

CLERK'S OFFICE

APPROVED

Date: 10-7-03

Submitted by: Chairman of the Assembly  
at the Request of the Mayor  
Prepared by: The Anchorage Police & Fire  
Retirement Board  
For Reading: September 23, 2003

Anchorage, Alaska

AO No. 2003-137

AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE  
AMENDING CHAPTER 3.85, ANCHORAGE MUNICIPAL  
CODE, RELATING TO THE POLICE & FIRE  
RETIREMENT SYSTEM; PROVIDING FOR MAXIMUM  
EMPLOYEE CONTRIBUTION RATES; PROVIDING FOR  
CODIFICATION; PROVIDING AN EFFECTIVE DATE.

WHEREAS the Retirement System is comprised of three  
different pension plans (Plan I, Plan II and Plan III);

WHEREAS Plan I, from its inception has maintained a maximum  
employee contribution rate of 6%;

WHEREAS the employee contribution rate for Plan II, as  
provided by AMC 3.85, must be actuarially determined and has no  
maximum rate;

WHEREAS the employee contribution rate for Plan III may be  
set at a maximum rate by the Retirement Board every five years,  
and is, otherwise, actuarially determined;

WHEREAS the Retirement Board, due to the small number of  
remaining active employees, now seeks to establish maximum rates  
for Plan II and Plan III members, the same that currently exists  
for Plan I members;

NOW, THEREFORE, BE IT ORDAINED BY THE ASSEMBLY OF THE  
MUNICIPALITY OF ANCHORAGE:

**Section 1.** Anchorage Municipal Code section 3.85.055 is hereby amended to add a maximum contribution rate for Plan II members, as follows:

**3.85.055 Contributions for Plans I and II.**

A. During the member's participation in the plan, a member employed on or before June 30, 1977, shall contribute bi-weekly to the plan an amount not to exceed six percent of the member's bi-weekly compensation. During the member's participation in the plan, a member initially employed on or after July 1, 1977, shall contribute bi-weekly to the plan an amount not to exceed six percent of the member's bi-weekly compensation. Notwithstanding the provisions of subparagraph "E" below, the municipality shall make contributions on an actuarially determined basis generally on a municipality/member contribution ratio of 2.5 to 1. [MAKE CONTRIBUTIONS ON AN ACTUARIALLY DETERMINED MUNICIPALITY/MEMBER CONTRIBUTION RATIO OF 2.5 TO 1.] Such contributions shall not be subject to federal taxation until they are recovered from the plan in the form of benefits or refunds as permitted by Section 414(h) of the Internal Revenue Code. Member Contributions shall be made through payroll deduction and shall earn interest at the rate of not less than four percent for the first year through December 31, 1993 and thereafter, interest shall be compounded on a bi-weekly basis using the decimal fraction found by dividing the interest rate by 26. Actuarially determined municipal contributions shall be made on a pay period basis by taking the total annually required municipal contribution and dividing the total by 26.

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**Section 2.** Anchorage Municipal Code section 3.85.60 is hereby amended to add a maximum contribution rate for Plan III members, as follows:

**3.85.60 Contributions for Plan III.**

A. A member of Plan III shall contribute a portion of his or her compensation in accordance with this section. Member contributions shall not be subject to federal taxation until they are recovered from the plan in the form of benefits or refunds as permitted by Section 414(h) of the Internal Revenue Code. The member's maximum contribution rate shall be not more than 6%. [FIXED BY THE BOARD ONCE EVERY FIVE YEARS. THE BOARD MAY REDUCE OR INCREASE THE CONTRIBUTIONS OF

1 BOTH THE MUNICIPALITY AND THE MEMBER AT ANY TIME SO LONG AS  
2 THAT ACTION DOES NOT UNREASONABLY JEOPARDIZE THE ACTUARIAL  
3 INTEGRITY OF THE PLAN AND AS LONG AS THE MEMBER IS NEVER  
4 REQUIRED TO CONTRIBUTE MORE THAN THE MAXIMUM CONTRIBUTION  
5 RATE APPLICABLE AT THE TIME OF SUCH REDUCTION OR INCREASE.  
6 AT ALL TIMES, T] The contribution [RATIO] of the  
7 municipality [TO MEMBER] shall be actuarially determined and  
8 shall generally be maintained at a ratio of not less than  
9 2.5 to 1. If additional monies are necessary to ensure that  
10 Plan III is financially sound at all times, [AND THE MEMBER  
11 CONTRIBUTION RATE HAS ALREADY BEEN SET AT THE MAXIMUM,] then  
12 the municipality shall be solely responsible for  
13 contribution of such additional monies. Member Contributions  
14 shall be made through payroll deduction and shall earn  
15 interest at the rate of not less than four percent for the  
16 first year through December 31, 1993 and thereafter,  
17 interest shall be compounded on a bi-weekly basis using the  
18 decimal fraction found by dividing the interest rate by 26.  
19 Actuarially determined municipal contributions shall be made  
20 on a pay period basis by taking the total annually required  
21 municipal contribution and dividing the total by 26.  
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27 **Section 3:** This ordinance shall become effective immediately upon  
28 passage and approval by the Assembly.  
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30 PASSED AND APPROVED by the Anchorage Assembly this 7<sup>th</sup>  
31 day of October, 2003  
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34 ATTEST:

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36 Chair of the Assembly  
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38 Municipal Clerk

A0 Number: 2003-137    Title:    **AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE AMENDING CHAPTER 3.85, ANCHORAGE MUNICIPAL CODE, RELATING TO THE POLICE & FIRE RETIREMENT SYSTEM, PROVIDING FOR MAXIMUM EMPLOYEE CONTRIBUTION RATES, PROVIDING FOR CODIFICATION AND PROVIDING FOR AN EFFECTIVE DATE.**

Sponsor: Anchorage Police & Fire Retirement Board  
 Preparing Agency: Anchorage Police & Fire Retirement Board  
 Others Impacted: MOA Treasury MOA Payroll

**CHANGES IN EXPENDITURES AND REVENUES:** (in thousands)

	FY03	FY04	FY05	FY06	FY07
Operating Expenditures					
1000 Personal Services					
2000 Supplies					
3000 Other Services					
4000 Debt Service					
5000 Capital Outlay					

**TOTAL DIRECT COSTS:** (MOA Pension Contribution is reduced slightly as a result of this ordinance)

Add: 6000 Charges from Others	NA
Less: 7000 Charges to Others	NA

FUNCTION COST: NA

## REVENUES:

Revenue From Members:	892.5	892.5	892.5	892.5
Revenues from MOA:	3,818	3,818	3,818	3,818

CAPITAL: NA

POSITIONS: FT/PT and Temp. No Municipality Personnel Cost Impact

**PUBLIC SECTOR ECONOMIC EFFECTS:** Revenue from members will come directly from payroll distributions. Revenue from the Municipality will come from General Government funds. The amounts in future years are subject to change based on the annual actuarial valuation.

PRIVATE SECTOR ECONOMIC EFFECTS: NA

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# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY MEMORANDUM

NO. AM 761-2003

**Meeting Date:** September 23, 2003

**From:** Mayor Mark Begich and the Anchorage Police & Fire Retirement Board

**Subject:** AO 2003-137, An Ordinance of the Municipality of Anchorage Amending Chapter 3.85, Anchorage Municipal Code, Relating to the Police & Fire Retirement System, Providing for Maximum Employee Contribution Rates, Providing for Codification and Providing an Effective Date.

The purpose of this memorandum is to request Assembly approval of an amending ordinance for Chapter 3.85, the Anchorage Police & Fire Retirement System. As the Administration and the Assembly members know, due to poor equity and bond market performance over the last three years, contributions to the Retirement System will again be necessary beginning January 1, 2004. For fourteen, twelve and ten years, no contributions have been required for Plan I, Plan II and Plan III, respectively. The Actuarial Valuation Report for January 1, 2003 performed by the Retirement Board's consulting actuary, Milliman USA, shows the contribution calculations for the three plans. Copies of that report were distributed to each Assembly member and, additionally, a special briefing was provided at an Assembly Work Session on June 6, 2003.

When the Valuation Report was initially completed and presented to the Board, the requirements for member contributions were 6% for Plan I (set at a maximum by AMC 3.85), 11.86 % for Plan II and 7.72% for Plan III (the AMC currently requires that the rates for Plans II and III be "actuarially determined". In the 1980's and early 1990's, contributions were determined, in part, by the "working years" remaining for active members. However, now that there are only a few active members remaining in Plans I and II and most members are eligible to retire, calculating contributions and amortizing over longer periods is not feasible.

The announcement of the contribution rates provoked an immediate and extreme reaction from the remaining active Plan II members, and, to a lesser extent, from some Plan III members. The Board decided to reconsider, both the contribution rates and the amortization periods which affect municipal contributions, as well. In deciding to ask Assembly approval for the establishment of maximum contribution rates of 6% for Plans II and III (the same as for Plan I currently), the Board, under its exclusive administration authority granted by the AMC also amended the amortization period to be used from 10 years, 10 years and 15 years (for Plans I, II and III, respectively) to 15 years for all three Plans.

While the member contribution rate changes reduce the annual members' contribution requirement, the change to the amortization schedule also reduces the municipal contribution

1 requirement for all of the years used in the amortization period. Attached to this Assembly  
2 Memorandum is a letter prepared by the Board's Actuary that shows the difference in  
3 contributions in comparison to the initial Valuation results and the changes in the Ordinance and  
4 the amortization schedules.

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6 The request for the change to maximum rates addresses member concerns and the Board actuarial  
7 methodology change addresses the current and the future municipal contributions. While paying  
8 contributions is certainly an issue for both the members and the municipality, the most important  
9 addition to trusts assets will be improved investment earnings. Future years' gains will be used  
10 to offset and, hopefully, negate contributions by either party in the near future. Your approval is  
11 sincerely appreciated.

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14 Submitted By:

Concur:

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18 Mark Begich  
19 Mayor

John M. Gentile  
Chair, Police & Fire Retirement Board

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21  
22 Concur:

Prepared by:

23  
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25 Denis LeBlanc  
26 Municipal Manager

Charles M. Laird  
Director



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July 7, 2003

Mr. Charles M. Laird, Director  
Anchorage Police and Fire Retirement System  
3650A E. Tudor Rd.  
P.O. Box 196650  
Anchorage, AK 99519-6650

**Re: Follow-up to Meeting of July 1, 2003**

Dear Chuck:

Based on the discussions at the last Retirement Board meeting, we have prepared a financial summary of the three contribution alternatives that have been discussed. The first was adopted in May, and other two were considered last week.

The key parameters of the proposals are as follows:

- ◆ **Amortization Period:** The Retirement Board considered whether the Unfunded Liabilities of Plans I and II should be amortized over a period of 10 or 15 years.
- ◆ **Member Contributions:** The members' contribution is calculated as a percentage of pay. The most recent alternatives cap member contributions at 6% of pay, which would require approval from the Assembly.
- ◆ **Municipal Contributions:** The Municipality's contributions are set as a fixed dollar amount equal to the total contribution less the expected member contributions. Once the Municipal contribution is calculated, it is not adjusted. In other words, even if the Member contributions are less than expected during 2004, the dollar amount of the Municipality's contributions will not change for 2004.

If you have any questions or need additional information prior to the next Retirement Board meeting, please let me know.

Sincerely,

Mark O. Johnson, F.S.A.  
Principal and Consulting Actuary

MOJ:j apf:l:032001

**Anchorage Police and Fire Retirement System**  
**Actuarial Valuation as of January 1, 2003**  
**Summary of 2004 Contribution Rate Alternatives**

	Plan I	Plan II	Plan III	Municipal Total
<b>Alternative 1</b>				
Amortization Period	10	10	15	
Member Contribution Rate	6.00%	11.86%	7.72%	
Total 2004 Contribution	\$1,023,690	\$ 855,570	\$3,237,370	
Expected Member Contributions	<u>(50,717)</u>	<u>(244,400)</u>	<u>(924,048)</u>	
2004 Municipal Contribution	\$ 972,973	\$ 611,170	\$2,313,322	\$3,897,465
<b>Alternative 2</b>				
Amortization Period	10	10	15	
Member Contribution Rate	6.00%	6.00%	6.00%	
Total 2004 Contribution	\$1,023,690	\$ 855,570	\$3,237,370	
Expected Member Contributions	<u>(50,717)</u>	<u>(123,642)</u>	<u>(718,172)</u>	
2004 Municipal Contribution	\$ 972,973	\$ 731,928	\$2,519,198	\$4,224,099
<b>Alternative 3</b>				
Amortization Period	15	15	15	
Member Contribution Rate	6.00%	6.00%	6.00%	
Total 2004 Contribution	\$ 802,507	\$ 670,712	\$3,237,370	
Expected Member Contributions	<u>(50,717)</u>	<u>(123,642)</u>	<u>(718,172)</u>	
2004 Municipal Contribution	\$ 751,790	\$ 547,070	\$2,519,198	\$3,818,058

**Note:**

- ♦ Alternative 1 was adopted by the Retirement Board on May 15, 2003. Based on this action, the Actuary's Report was completed on May 21, 2003.
- ♦ Alternative 2 was adopted by the Retirement Board on July 1, 2003 as a proposal to the Assembly. The Retirement Board does not have the authority to limit the member contribution rate for Plan II.
- ♦ Alternative 3 was under consideration by the Retirement Board on July 1, 2003.



**Content Information****Content ID :** 001056

**Title:** An ordinance amending chapter 3.85, Anchorage Municipal Code, relating to the Police and Fire Retirement System; providing for maximum employee contribution rates; providing for codification; providing an effective date.

**Initiating Dept:** MMStaff**Date Prepared:** 8/14/03 2:28 PM**Director Name:** Denis LeBlanc**Document Number:** AO 2003-137

**Assembly Meeting Date**  
**MM/DD/YY:** 9/23/03 12:00 AM

**Public Hearing Date**  
**MM/DD/YY:** 10/7/03 12:00 AM

**Workflow History**

<u>Workflow Name</u>	<u>Action Date</u>	<u>Action</u>	<u>User</u>	<u>Security Group</u>	<u>Content ID</u>
AllOrdinanceWorkflow	8/14/03 2:35 PM	Checkin	katkusja	Public	001056
AllOrdinanceWorkflow	8/14/03 2:51 PM	Reject	katkusja	Public	001056
AllOrdinanceWorkflow	8/14/03 2:56 PM	Checkin	katkusja	Public	001056
AllOrdinanceWorkflow	8/15/03 8:10 AM	Reject	katkusja	Public	001056
AllOrdinanceWorkflow	8/15/03 8:12 AM	Checkin	katkusja	Public	001056
MMStaff_SubWorkflow	8/27/03 11:36 AM	Approve	katkusja	Public	001056
AllOrdinanceWorkflow	8/29/03 9:18 AM	Reject	wiltsep	Public	001056
AllOrdinanceWorkflow	9/2/03 2:17 PM	Checkin	katkusja	Public	001056
MMStaff_SubWorkflow	9/2/03 2:18 PM	Approve	katkusja	Public	001056
AllOrdinanceWorkflow	9/2/03 4:22 PM	Reject	foutzrs	Public	001056
AllOrdinanceWorkflow	9/4/03 10:04 AM	Checkin	katkusja	Public	001056
MMStaff_SubWorkflow	9/4/03 10:04 AM	Approve	katkusja	Public	001056
OMB_SubWorkflow	9/17/03 5:42 PM	Approve	wiltsep	Public	001056
AllOrdinanceWorkflow	9/18/03 4:33 PM	Reject	fehlenrl	Public	001056
AllOrdinanceWorkflow	9/19/03	Checkin	katkusja	Public	001056

2003 SEP 22 PM 12:25  
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 H.O.A.

	8:17 AM				
AllOrdinanceWorkflow	9/19/03 8:33 AM	Checkin	katkusja	Public	001056
MMStaff_SubWorkflow	9/19/03 8:33 AM	Approve	katkusja	Public	001056
OMB_SubWorkflow	9/22/03 8:33 AM	Approve	wiltsep	Public	001056
Legal_SubWorkflow	9/22/03 8:57 AM	Approve	fehlenrl	Public	001056
MuniManager_SubWorkflow	9/22/03 11:39 AM	Approve	leblancdc	Public	001056
MuniMgrCoord_SubWorkflow	9/22/03 11:39 AM	Approve	katkusja	Public	001056

***ADDENDUM – INTRODUCTION***