

ALASKA STATE LEGISLATURE

SENATE RULES COMMITTEE

May 8, 2001

12:41 p.m.

DRAFT

MEMBERS PRESENT

Senator Drue Pearce, Chair
Senator John Cowdery, Vice Chair
Senator Randy Phillips
Senator Gene Therriault
Senator Johnny Ellis

MEMBERS ABSENT

All Members Present

COMMITTEE CALENDAR

CS FOR HOUSE BILL NO. 198(RLS)(efd add)

"An Act relating to a post-retirement pension adjustment for certain persons receiving benefits under the Elected Public Officers Retirement System, and establishing and relating to a Compensation Commission for State Officials; and providing for an effective date."

APPROVED FOR CALENDARING

EXTENSION OF PATRICK COUGHLIN'S CONTRACT

PREVIOUS COMMITTEE ACTION

HB 198 - See Finance Report dated 5/6/01.

WITNESS REGISTER

Ms. Melanie Lesh
Aide to Representative Hudson
Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Testified for the sponsor of HB 198.

Mr. Guy Bell, Director
Division of Retirement and Benefits
Department of Administration
PO Box 110200
Juneau, AK 99811-0200

POSITION STATEMENT: Answered questions about HB 198.

Senator John Torgerson
Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Answered questions about the contract extension for Patrick Coughlin.

ACTION NARRATIVE

TAPE 01-12, SIDE A
Number 001

CHAIRMAN DRUE PEARCE called the Senate Rules Committee meeting to order at 12:41 p.m. All members were present.

#HB 198

HB 198-PUB OFFICERS RETIREM'T COLA/COMPENSATION

MS. MELANIE LESH, aide to Representative Bill Hudson, sponsor of HB 198, informed the committee that HB 198 received a hearing in the Senate Finance Committee the previous morning and that she and Guy Bell were available to answer questions.

SENATOR THERRIAULT asked for an explanation of the problem.

MS. LESH explained the Elected Public Officers Retirement System (EPORS), unlike the Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS), was not designed to include a cost of living adjustment. PERS and TRS retirees receive an annual adjustment of 75 percent of the change in the cost of living. HB 198 would provide a cost of living adjustment for EPORS members but includes only those members who have been retired for over 10 years and have had no change to their retirement benefits in that time. Legislative members of EPORS are excluded because changes have been made to office allowances and to the salary.

SENATOR COWDERY asked what source of funding will be used and whether it will cost the retirees anything.

MS. LESH replied the retirees contributed to EPORS at 7 percent.

SENATOR COWDERY asked if the retirees will contribute more at this time to receive an added benefit.

MS. LESH said she does not believe so.

MR. GUY BELL, Director of Retirement and Benefits, said that a person no longer contributes to the system once retired.

SENATOR PHILLIPS asked if EPORS was repealed by the voters.

MS. LESH said it was but it was reinstated by the court for those members who were participating. She explained that no new participants will be added but a cost of living benefit will be added from this time forward. Representative Hudson believes an inequity exists for governors and lieutenant governors because a conflict exists in statute regarding the governor's salary. One provision ties the salary to a range and step but another provision sets the amount, which has taken precedence. That salary has been \$83,000 since 1983. Representative Hudson believes that could not have been foreseen by the members of EPORS when they made the decision to stay with that system.

CHAIRWOMAN PEARCE asked if this bill applies to former governors and lieutenant governors only.

MS. LESH said it is also for their surviving spouses.

CHAIRWOMAN PEARCE asked how many people this bill will apply to.

MR. BELL said the bill and fiscal note apply to three people; one former governor, one former lieutenant governor, and one surviving spouse of a lieutenant governor.

SENATOR PHILLIPS asked how many retirees are in the potential pool.

MR. BELL said the potential pool contains one other governor who receives a retirement benefit from EPORS but that person will not be eligible under the ten year provision for another seven years. This bill only applies to those whose salaries are effectively fixed in statute, which includes governors and lieutenant governors only.

SENATOR COWDERY asked the average amount those retirees receive now.

MR. BELL said he does not know the average but those retirement benefits vary from very small to several thousand dollars per month. He noted the division considers the amounts to be personal so does not disclose detailed information.

MS. LESH said the EPORS benefit depends on the number of years of state service. The amount is based on 5 percent per year of service up to a maximum of 75 percent of the salary from which the person retired.

SENATOR COWDERY asked if the bill applies to three people.

MS. LESH said there are currently three retirees and the next person will not be eligible for seven years.

CHAIRWOMAN PEARCE asked why HB 198 is not considered special legislation.

MS. LESH said Representative Hudson's original version of the bill included a salary increase for the governor to \$110,000 but it was amended twice in the House and that increase was removed. She noted that increasing the governor's salary itself would resolve the problem but this approach resolves the problem as well without the political controversy of raising the governor's salary. Representative Hudson allowed the removal of that provision and then tried to broaden yet narrow the bill to individuals who had received no increases in over ten years and who have been retired and receiving benefits for ten years.

SENATOR PHILLIPS asked what other category of civil service employees the same five percent calculation applies to.

MR. BELL said this legislation parallels the judicial retirement system. A judge accrues 5 percent per year up to a maximum of 75 percent.

SENATOR COWDERY asked how many salary increases legislators have received during the same period.

MS. LESH answered legislators salary changes are included in the back up information. They have received increases several times. Legislators are also excluded from the purview of this legislation because of the office allowance increases. Representative Hudson wished to limit the fiscal impact of this legislation so it is focused on the most extreme cases.

SENATOR COWDERY noted that he spends more than his office allowance provides so he does not consider it to be a benefit. He noted that he cannot support this legislation.

CHAIRWOMAN PEARCE asked for a motion to calendar HB 198.

SENATOR THERRIault asked if the Legislative Council will absorb the costs.

MS. LESH said that section was added in the House Rules Committee. The Legislative Council agreed it could absorb that cost.

CHAIRWOMAN PEARCE clarified that the fiscal note has been adopted into CCSHB 103.

The committee took a brief at-ease.

SENATOR THERRIAULT moved to calendar HB 198. There being no objection, the motion carried.

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CHAIRWOMAN PEARCE noted a contract to extend the hire of Patrick Coughlin as the project director of the Joint Pipeline Committee was before the committee. The Joint Pipeline Committee will cease to function after January 14, 2002 because it is established to do interim work, but Mr. Coughlin's contract extension will continue until the end of the next legislative session.

SENATOR COWDERY asked why do an extension rather than a new contract.

CHAIRWOMAN PEARCE explained that Mr. Coughlin's current contract expires on July 15, 2001 and pointed out that rather than enter into new contracts, most contracts are extended.

SENATOR COWDERY asked if Mr. Coughlin was employed by the Joint Committee on Mergers.

CHAIRWOMAN PEARCE said he was not, he was an oil and gas specialist at the Department of Natural Resources.

SENATOR THERRIAULT moved to approve Mr. Coughlin's contract extension through the end of next session.

SENATOR PHILLIPS expressed concern about the cost.

SENATOR JOHN TORGERSON, Chairman of the Senate Resources Committee, said the cost of an expert is high and that the legislature has paid more for attorney fees. He noted this contract is different because the amount will be paid in advance.

SENATOR COWDERY asked if the legislature is paying a retainer.

SENATOR TORGERSON explained that Mr. Coughlin will be paid \$20,000 per month during session, otherwise he will be paid an hourly fee.

SENATOR COWDERY asked what Mr. Coughlin will do.

SENATOR TORGERSON said he will advise the committee on pipeline issues and tax structure.

SENATOR COWDERY asked if Mr. Coughlin will also work on the permit process and the Economic Limit Factor.

SENATOR TORGERSON said he will, and that Mr. Coughlin does excellent work.

SENATOR COWDERY asked how billings for Mr. Coughlin's work over the allotted amount will be handled.

SENATOR TORGERSON explained the Legislative Council will review that matter.

CHAIRWOMAN PEARCE added that the Legislative Council has dealt with that experience with a number of contracts in the past.

SENATOR RICK HALFORD asked if Mr. Coughlin will be paid from legislative session expenses.

CHAIRWOMAN PEARCE said she did not know but when the legislature returns to Juneau for the next session, if more money is needed, the change will be made then.

SENATOR THERRIAULT asked if Mr. Coughlin will work out of Juneau.

SENATOR TORGERSON said he will be based in Anchorage.

SENATOR THERRIAULT questioned what will take place if the committee is dissatisfied with Mr. Coughlin's work.

SENATOR TORGERSON answered Mr. Coughlin's contract contains standard termination language.

CHAIRWOMAN PEARCE announced that, with no objection, Mr. Coughlin's contract was approved. She then recessed the meeting to a call of the Chair at 1:05 p.m.