

**ALASKA STATE LEGISLATURE  
HOUSE STATE AFFAIRS STANDING COMMITTEE**

April 14, 2004

8:05 a.m.

**MEMBERS PRESENT**

Representative Bruce Weyhrauch, Chair  
Representative Jim Holm, Vice Chair  
Representative John Coghill  
Representative Bob Lynn  
Representative Paul Seaton  
Representative Max Gruenberg

**MEMBERS ABSENT**

Representative Ethan Berkowitz

**COMMITTEE CALENDAR**

OVERVIEW OF PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) AND  
TEACHERS RETIREMENT SYSTEM (TRS)

**TAPES**

04-61, SIDE(S) A & B

**CHAIR BRUCE WEYHRAUCH** convened the meeting of the House State Affairs Standing Committee at 8:05 a.m.

**SUMMARY OF INFORMATION**

CHAIR WEYHRAUCH related his concerns regarding adequate funding of the Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS).

MELANIE MILLHORN, Director, Division of Retirement and Benefits, presented a report to the committee based on the following: 1) what is the funding status of PERS and TRS today; 2) why [the state] is where it is today; 3) a projection and information on where the state will go on this issue in the future. Discussion was held regarding the effects of the "Bull" and "Bear" [stock] markets on the retirement systems. Ms. Millhorn stated under funded retirement systems are a national issue.

ANSELM STAACK, Chief Financial Officer, Division of Retirement and Benefits, spoke to the earning and investment criteria used

by the division. He answered inquiries by Chair Weyhrauch, Representatives Seaton and Holm regarding funding the benefits. Mr. Staack, in response to Representative Seaton, confirmed that the medical amounts included the actuarial for the people turning 65 and going on Medicare. Mr. Staack explained the state is under a constitutional requirement to pay whatever benefits have already been agreed upon. Rep. Weyhrauch asked if the two-year time difference is a matter of policy or a matter of pragmatic application. Mr. Staack responded that it is a matter of practicality.

BOB REYNOLDS, Mercer Human Resource Consulting, spoke to his company's working relationship with the retirement systems. He explained that health trend assumptions are utilized based on information available at the time and are intended to apply over the longer term. Trends indicate that assumptions may need to be adjusted.

MS. MILLHORN responded to comments from Representative Holm regarding possible over utilization of the system by people who have no idea of the actual costs of the services rendered by clinics, hospitals, and doctors. She explained that the division does have a healthcare subcommittee that meets regularly to find ways to decrease the costs to the system and work on employee awareness regarding cutting costs to the system.

CHARLIE ARTEAGA, Chair, TRS Board, told of the board exploring cost containment options with respect to the medical portion in attempts to make some reductions. Double digit inflation and the poor market return have heavily influenced costs to the system.

GEORGE SULLIVAN, Chair, PERS Board, spoke briefly about the board and the present under funding situation.

KEVIN RITCHIE, Executive Director, Alaska Municipal League, testified on the impact of the under funded retirement systems to municipalities and school districts. He said that the school districts, municipalities, and the university system are also meeting to try and look at the structural issues to see if there's any way they can help. He reviewed the projected mil rates in various areas of the state over the next several years to address this issue. Mr. Ritchie responded to Representative Holm's comments regarding the fact that the municipalities and school districts, are themselves, responsible for the under funding and now they want the state to fix the problem. He

reminded the members of bills presently in the process that will alleviate some of this crisis.

CHAIR WEYHRAUCH commented on the bills referred to and the need for absolute clarity of the testimony on the impact of the legislation. He asked Mr. Ritchie for [conceptual] language that would require certain elements to be met before the under funding could be addressed. Chair Weyhrauch related his interest in drafting legislation that would address this issue from a policy view.

REPRESENTATIVE LYNN encouraged cooperation in solving the problems with the under funding of PERS and TRS, which he considered to be a very serious issue.

MS. MILLHORN spoke about various bills introduced during the Twenty-Third Alaska State Legislature, which have an impact on the retirement system. She mentioned another state that had taken the initiative to write letters to its Senate President, House Speaker, and governor asking that they delay action on any bills that would affect the retirement system. Chair Weyhrauch stated that at least half of the bills Ms. Millhorn referred to came through the House State Affairs Standing Committee and had the committee been advised, prior to taking action, of the impact the legislation would have on the retirement system there would [most likely] have been a different outcome.

#### **ANNOUNCEMENTS**

There were no announcements.

#### **COMMITTEE ACTION**

The committee took no action.

#### **ADJOURNMENT**

CHAIR WEYHRAUCH adjourned the meeting at 9:45 a.m.

NOTE: The meeting was recorded and handwritten log notes were taken. A copy of the tape(s) and log notes may be obtained by contacting the House Records Office at State Capitol, Room 3, Juneau, Alaska 99801 (mailing address), (907) 465-2214, and after adjournment of the second session of the Twenty-Third Alaska State Legislature this information may be obtained by contacting the Legislative Reference Library at (907) 465-3808.