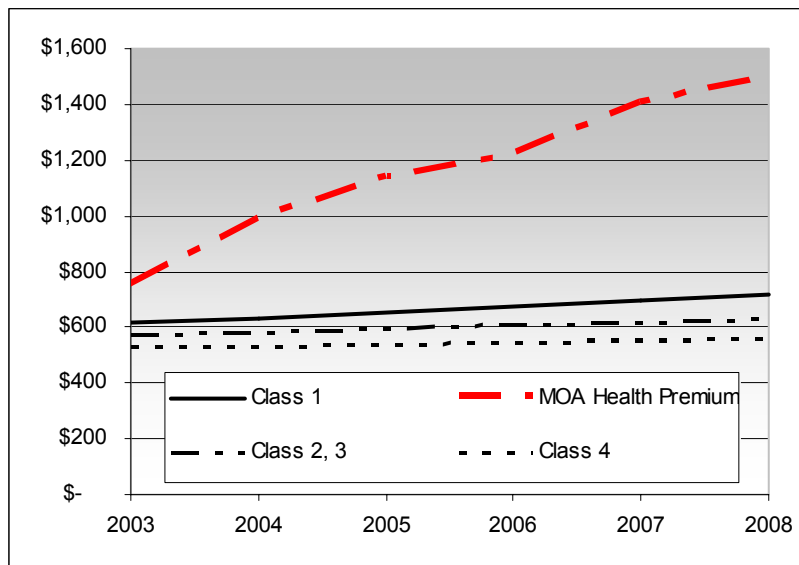
WHEREAS, the agreement modified the retiree medical system from a defined benefit plan (where the benefits of the plan are predetermined) to a defined contribution plan (where the employer's contribution rate is predetermined) in 1995 with the establishment of the Police and Fire Retiree Medical Trust;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

1 WHEREAS, once a non Public Employee Retirement System ("PERS") sworn
2 employee retires the Municipality will pay a predetermined amount to the trust for the
3 employees benefit; and
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5 WHEREAS, the employee will be able to select options to use the money for
6 reimbursement of medical expenses; and
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8 WHEREAS, the system established by the agreement between the Municipality and
9 the police and firefighters worked as projected until the era of escalating medical costs
10 diminished the police and fire retirees' ability to purchase insurance, since the contribution by
11 the Municipality for each of the police and fire retiree classes is substantially less than the
12 cost of the Municipality of Anchorage ("MOA") medical insurance premium as exhibited by the
13 following table and graph:
14

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



16 WHEREAS, an internal audit report dated August 2002 states that the monthly
17 insurance premium exceeded the cost for all four Police and Fire Retiree classes; and
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1 WHEREAS, this report contained a recommendation from the Director of Internal Audit
2 that action be taken to increase the contribution rate to cover the insurance premium; and
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4 WHEREAS, to date no increase for the municipal contribution to the retirees'
5 insurance premium has been approved beyond the unreliable national medical Consumer
6 Price Index formula contained in AMC 3.87.060(a)(4); and
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8 WHEREAS, pensions are designed for protection against economic insecurity for
9 public employees and their families; and
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11 WHEREAS, a primary objective of pension and medical benefits is to induce
12 competent persons to remain in public employment; and
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14 WHEREAS, the police and firefighters who have retired under the system established
15 by AMC 3.87 have provided dedicated, loyal, and heroic service to the Municipality and its
16 citizens, and are subject to economic insecurity due to the increase in medical premiums for
17 medical insurance; and
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19 WHEREAS, it is the opinion of the Assembly that the Municipality has an obligation to
20 increase the insurance contribution for the police and fire retirees so they're protected from
21 economic insecurity; and
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23 WHEREAS, an increase in the municipal contribution to the insurance premium would
24 not result in an increase of the line-item budget appropriation to the Police and Fire Retirees
25 Medical Trust since sufficient funds exist in AMC 3.88 to cover any increased amount the
26 assembly approves, except for an appropriation of \$1,938,573 dollars to remedy the
27 diminution of benefits suffered by the retirees over the years due to the unreliable formula
28 contained in AMC 3.87.060(4) that does not reflect a realistic cost or approach to determining
29 the true cost of medical insurance premiums for retirees
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31 NOW THEREFORE BE IT RESOLVED:
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33 The Anchorage Assembly hereby approves an increase in the Municipality's
34 contribution to the medical benefit for each of the classes of police and firefighter retirees as
35 follows:
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Class 1	\$ 1,151
Class 2	\$877
Class 3	\$732
Class 4	\$600

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BE IT FURTHER RESOLVED that the Anchorage Assembly expresses its sincere appreciation to those dedicated police and fire retirees who have selflessly served the Municipality and its residents.

PASSED AND APPROVED by the Anchorage Assembly this _____day of _____, 2008.

Chair

ATTEST:

Municipal Clerk