

ALASKA STATE LEGISLATURE
2D FREE CONFERENCE COMMITTEE ON SB 141

May 20, 2005

4:39 p.m.

MEMBERS PRESENT

Senator Gary Stevens, Chair
Senator Ben Stevens
Senator Gretchen Guess

Representative Jay Ramras, Chair
Representative Jim Elkins
Representative Ethan Berkowitz

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CS FOR SENATE BILL NO. 141(FIN)

"An Act relating to the teachers' and public employees' retirement systems and creating defined contribution and health reimbursement plans for members of the teachers' retirement system and the public employees' retirement system who are first hired after July 1, 2005; relating to university retirement programs; establishing the Alaska Retirement Management Board to replace the Alaska State Pension Investment Board, the Alaska Teachers' Retirement Board, and the Public Employees' Retirement Board; adding appeals of the decisions of the administrator of the teachers' and public employees' retirement systems to the jurisdiction of the office of administrative hearings; providing for nonvested members of the teachers' retirement system defined benefit plans to transfer into the teachers' retirement system defined contribution plan and for nonvested members of the public employees' retirement system defined benefit plans to transfer into the public employees' retirement system defined contribution plan; providing for political subdivisions and public organizations to request to participate in the public employees' defined contribution retirement plan; and providing for an effective date."

MOVED 2d FCCS SB 141 OUT OF COMMITTEE

HOUSE CS FOR CS FOR SENATE BILL NO. 141(FIN) am H

"An Act relating to the teachers' and public employees' retirement systems and creating defined contribution and health

reimbursement plans for members of the teachers' retirement system and the public employees' retirement system who are first hired after July 1, 2005; relating to university retirement programs; establishing the Alaska Retirement Management Board to replace the Alaska State Pension Investment Board, the Alaska Teachers' Retirement Board, and the Public Employees' Retirement Board; adding appeals of the decisions of the administrator of the teachers' and public employees' retirement systems to the jurisdiction of the office of administrative hearings; providing for nonvested members of the teachers' retirement system defined benefit plans to transfer into the teachers' retirement system defined contribution plan and for nonvested members of the public employees' retirement system defined benefit plans to transfer into the public employees' retirement system defined contribution plan; providing for political subdivisions and public organizations to request to participate in the public employees' defined contribution retirement plan; and providing for an effective date."

MOVED 2d FCCS SB 141 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 141

SHORT TITLE: PUBLIC EMPLOYEE/TEACHER RETIREMENT/BOARDS

SPONSOR(s): FINANCE

03/14/05	(S)	READ THE FIRST TIME - REFERRALS
03/14/05	(S)	FIN
03/16/05	(S)	FIN AT 9:00 AM SENATE FINANCE 532
03/16/05	(S)	Heard & Held
03/16/05	(S)	MINUTE(FIN)
03/17/05	(S)	FIN AT 9:00 AM SENATE FINANCE 532
03/17/05	(S)	Heard & Held
03/17/05	(S)	MINUTE(FIN)
03/21/05	(S)	FIN AT 9:00 AM SENATE FINANCE 532
03/21/05	(S)	Heard & Held
03/21/05	(S)	MINUTE(FIN)
03/22/05	(S)	FIN AT 9:00 AM SENATE FINANCE 532
03/22/05	(S)	Heard & Held
03/22/05	(S)	MINUTE(FIN)
03/23/05	(S)	FIN AT 9:00 AM SENATE FINANCE 532
03/23/05	(S)	Heard & Held
03/23/05	(S)	MINUTE(FIN)
03/29/05	(S)	FIN AT 4:30 PM SENATE FINANCE 532
03/29/05	(S)	Heard & Held
03/29/05	(S)	MINUTE(FIN)
03/30/05	(H)	FIN AT 9:00 AM HOUSE FINANCE 519

03/30/05 (S) Heard & Held
 03/30/05 (S) MINUTE(FIN)
 03/31/05 (H) FIN AT 9:00 AM HOUSE FINANCE 519
 03/31/05 (S) Heard & Held
 03/31/05 (S) MINUTE(FIN)
 04/01/05 (H) FIN AT 9:00 AM HOUSE FINANCE 519
 04/01/05 (S) Heard & Held
 04/01/05 (S) MINUTE(FIN)
 04/02/05 (S) FIN AT 10:00 AM SENATE FINANCE 532
 04/02/05 (S) Heard & Held
 04/02/05 (S) MINUTE(FIN)
 04/03/05 (S) FIN AT 10:00 AM SENATE FINANCE 532
 04/03/05 (S) Heard & Held
 04/03/05 (S) MINUTE(FIN)
 04/04/05 (S) FIN AT 9:00 AM SENATE FINANCE 532
 04/04/05 (S) Scheduled But Not Heard
 04/05/05 (S) FIN AT 9:00 AM SENATE FINANCE 532
 04/05/05 (S) Heard & Held
 04/05/05 (S) MINUTE(FIN)
 04/06/05 (S) FIN AT 9:00 AM SENATE FINANCE 532
 04/06/05 (S) Moved CSSB 141(FIN) Out of Committee
 04/06/05 (S) MINUTE(FIN)
 04/08/05 (S) FIN RPT CS 5DP 1DNP 1AM NEW TITLE
 04/08/05 (S) DP: GREEN, WILKEN, BUNDE, DYSON,
 STEDMAN
 04/08/05 (S) DNP: HOFFMAN
 04/08/05 (S) AM: OLSON
 04/12/05 (S) ENGROSSED
 04/14/05 (S) TRANSMITTED TO (H)
 04/14/05 (S) VERSION: CSSB 141(FIN)
 04/14/05 (H) READ THE FIRST TIME - REFERRALS
 04/14/05 (H) STA, FIN
 04/14/05 (H) STA AT 8:00 AM CAPITOL 106
 04/14/05 (H) <Pending Referral>
 04/16/05 (H) STA AT 9:30 AM CAPITOL 106
 04/16/05 (H) <Bill Hearing Canceled>
 04/19/05 (H) STA AT 8:00 AM CAPITOL 106
 04/19/05 (H) Heard & Held
 04/19/05 (H) MINUTE(STA)
 04/20/05 (H) STA AT 8:00 AM CAPITOL 106
 04/20/05 (H) Moved HCS CSSB 141(STA) Out of
 Committee
 04/20/05 (H) MINUTE(STA)
 04/21/05 (H) STA AT 8:00 AM CAPITOL 106
 04/21/05 (H) <Bill Hearing Canceled>
 04/22/05 (H) STA RPT HCS(STA) 1DP 5NR
 04/22/05 (H) DP: SEATON;

04/22/05 (H) NR: LYNN, GATTO, GRUENBERG, ELKINS,
RAMRAS

04/23/05 (H) FIN AT 10:00 AM HOUSE FINANCE 519

04/23/05 (H) Heard & Held

04/23/05 (H) MINUTE (FIN)

04/28/05 (H) FIN AT 1:30 PM HOUSE FINANCE 519

04/28/05 (H) Heard & Held

04/28/05 (H) MINUTE (FIN)

04/30/05 (H) FIN AT 2:00 PM HOUSE FINANCE 519

04/30/05 (H) Heard & Held

04/30/05 (H) MINUTE (FIN)

05/01/05 (H) FIN AT 1:00 PM HOUSE FINANCE 519

05/01/05 (H) Moved HCS CSSB 141 (FIN) Out of
Committee

05/01/05 (H) MINUTE (FIN)

05/02/05 (H) FIN RPT HCS (FIN) 2DP 5NR 2AM
(FORTHCOMING HCS)

05/02/05 (H) DP: KELLY, FOSTER;

05/02/05 (H) NR: JOULE, STOLTZE, MOSES, MEYER,
CHENAULT;

05/02/05 (H) AM: HAWKER, WEYHRAUCH

05/02/05 (H) OBJECTION TO REFERRAL TO RULES

05/02/05 (H) OBJECTION TO REFERRAL TO RULES
WITHDRAWN

05/02/05 (H) RETURNED TO FIN COMMITTEE

05/02/05 (H) FIN RPT HCS (FIN) 3DP 4NR 1AM
(FORTHCOMING HCS)

05/02/05 (H) DP: FOSTER, KELLY, CHENAULT;

05/02/05 (H) NR: HOLM, STOLTZE, MOSES, MEYER;

05/02/05 (H) AM: HAWKER

05/02/05 (H) OBJECTION TO FISCAL ANALYSIS WITH
FINANCE RPT

05/02/05 (H) REPLACE FISCAL ANALYSIS FAILED Y15 N25

05/02/05 (H) FIN AT 1:30 PM HOUSE FINANCE 519

05/02/05 (H) Moved HCS CSSB 141 (FIN) Out of
Committee

05/02/05 (H) MINUTE (FIN)

05/03/05 (H) HCS (FIN) NT RECEIVED

05/03/05 (H) MOVED TO BOTTOM OF CALENDAR

05/03/05 (H) BEFORE THE HOUSE

05/03/05 (H) MOTION TO DIVIDE AM NO 3 NOT IN ORDER

05/03/05 (H) ADJOURNED TO 5/4

05/05/05 (H) BEFORE THE HOUSE

05/06/05 (H) ENGROSSED

05/07/05 (H) VERSION: HCS CSSB 141 (FIN) AM H

05/07/05 (S) CONCURRENCE MESSAGE READ AND HELD

05/07/05 (S) CONFERENCE COMMITTEE APPOINTED

05/07/05 (S) GREEN (CHAIR), SEEKINS, OLSON
 05/07/05 (H) RECEDE MESSAGE
 05/07/05 (H) CONFERENCE COMMITTEE APPOINTED
 05/07/05 (H) SEATON, WEYHRAUCH, CRAWFORD
 05/08/05 (S) LIMITED POWERS FREE CONFERENCE GRANTED
 05/08/05 (H) LIMITED POWERS FREE CONFERENCE GRANTED
 05/09/05 (S) CONFERENCE COMMITTEE DISCHARGED
 05/09/05 (S) FREE CONFERENCE COMMITTEE APPOINTED
 05/09/05 (S) STEDMAN (CHAIR), WILKEN, ELTON
 05/09/05 (H) SPECIAL SESSION BILL - SEE H. JOURNAL
 PAGE 1854
 05/09/05 (H) CONFERENCE COMMITTEE DISCHARGED
 05/09/05 (H) FREE CONFERENCE COMMITTEE APPOINTED
 05/09/05 (H) KELLY, HAWKER, KERTTULA
 05/09/05 (S) SPECIAL SESSION BILL - SEE S. JOURNAL
 PAGE 1493
 05/10/05 (H) 141 AT 2:30 PM SENATE FINANCE 532
 05/10/05 (H) PUBLIC EMPLOYEE/TEACHER
 RETIREMENT/BOARDS
 05/11/05 (H) 141 AT 10:00 AM SENATE FINANCE 532
 05/11/05 (H) -- Meeting Canceled --
 05/11/05 (S) 141 AT 6:00 PM SENATE FINANCE 532
 05/11/05 (S) -- Meeting Postponed to 5/12/05 --
 05/12/05 (H) 141 AT 8:00 AM SENATE FINANCE 532
 05/12/05 (H) -- Postponed to 5/13/05 at 9:00 am --
 05/12/05 (S) 141 AT 6:00 PM SENATE FINANCE 532
 05/12/05 (S) -- Meeting Delayed to 05/13/05 --
 05/13/05 (S) FCC REPORT: FCCS SB 141 (FCCS
 FORTHCOMING)
 05/13/05 (H) FCC REPORT READ
 05/13/05 (H) 141 AT 9:15 AM SENATE FINANCE 532
 05/13/05 (S) 141 AT 5:15 PM SENATE FINANCE 532
 05/13/05 (S) Moved FCCS SB 141 Out of Committee
 05/13/05 (S) MINUTE(141)
 05/14/05 (S) FREE CONFERENCE COMMITTEE REPORT TAKEN
 UP
 05/14/05 (S) FCCS RPT ADPTD Y12 N5 E3 FCCS SB
 141(CORRECTED)
 05/14/05 (S) FCCS SB 141(CORRECTED) RECEIVED NEW
 TITLE (TECHNICAL)
 05/17/05 (H) FCCS SB 141(CORRECTED) RECEIVED
 05/17/05 (H) CC REPORT FAILED Y18 N22
 05/19/05 (S) 2ND FREE CONFERENCE COMMITTEE APPTD
 05/19/05 (S) G. STEVENS (CHAIR), B. STEVENS, GUESS
 05/20/05 (H) 141 AT 4:30 PM SENATE FINANCE 532

WITNESS REGISTER

TRACI CARPENTER
Staff to Lyda Green
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Commented on SB 141.

MELANIE MILLHORN, Director
Division of Retirement and Benefits
Department of Administration
PO Box 110200
Juneau, AK 99811-0200
POSITION STATEMENT: Commented on SB 141.

ACTION NARRATIVE

SB 141-PUBLIC EMPLOYEE/TEACHER RETIREMENT/BOARDS

CHAIR GARY STEVENS called the 2ND Free Conference Committee Meeting on SB 141 to order at [4:39:00 PM](#). All members were present. He stated the committee would be working off of the FCCS SB 141(Corrected), version N.

REPRESENTATIVE RAMRAS moved Amendment 1, 24-LS0637\N.2.

24-LS0637\N.2
Craver
12/15/25

A M E N D M E N T 1

OFFERED IN CONFERENCE
TO: FCCS SB 141
Page 16, line 18:
Delete "five"
Insert "seven"

Page 29, following line 5:
Insert new material to read:
"Sec. 14.25.485. **Occupational disability benefits and reemployment of disabled members.** (a) A member is eligible for an occupational disability benefit if employment is terminated because of a total and apparently permanent occupational disability before the member's normal retirement date.
(b)The occupational disability benefits accrue beginning the first day of the month following termination

of employment as a result of the disability and are payable the last day of the month. If a final determination granting the benefit is not made in time to pay the benefit when due, a retroactive payment shall be made to cover the period of deferment. The last payment shall be for the first month in which the disabled member

- (1) dies;
- (2) recovers from the disability;
- (3) fails to meet the requirements under (f) or (h) of this section; or
- (4) reaches normal retirement age.

(c) If the disabled member becomes ineligible to receive occupational disability benefits before the normal retirement date, the disabled member shall then be entitled to receive retirement benefits if the member would have been eligible for the benefit had employment continued during the period of disability. The period of disability constitutes membership service in regard to determining eligibility for retirement.

(d) The monthly amount of an occupational disability benefit is 40 percent of the disabled member's gross monthly compensation at the time of termination due to disability. While a member is receiving disability benefits, based on the disabled member's gross monthly compensation at the time of termination due to disability, the employer shall make contributions to the

(1) member's individual account under AS 14.25.340 on behalf of the member, without deduction from the member's disability payments; and

(2) appropriate accounts and funds on behalf of the member under AS 14.25.350.

(e) A member is not entitled to an occupational disability benefit unless the member files an application for an occupational disability benefit with the administrator within 90 days after the date of terminating employment. If the member is unable to meet a filing requirement of this subsection, the filing requirement may be waived by the administrator if there are extraordinary circumstances that resulted in the member's inability to meet the filing requirement.

(f) A disabled member receiving an occupational disability benefit shall undergo a medical examination as often as the administrator considers advisable, but not more frequently than once each year. The administrator shall determine the place of the examination and engage the physician or physicians. If, in the judgment of the administrator, the examination indicates that the disabled

member is no longer incapacitated because of a total and apparently permanent occupational disability, the administrator may not issue further disability benefits to the member.

(g) A disabled member's occupational disability benefit terminates when the disabled member first attains eligibility for normal retirement. At that time, the member's retirement benefit shall be determined under the provisions of AS 14.25.420 -14.25.440, 14.25.470, and 14.25.480. A member receiving disability benefits up until eligibility for retirement shall be considered to have retired directly from the plan.

(h) A member appointed to disability benefits shall apply to the division of vocational rehabilitation of the Department of Labor and Workforce Development within 30 days after the date disability benefits commence. The member shall be enrolled in a rehabilitation program if the member meets the eligibility requirements of the division of vocational rehabilitation. Unless the member demonstrates cause, benefits shall terminate at the end of the first month in which a disabled member

(1) fails to report to the division of vocational rehabilitation;

(2) is certified by the division of vocational rehabilitation as failing to cooperate in a vocational rehabilitation program;

(3) fails to interview for a job; or

(4) fails to accept a position offered.

(i) Upon the death of a disabled member who is receiving or is entitled to receive an occupational disability benefit, the administrator shall pay the surviving spouse a surviving spouse's pension, equal to 40 percent of the member's monthly compensation at the termination of employment because of occupational disability. If there is no surviving spouse, the administrator shall pay the survivor's pension in equal parts to the dependent children of the member. The first payment of the surviving spouse's pension or of a dependent child's pension shall accrue from the first day of the month following the member's death and is payable the last day of the month. The last payment shall be made for the last month in which there is an eligible surviving spouse or child. On the date the normal retirement of the member would have occurred if the member had lived, the retirement benefit shall be determined under the provisions of AS 14.25.420 - 14.25.440, 14.25.470, and 14.25.480. A member who died while receiving disability benefits shall

be considered to have retired directly from the plan on the date the normal retirement of the member would have occurred if the member had lived.

(j) In this section, "occupational disability" has the meaning given in AS 39.35.680.

Sec. 14.25.487. Occupational death benefit. (a) If (1) the death of a member occurs before the member's retirement and before the member's normal retirement date, (2) the proximate cause of death is a bodily injury sustained or a hazard undergone while in the performance and within the scope of the member's duties, and (3) the injury or hazard is not the proximate result of wilful negligence of the member, a monthly survivor's pension shall be paid to the surviving spouse. If there is no surviving spouse or if the spouse later dies, the monthly survivor's pension shall be paid in equal parts to the dependent children of the member.

(b) The first payment of the surviving spouse's pension or of a dependent child's pension shall be made for the month following the month in which the member dies, and payment shall cease to be made beginning with the month in which the member would have first qualified for retirement.

(c) The monthly survivor's pension in (b) of this section for survivors of members is 40 percent of the member's monthly compensation in the month in which the member dies. While the monthly survivor's pension is being paid, the employer shall make contributions on behalf of the member's beneficiaries based on the deceased member's gross monthly compensation at the time of occupational death

(1) to the member's individual account under AS 14.25.340, without deduction from the survivor's pension; and

(2) to the appropriate accounts and funds on behalf of the member under AS 14.25.350.

(d) If a member's death is caused by an act of assault, assassination, or terrorism directly related to the person's status as a member, whether the act occurs on or off the member's job site, the death shall be considered to have occurred in the performance of and within the scope of the member's duties for purposes of (a)(2) of this section. If the expressed or apparent motive and intent of the perpetrator of the harm inflicted upon the member was due to the performance of the member's job duties or employment, the death shall be considered to be directly related to the member's status as a member. A member's job

duties are those performed within the course and scope of the person's employment with an employer.

(e) On the date the normal retirement of the member would have occurred if the member had lived, the retirement benefit shall be determined under the provisions of AS 14.25.420 - 14.25.440, 14.25.470, and 14.25.480. A member who died and whose survivors receive occupational death benefits under this section shall be considered to have retired directly from the plan on the date the normal retirement of the member would have occurred if the member had lived."

SENATOR GUESS objected for discussion purposes.

[4:41:06 PM](#)

TRACI CARPENTER, staff to Lyda Green, said Amendment 1 cleans up Public Employee Retirement System (PERS) disability statutes. Drafting inadvertently created a scenario where a disabled person, once he reached normal retirement age, would be able to receive a retirement from both the defined benefits (DB) system and the defined contribution (DC) system.

MS. CARPENTER explained that Amendment 1 applies to the Teachers' Retirement System (TRS) statutes and increases the employer contribution from 5 percent to 7 percent. It also adds the death and disability benefits that are similar to the PERS statutes. References to firefighters and police officers have been removed.

[4:42:59 PM](#)

REPRESENTATIVE BERKOWITZ moved to divide the question and asked if there is a fiscal assessment of what the increase in employment contribution would mean to the employers.

MS. CARPENTER replied that right now, under SB 141, the total normal cost rate is approximately 10.25 percent. This would add 2 percent on to that for TRS employees.

REPRESENTATIVE BERKOWITZ asked what that would mean to the Anchorage School district or to the State of Alaska.

MS. CARPENTER responded that every 1 percent increase to the employer rate base for the entire population of PERS and TRS employers is approximately \$22 million. The payroll for the school districts is \$522 million.

REPRESENTATIVE BERKOWITZ asked if this would be a \$10 million increase to the school districts.

MS. CARPENTER replied that is correct.

CHAIR GARY STEVENS asked if that was statewide.

MS. CARPENTER replied yes.

[4:45:04 PM](#)

SENATOR BEN STEVENS asked if this is an employer contribution increase, not an employee contribution increase.

MS. MILLHORN, Director, Division of Retirement and Benefits, Department of Administration (DOA) answered yes.

SENATOR BEN STEVENS asked if this contribution only applies to new employees on school district payrolls or existing Tier 2 employees, as well.

MS. MILLHORN replied that it applies only to new employees, not to Tier 2 employees.

SENATOR BEN STEVENS pointed out that he didn't think applying the employers' 2 percent to the whole payroll was accurate since they were talking only about new employees. It might apply to only 10 percent of new employees, which would only be \$50 million and 2 percent of that is \$1 million.

MS. CARPENTER replied that he was absolutely correct.

MS. MILLHORN agreed.

REPRESENTATIVE BERKOWITZ restated his motion to divide the question on page 1, line 4, the death and disability component, from the increase in benefits component.

SENATOR BEN STEVENS objected.

A roll call vote was taken. Representatives Berkowitz and Senators Guess voted yea; Representatives Elkins and Ramras and Senators Ben Stevens and Gary Stevens voted nay; and Amendment 1 to Amendment 1 failed.

[4:48:35 PM](#)

REPRESENTATIVE RAMRAS asked if it was fair to interpret this as a 40 percent increase to the employers' defined contribution plan over what they had been working with previously.

MS. CARPENTER replied that there are other employer costs involved than just the contribution to the defined contribution account - a 1.75 percent for medical, 3 percent for health reimbursement and approximately .3 percent for death and disability. "It would go from 10 percent roughly to 12 percent."

REPRESENTATIVE RAMRAS said his understanding is that the employer contribution to retirement was previously at 5 percent and that is being moved to 7 percent. He interpreted that as being a 40 percent increase to new teachers coming into the system.

MS. CARPENTER agreed.

REPRESENTATIVE BERKOWITZ said the rate of turnover in different districts varies considerably. Increasing the employer contribution from 5 percent to 7 percent would have a disproportionate impact on districts that have higher turnover and he was concerned that there is no fiscal assessment of what that means to those districts or to the state.

MS. CARPENTER responded that there has not been any assessment at either level.

REPRESENTATIVE BERKOWITZ asked how many new teachers the state hires in a year.

MS. MILLHORN responded in 2004 57 TRS employers hired 1,200 new TRS positions.

[4:52:26 PM](#)

SENATOR GUESS asked her to explain why the change from 5 percent to 7 percent is needed.

MS. CARPENTER replied that the concern is that teachers do not participate in social security and have no safety net. It is thought that an increase to their defined contribution account would offset that.

REPRESENTATIVE RAMRAS shared Senator Guess' concerns. He calculated that 1,200 new teaching positions would cost \$800,000. Hundreds in the teaching community related that they don't participate in SBS and don't have access to social

security. They felt they weren't getting a fair bite at the apple compared to those in the private sector who are eligible for the federal plan. This compromise was an opportunity to offset that concern and his caucus hoped it would help attract teachers and retain current ones.

REPRESENTATIVE ELKINS commented that teachers as a whole make \$20,000 more on an average than people in PERS. So a 2 percent bump to teachers is a lot of money in reality. This doesn't pick up what they would get through social security, but it gets real close.

SENATOR GUESS asked Ms. Carpenter to explain the second part of the amendment and asked if it is modeled after other occupational disability benefits or statutes.

MS. CARPENTER replied that the TRS language used existing PERS statutes on defined benefits. They are not dealing with a brand new statute.

REPRESENTATIVE BERKOWITZ asked if anyone else in the teaching community would testify in support of this provision or not.

CHAIR GARY STEVENS replied that no one is scheduled to speak to the committee.

REPRESENTATIVE BERKOWITZ pointed out that the assumption is that 2 percent equates to the amount of social security and SBS benefits that are being given up and he wanted to know if that is true.

SENATOR BEN STEVENS explained that SBS is available to PERS employers. Of the 160 PERS employers, 16 participate in the program. It is a misconception that all employees in the PERS system participate in SBS, because it is up to the employer to provide that. School districts choose to not provide SBS for their PERS employees.

The action here is to say because school districts don't provide SBS, PERS is available to those political subdivisions that choose it. We looked at a concept to say how [indisc.] SBS for TRS, but because the state cannot force an employer to implement the SBS or an SBS-type system for TRS, the way to make up for it is to increase the contribution from the employer side. The employee side - it's still the same at 8 percent. The employer now goes from 5 to 7

percent. So the increase to defined contribution now is at 15. That's how this came about. To compare it to a PERS system from the TRS system is inaccurate - because TRS does not have SBS [indisc.]....

REPRESENTATIVE BERKOWITZ said it was presented that the additional 2 percent would somehow equate to the fact that there's no social security benefits and he wanted to know where that figure came from and if it's a fair representation.

REPRESENTATIVE RAMRAS said his name is on the amendment and, "I think it's a fair bite at the apple." He wants to see teachers stay in Alaska, but at the same time doesn't want to unfairly burden school districts. He said the education community savings rate is [indisc.] and the employer rate is at 7 percent. There is some parity to the self-employment rate in the private sector. Someone who wants to save in addition to that would do so with his own additional vehicles.

MS. MILLHORN added that it's important to recognize that even if teachers did participate in social security in 1983, the federal government enacted the Windfall Elimination Provision and the Government Pension Offset, both of which reduce social security benefits as a result of receiving a state pension. The Government Pension Offset is a pure dollar for dollar elimination. The Windfall Elimination Provision calculates pensions individually.

A roll call vote was taken on adopting Amendment 1. Representatives Elkins and Ramras, Senators Ben Stevens, Guess and Gary Stevens voted yea; Representative Berkowitz voted nay; and Amendment 1 was adopted.

CHAIR GARY STEVENS announced Amendment 2 to be up for consideration.

24-LS0637\N.3
Craver
12/15/25

A M E N D M E N T 2

OFFERED IN CONFERENCE
TO: FCCS SB 141

Page 100, line 28:

Delete "AS 39.35.840 and 39.35.870"

Insert "AS 39.35.820 - 39.35.840, 39.35.870, and 39.35.880"

Page 101, lines 3 - 6:

Delete all material and insert

"(1) employee's retirement benefit calculated under the provisions of AS 39.35.820 - 39.35.840; or

(2) employee's retirement benefit calculated as if the provisions of AS 39.35.370(c) were to apply; however, retirement benefits paid under this paragraph may not be made from the trust fund of the public employees' defined benefit retirement plan."

Page 102, line 1:

Delete "AS 39.35.840 and 39.35.870"

Insert "AS 39.35.820 - 39.35.840, 39.35.870, and 39.35.880"

Page 103, line 11:

Delete "AS 39.35.840 and 39.35.870"

Insert "AS 39.35.820 - 39.35.840, 39.35.870, and 39.35.880"

[5:04:31 PM](#)

SENATOR GUESS objected for an explanation.

REPRESENTATIVE RAMRAS explained that Amendment 2 is a technical clean up of SB 73.

MS. CARPENTER added that it is basically a correction to a drafting error. When the drafters first took the language from the existing benefits plan and transferred it into the new plan, it allowed police officers and firefighters to receive both retirements. This language gives them a choice of one or the other.

REPRESENTATIVE BERKOWITZ asked how the firefighters and policemen feel about this amendment.

MS. CARPENTER replied that she didn't know.

CHAIR GARY STEVENS noted that this is double dipping and that wasn't the intent of the legislation - at all.

REPRESENTATIVE RAMRAS asked if the amendment gives first responders a choice of taking either the pension or the defined contribution amount.

MS. CARPENTER replied yes.

A roll call vote was taken. Representatives Berkowitz, Ramras and Elkins, Senators Ben Stevens, Guess and Gary Stevens voted yea; and Amendment 2 was adopted.

CHAIR GARY STEVENS announced that Amendment 3 was up for consideration and apologized that it the draft had not been received and that it was in conceptual form. There were no objections to taking the amendment up in conceptual form.

REPRESENTATIVE RAMRAS moved conceptual Amendment 3.

SENATOR GUESS objected for an explanation.

MS. CARPENTER explained that errors were made in adopting different statutes and, "All this attempts to do is to clean up the bill as much as possible."

CHAIR GARY STEVENS asked her to go through the changes step by step with definitions first.

She explained that the definition on page 2 cleans up language describing the two plans. Page 6, lines 16 - 21, adds "under AS 14.25.540" which drafters said would clarify under which statute things were being selected. Changes to pages 26 - 27 just clean up the definition of the whole concept of retiring and being eligible to receive medical benefits under this plan. The Division of Retirement and Benefits requested the change on page 31 to clarify that employer matches for employees who convert from the DB plan to the DC plan are not to be made from the DB trust so that beneficiaries of that plan aren't impacted.

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Language on page 3 was changed back to the original language from that of the first free conference committee.

SENATOR GUESS asked how that impacts language on page 38, lines 15 - 16, referring to a full-time or part-time instructor of the Department of Labor and Workforce Development who has one or two teaching certificates or earlier credit.

CHAIR GARY STEVENS responded that AVTEC often has teachers who are certificated, but some vocational teachers don't require certifications. "I think what this is saying is that everyone who is in AVTEC is covered by this plan whether they are certificated or not."

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MS. CARPENTER said this is correct. She explained that drafters requested the change on page 40, line 23, which combined three sections into one according to drafting style.

CHAIR GARY STEVENS clarified that there were no substantive changes made in those sections.

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MS. CARPENTER replied that is correct. She explained further that the change on page 58 corrected another error.

REPRESENTATIVE BERKOWITZ asked if that meant they were not going to encourage cost saving measures now.

MS. MILLHORN replied that the division is working on a number of cost saving initiatives, which the Legislature wants to receive annual reports on. She said the division is working on a very long list and generic drugs is on it.

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MS. CARPENTER explained that the change on page 105, lines 5 - 7 is cleanup and similar to the one on page 3 regarding the option to convert from a DB to a DC plan. The last line says the matching contribution will come from funds other than the DB trust. Also, she said:

'Present value of the' language was eliminated to make it clear that it's actually just the balance of the member contribution account at the time that the person chooses to convert - is the amount that will be transferred.

MS. CARPENTER explained that medical eligibility language on page 96 applies the TRS language on page 2 to PERS statutes. She said the last change adds back in an annual report to the Legislature by the Division of Retirement and Benefits on its costs saving measures.

MS. MILLHORN explained that the report would include any of the initiatives that the division had engaged in and a report of cost savings associated with the active plan and the retiree plan. "We have initiatives for both those plans."

A roll call vote was taken. Representatives Berkowitz, Elkins and Ramras voted yea; Senators Guess, Ben Stevens and Gary Stevens voted yea; and Amendment 3 was adopted.

MS. CARPENTER interrupted to say that the revisor of statutes caught another error. Because of the delayed implementation date of July 1, 2006, there are two places in the bill - page 16, line 27 - which establish the costs of the medical insurance cost for the employers at 1.75 percent for FY06 and that should actually be for FY07.

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REPRESENTATIVE RAMRAS moved Amendment 4 that changes 2006 to 2007 on page 26, line 27, and on page 86, line 27. There were no objections and it was so ordered.

REPRESENTATIVE RAMRAS moved to approve Free Conference Committee Substitute to SB 141 (2D FCC).

REPRESENTATIVE BERKOWITZ objected saying AS 24.08.036 requires fiscal notes on bills. He explained that:

This is really not in a bill status that would technically require a fiscal note, but there has been some serious modifications to a bill that exists without any intended analysis of the impact of the bill - on the actuarial soundness of the retirement system. And to me, that's somewhat of a dereliction of our responsibility. Similarly, there has been no fiscal assessment to either the state or to the many employers around the state that are going to be impacted by this legislation, should it pass. Again, I think this is somewhat of another instance of the legislature passing costs on to local employers without understanding the costs and I find that to be irresponsible.

A roll call vote was taken. Representative Berkowitz and Senator Guess voted nay; Representatives Elkins and Ramras and Senators Ben Stevens and Chair Gary Stevens voted yea; and 2d FCCS CS 141 moved from committee.

CHAIR GARY STEVENS adjourned the meeting at [5:28:21 PM](#).