

SECURE THE FUTURE FOR ALASKA'S FAMILIES

KNOW THE FACTS



'These are tough jobs. And it's getting harder and harder to find good people to fill them.'

- Jeff Briggs

Anchorage senior fire captain



'We'd like to spend our careers teaching in Alaska. But Alaska teachers don't get Social Security. Without Social Security and with only a defined contribution plan from the state, we're not sure we can afford to stay here.'

- Jeff & Pepper Thiede

Mat-Su teachers



'It costs thousands of dollars to train new law enforcement recruits. Then in a few years, when the romance of Alaska wears off, they head back down to the Lower 48. Without a defined benefit retirement plan, there's no incentive for them to stay in Alaska.'

- Bob Claus

Alaska State Trooper (Ret.)



'It's important to be able to recruit and keep good employees to serve the residents of our Pioneer Homes. A decent retirement and pension program should be available to all current and future employees.'

- Cassandra Lynch

Pioneer Home certified nurse aide II



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ALASKAN PUBLIC PENSION COALITION

WHAT'S THE ISSUE?

Alaska's newly hired firefighters, police officers, teachers, and other state and municipal employees won't have affordable health care or a pension when they retire. Three years ago the legislature dismantled the state's retirement system. With today's less attractive retirement package, it's likely that these dedicated professionals will outlive their retirement savings.

WHAT DOES THIS MEAN FOR YOU?

Alaska's police officers, firefighters, teachers, and other public employees help keep Alaska strong and provide needed services to Alaskans. Our police and firefighters keep us safe. Our teachers educate our children to become leaders of tomorrow. Our state and municipal employees build roads, plow our streets and keep Alaska's environment and fisheries healthy. But if we cannot attract and retain the best teachers, police officers, firefighters and other professionals, Alaska loses out to other states and other employers.

HOW DID WE GET INTO THIS MESS?

In May 2005 the Alaska Legislature tore apart the public employee retirement system, which had helped build Alaska. Incomplete information from the state's actuaries resulted in hasty and short-sighted action.

- Overnight, Alaska went from having one of the best public retirement systems in the country to having the absolute worst.
- Alaska downgraded its public employee retirement from a *defined benefit* pension system to a *defined contribution* plan.

What's the difference between the two?

- A *defined benefit* pension system provides monthly pension checks, a predictable, stable income that retirees cannot outlive.
- A *defined contribution* plan is similar to a 401(k) savings account:
 - No established monthly pension.
 - Nothing else to fall back on when “savings account” is depleted.

NO SOCIAL SECURITY SAFETY NET

Decades ago the State of Alaska pulled out of the Social Security system by agreeing to have a comparable traditional pension system for public employees. That traditional pension has been destroyed, and most newly hired Alaska public employees will receive no Social Security and have no comparable safety net for retirement. The story gets worse:

- Defined contribution, *401(k)-type plans don't offer adequate retirement income.*
 - Under the prior, defined benefit system, pensions were modest – averaging \$2,600/month for teachers; \$1,600 for other public employees [*Alaska Division of Retirement and Benefits, December 2007*]. Experts tell us that under the new plan, monthly income would average about half of that.
 - A national study [*Wharton School of Business 2004*] showed that more than 2/3 of employees with 401(k)-type plans cashed out their account when they changed jobs, leaving them with little or no savings for retirement. Those who managed to keep their accounts would have less than \$400/month over their retirement. However, most of them had Social Security to fall back on. Most of Alaska's public employees are not covered under Social Security.
- Under the new 401 (k)-type plan, there are no post-retirement pension adjustments to help keep up with the cost of living. This loss of inflation-indexing results in a loss of buying power of up to 40% over time.

NO ADEQUATE MEDICAL COVERAGE – IF ANY AT ALL

Just when Alaskans are growing older and need it the most.

- State's new medical plan is expensive and difficult to access.
- Retirees must retire *directly* from public service to access any medical benefits. Many older employees may not be able to work long enough in demanding jobs to reach retirement.
- Regardless of length of service, retirees must pay full health insurance premiums until they are eligible for Medicare – and a substantial portion of the premiums even afterwards.
- Health reimbursement accounts (HRA) are quickly drained after retirement.
- State may change or terminate retiree medical plan at any time.

WHO WILL KEEP US SAFE? WHO WILL TEACH OUR CHILDREN?

Alaska is no longer competitive in the marketplace for quality public employees.

- Because Alaska no longer offers a secure retirement, we're seeing high turnover in critical positions and too many job vacancies: 40% in public safety alone.
- This brain drain means high recruitment and training costs and loss in productivity. The U.S. Dept. of Labor recently estimated the cost of training a new employee amounts to more than 1/3 of that employee's annual salary.
- Alaska is becoming a training ground for other employers and other states.
- A portability provision in the new retirement plan actually encourages trained, experienced public employees to leave. After new employees work in Alaska for five years, they can head back to the Lower 48 and take with them not only their own retirement contributions, but all of the state's or school district's contributions as well.

POSITIVE IMPACTS OF RETIREES ON ALASKA'S ECONOMY*

With an expensive and often unusable health plan, little or no Social Security, and a rapidly emptying 401(k)-type retirement plan, many retirees will be forced to leave Alaska for a less expensive environment. Their exodus will undermine the state's economy:

- Alaska retirees infuse \$1.46 BILLION into our economy each year.
- The \$1.46 billion infusion is roughly 10 times the total cost of state programs targeting seniors.
[Alaska Commission on Aging, 5-07]
- These expenditures generate 11,700 JOBS throughout Alaska, because most of retirees' money is spent locally.
- This money sustains year-round jobs, because the spending isn't seasonal.
- Retiree income diversifies and stabilizes the economy and broadens the state tax base.
- Retirees also provide volunteer work estimated at \$13-\$52 million annually and care giving valued at \$47 million.
- Without a secure retirement, retirees will leave Alaska in increasing numbers, costing Alaskans jobs and damaging the economy.

* University of Alaska Institute of Social & Economic Research (Sept. 2006)

DOES ALASKA SAVE MONEY WITH THE NEW, DEFINED CONTRIBUTION RETIREMENT PLAN?

No. Research conducted by the state's own retirement consultants indicates that there is *no overall cost savings* in moving from the previous traditional pension system to the new retirement plan. An analysis by Buck Consultants *[February 2008 for the Division of Retirement and Benefits]* showed that the former traditional pension system for teachers costs 3% less than the new retirement plan. The former traditional pension system for other public employees costs slightly more (3/4 of a percent) than the new, inferior retirement plan.

Also, 65-70% of money to fund the pensions is generated from return on investments in the pension funds. And public employees, throughout their career, contribute part of every paycheck to their own retirement. So the state pays a relatively small percentage of the overall costs of providing a secure retirement for thousands of its employees.

ALASKA PUBLIC PENSION COALITION MEMBERS

- NEA-Alaska
- Anchorage Police Department Employees Association
- Alaska State Employees Association/American Federation of State, County and Municipal Employees, Local 52 (ASEA/AFSCME)
- Alaska Public Employees Association/American Federation of Teachers (APEA/AFT)
- AFL-CIO
- International Brotherhood of Electrical Workers, Local 1547 (IBEW)
- National Public Pension Coalition
- Anchorage Fire Fighters Union, Local 1264
- Alaska Professional Fire Fighters Association
- Alaska Retired Educators Association
- Anchorage Education Association
- Public Safety Employees Association/American Federation of State, County and Municipal Employees, Local 803 (PSEA/AFSCME)
- AARP Alaska
- Public Employees, Local 71
- NEA-Alaska/Retired
- Retired Public Employees of Alaska
- Teamsters, Local 959
- Alaska Center for Public Policy

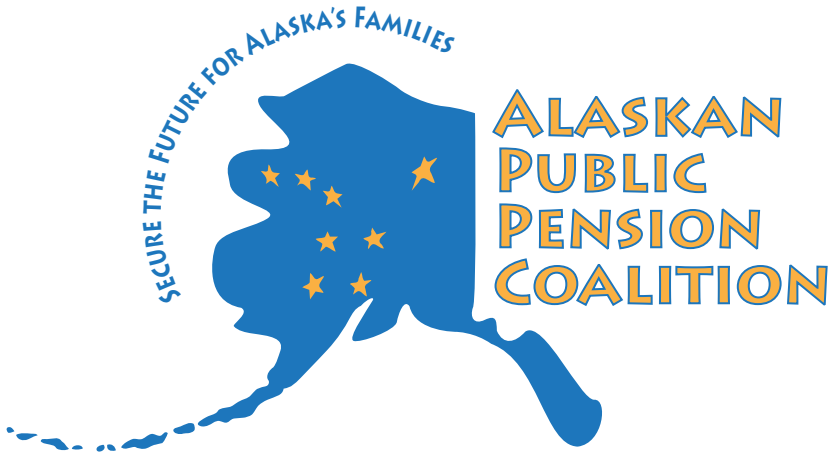


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Secure Alaska's Future Campaign
4100 Spenard Road
Anchorage, Alaska 99517

HOW CAN YOU HELP KEEP ALASKA STRONG?

Join with your friends and neighbors throughout Alaska to support leaders who pledge to restore a secure retirement system for Alaska's public employees. This fall, use your vote to deliver the message that we must keep Alaska strong by attracting and retaining the best and the brightest public employees.



WWW.SECUREALASKASFUTURE.ORG

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Signature _____

Name _____

Address _____

City, State, Zip _____

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Please keep in touch by email about the Secure Alaska's Future Campaign.



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ALASKAN PUBLIC PENSION COALITION

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