

HOUSE FINANCE COMMITTEE
April 23, 2005
1:12 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:12:05 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Richard Foster
Representative Mike Hawker
Representative Jim Holm
Representative Reggie Joule
Representative Mike Kelly
Representative Carl Moses
Representative Bruce Weyhrauch

MEMBERS ABSENT

Representative Eric Croft

ALSO PRESENT

Senator Bert Steadman; Melanie Millhorn, Director, Division of Retirement and Benefits, Department of Administration; Kevin Brooks, Deputy Commissioner, Department of Administration; Katie Shows, Staff, Representative Paul Seaton.

Also in Juneau:

Kevin Ritchie, Executive Dir., Alaska Municipal League
Jerry Patterson, NEA-Alaska
Bruce Ludwig, APEA/AFT
Tim Parker, NEA-Alaska, Fairbanks
Tom Richards, Fairbanks Education Association
Jamie Marks, Teacher,
James Conley, Anchorage Police Department
Paul Honeman, Lieutenant, Anchorage Police Department
Mike Coutirer, Officer, Anchorage Police Department
Everett Rollins, Officer, Anchorage Police Department
Gerard Asselim, Officer, Anchorage Police Department
Michelle Bucher, Sergeant, Anchorage Police Department
Debra Seely
Dave Boddy, Alaska Professional Firefighters
Debbie Hull, Teacher
Mike Davidson, Alaska Professional Firefighters
Dominic Lozano, Alaska Professional Firefighters
Jeff Manns, Public Safety Employees Association
Craig Persson, Public Safety Employees Association

Keith Perrin, Public Safety Employees Association
Deedie Sorensen, Teacher
Amy Martin, Teacher, Juneau School District
Linda Frame, Teacher, Juneau School District
Julie Van Driel, Educator, Juneau Public School
Margo Waring, Juneau
Jim Ashton, Public Employees Association
Sam Trivette, Juneau
Tom Harvey, NEA-Alaska
Kristina Tornquist
Mary Graham, Juneau
Carol Comeau, Superintendent of Schools, Anchorage
Cindy Spanyers, APEA/AFT

PRESENT VIA TELECONFERENCE

Anchorage:

John Dickens,
Marian Taylor
Duane Moran, APEA/AFT
Ada Gleason,
Tyler Grosshuesch, Alaska Public Employees Association
Mania cookson, Anchorage
Sarah Grosshuesch, NET-AK AEA
Dave Campano,
Pat Luby, AARP Gerry Guay
John Dickenson
R. Lorriane Campbell
Robin Swinford

Delta Junction:

Jackie Nelson, Teacher, Delta Junction
Whitney Aillaud, Teacher, Delta Junction,
Cindy Lou Aillaud, Educator, Delta Junction,

Fairbanks:

James Orr,
Irene Matheis
Tammy Smith, Fairbanks Education Association
Dave Parsons, ESSA
Laura Petrovich
Patricia Cramer, FEA
Jim Fiorenzi
Karen Eddy

Ketchikan:

Charlie Arteaga,
Sara Justine Black

Kenai:

Fred Sturman, Soldotna
John Wesley, KPBSD
Ed Martin Sr., Cooper Landing

Matsu:

Kathy Summers, Matsu Education Association
Lynn Kracke, Matsu Education Association
Glen Ramos, Matsu Education Association
Bette Reed, NEA-Alaska
Contessa Gossett MatSu Division of Juvenile Justice
Andrea Andrews, MatSu Division of Juvenile Justice

Offnets:

Kathy Christopherson, Bethel
Vi Jerrel, Anchor Point
Ronnie Stanford, Alaska Teacher of the Year

#SB141

SUMMARY

CS SB 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.

[1:12:26 PM](#)

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.

[1:12:49 PM](#)

KATIE SHOWS, STAFF, REPRESENTATIVE PAUL SEATON, referred to the handout: "SB 141 Bill Version Comparison" and explained the changes between CSSB 141 (STA) and the House Finance Committee substitute (CS) for SB 141. She noted that the House State Affairs Committee (HSTA) held extensive hearings on SB 141. She noted that the HSTA Committee was concerned with changes to medical coverage, which only allowed coverage of employees who were of the Medicare eligible age of 65. The 2004 Mercer study of employers and employees identified medical coverage as the number one most important element of a retirement plan. The HSTA Committee wanted to allow medical coverage before the age of 65. The HSTA version of SB 141 allows access to the medical plan for those that are pre-Medicare eligible: age 60 or 60 months (5 years before Medicare eligibility). Medicare eligibility is defined as age 65 and 60 months; pre-Medicare eligibility is defined as age 60. The terms Medicare and pre-Medicare eligibility were used to prevent an unfunded liability should the federal government change the eligibility age. The state retirement system will move with federal changes. The HSTA Committee felt that the Senate version, which provided a 70 percent subsidy after 10 years of service favored short-term employees. The Committee changed the subsidy percentages from 70 percent at 10 years of service to 30 percent. The percentage increases to 90 percent at 30 years of service.

[1:16:59 PM](#)

Ms. Shows explained that increases in health care costs are shared between the retiree and the plan through a subsidy base. She explained that the subsidy base would be set at the same rate as the premium (approximately \$6,000) when the legislation is enacted. The subsidy base would be increased to no more than 5 percent annually and the percentage

premium received by the retiree is taken from the subsidy base. The retiree will absorb the portion of health care increases over 5 percent. The structure would be for both pre and post Medicare eligibility. The percentage subsidy [for the state] will decrease after Medicare eligibility begins, since there is a 50 percent federal match. She noted that Mercer anticipates that health care premiums would be \$42,000 a year in 30 years. Increasing health care benefits would increase the cost by 2 percent for the declared medical plan (3.75 percent for TRS and 3.5 percent for PERS). She noted that combined employer contribution under the HSTA version of SB 141 would be 10.25 percent for TRS and 10 percent for PERS, which is below the 24-year average of employer costs. The normal cost has been 11.11 percent for TRS and 10.86 percent for PERS. Employer contribution groups support the provision.

[1:20:27 PM](#)

Ms. Shows contrasted the differences in the health reimbursement arrangement (HRA). In the original version, employees would forfeit access to their HRA if they left employment for over five years. If an employee returned before the five-year lapse, their account would be reinstated to the balance at termination. The provision was changed to eliminate any time limit between times of service, since the funds belong to the employee. Any changes in market value would be included. Members would be allowed to access their HRA with 10 years of service at their normal retirement age. The intent is to encourage employees to work at least 10 years of service.

[1:22:13 PM](#)

Ms. Shows referred to the Alaska Retirement Board. An amendment was introduced to increase the number of PERS and TERS representatives from one to two retired members in each. The Committee acknowledged that the members should have a voice in their retirement system. These members would also have to meet stringent professional requirements. It was felt that the original proposal for three members of the general public that were not or had not been a member of PERS or TRS would eliminate too many people. The HSTA also changed the legislation from appointments by the governor to elected participation of the member group. The term limits were extended from 3 - 6 years, staggered by three years, to allow a continuous Board.

Ms. Shows discussed changes to existing Tiers. The increase in employee contribution for current employees would be repealed. An amendment was adopted, which put a limit on the employer contribution rate of 10 percent for PERS and 11 percent for TRS. She spoke to fraud and noted that, under current law, fraud is handled differently in PERS and TRS.

Fraud would be a class A misdemeanor under both programs. Provisions to forfeit all rights to any future benefits were deleted from the TRS program.

[1:25:49 PM](#)

Ms. Shows noted that Department of Labor and Workforce Development instructors would remain TRS, regardless of whether or not the teaching position required a teaching certificate.

[1:26:46 PM](#)

Representative Hawker asked for the dollar effect on employers and employees between the two versions. Ms. Shows observed that there would be an increase of 2 percent to cover the difference in the medical plan for the HSTA version. Ms. Shows did not have the dollar effect; the difference has been identified in percentages. She noted that the 2004 Mercer study included the dollar amount and offered to provide that information.

[1:28:34 PM](#)

MELANIE MILLHORN, DIRECTOR, DIVISION OF RETIREMENT AND BENEFITS, DEPARTMENT OF ADMINISTRATION, provided members with the Administration's perspective. She spoke strongly in favor of a defined contribution plan. The TRS study began about a year and a half ago and involved participation by stakeholders: employers for PERS and TRS and the involved union parties. A survey was collected, which asked the questioned of employers: What do you want to see in the new tier? Almost 90 of a 155 employers responded. She added that 36 of 57 school districts participated. She discussed the survey results. The survey concluded that the system should provide medical benefits at retirement, which would require employees to retire from the system in order to receive the benefit. The benefit should favor long service members. The employer contribution amounts need to be predictable and stable. Employer and employee should share health care inflation. Only one union elected to participate in the survey. The department widely published the public meeting held in November at Anchorage. She listed those present at the meeting. Employers recognized that a new tier would not provide immediate relief, but felt that a new tier should go forward.

[1:32:54 PM](#)

Ms. Millhorn spoke about actuaries and audits regarding health trends and rising health care costs, which are difficult to predict. A defined contribution plan will lower reliance on actuarial predictions. The Division spends \$450 - \$500 thousand a year on actuarial services. There are five

employees, which support the defined contribution SBS system.

Ms. Millhorn spoke about past experiences counseling workers on their retirement plans. She spoke in support of a defined contribution plan.

[1:37:48 PM](#)

Co-Chair Meyer asked which cities were in support of a defined contribution plan. Ms. Millhorn noted that Anchorage and Kenai, the Kenai Peninsula Borough supported a pure defined contribution plan. Other employers supported the need to provide recommendations for a new tier.

[1:39:05 PM](#)

Representative Weyhrauch pointed out that the interests of employers and employees need to be balanced. He questioned how a defined contribution plan would be in the interest of police, and firefighters. Ms. Millhorn responded that these people move in their careers and often have multiple retirement accounts. Individuals need to look at their retirement plans; not every employer can provide for their entire needs. There are differences between TRS and PRS.

[1:41:38 PM](#)

Representative Weyhrauch asked if a person should seek to supplement their plans. He gave the example of a 28-year-old man, with three kids, becoming a paraplegic by falling off a fire-training center. Ms. Millhorn clarified that benefits are available to members under a defined contribution plan. Members can select supplemental benefits for accidental death.

[1:43:52 PM](#)

Representative Weyhrauch asked if assets from PERS and TRS could be used for startup costs. Ms. Millhorn replied that those funds couldn't be used in that manner. The start up costs will come from general funds.

[1:45:07 PM](#)

KEVIN RITCHIE, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL LEAGUE, observed that the League represents employers. There is a \$5.7 billion unfunded liability in the PERS system. He added that 63 percent of the under funding belongs to school districts, municipalities and the University. The League has been working with communities and boards to educate people. The League has identified three objectives: stabilize cost for municipal employers, request two years of financial assistance from the state, and find a method to reduce the overall debt, such as pension bond authority. He stressed

that pension obligation bonds would be a useful tool for municipalities.

[1:47:54 PM](#)

Mr. Ritchie opined that there is a crisis for municipalities regarding budget increases for their retirement systems. Municipal rates for public employee retirement systems are increasing every year at 5 percent of salary, which represents a 3 to 3.5 percent total budget increase every year. He noted that TRS is one large system and every district pays the same rate, but every municipal PERS system is accounted individually. Municipalities are going from 7 percent of salary to 30 percent of salary, plus any percentage for unfunded liability for their retirement systems. The unfunded liability above the 30 percent is averaging (an additional) 5 - 15 percent. The state charges each municipality 8.25 percent on the unfunded liability. He noted that the Fairbanks North Star Borough has an unfunded liability of \$21 million (2003). The Fairbanks North Star Borough would be charged an additional 8.25 percent on the \$21 million each year. Municipalities can save money if they can borrow at 5 percent to pay the 8.25 percent charged by the state.

[1:50:50 PM](#)

Mr. Ritchie referred to written testimony indicating the League's support of defined contribution systems for municipalities. He also noted the need to control health benefits, which are the largest part of the unfunded liability. He reiterated the League's three objectives.

[1:51:36 PM](#)

Representative Hawker argued that the legislature does not represent employers, but all employees. Mr. Ritchie acknowledged that municipalities also represent employees.

Representative Hawker explained that the 8.25 percent referred to by Mr. Ritchie, represents a lost opportunity of an 8.25 percent increase that would have been realized if the funds had been in the system to be invested. The state is not charging, but is missing out on the ability to make 8.25 percent. Mr. Ritchie agreed with Representative Hawker's remarks.

[1:53:21 PM](#)

JERRY PATTERSON, NEA ALASKA RETIRED, expressed concern with SB 141 [see written testimony on file]. He noted that the plan would close the defined benefit plan and observed that closed funds are small and 100 percent funded. He stressed that he knew of no model to follow. Normally there would be

a 25-year rolling amortization time period. He observed that SB 141 requires that an active member's retirement be fully funded before they retire. He gave an example of a person close to retirement. He maintained that there has not been accurate actuarial data and observed that SB 141 requires that only active employees be covered. Current retirees will be paid by direct appropriation. He listed numbers of retiring employees and predicted PERS would be broke by 2026. He questioned the funding source. He noted that wages times the contribution rate would shrink. There would be no new employees entering the system. Non-vested members would be allowed to move to the defined contribution plan, taking their accumulated accounts plus and employer contributions with them. He maintained that the plan would result in a loss of a billion dollars a year and suggested getting the best actuarial numbers possible.

[1:58:08 PM](#)

BRUCE LUDWIG, APEA/AFT, testified in opposition to the legislation. He spoke of salary schedules compared to inflation. He compared employees to capital assets. He agreed with the structure of the administration of the fund. He discussed the makeup of the board calling it a political system. He addressed the defined contribution issue and maintained that there is no data to support claims that it is attractive to employees. In Ohio, which has an optional defined contribution plan, only 10 percent of employees pick the defined contribution plan. These employees have only earned 1.86 percent on their funds over the last five years. He maintained that professional investment officers could earn more. He asserted that the amount going into the defined contribution and medical benefits are inadequate. He asked why university employees would be treated worse than other employees. He recommended looking at this issue over time and investigating the actuarial recommendation, time of retirement, and reduction of abuses. He pointed out that the state of West Virginia returned to a defined benefit rather than defined contribution plan, which was too expensive.

[2:05:10 PM](#)

TIM PARKER, NEA-ALASKA, FAIRBANKS, testified against SB 141. He suggested that the Committee remain focused on letting public employees retire with dignity. He opined that this bill leaves employees drastically short. He maintained that the actuarial predictions don't fit Alaska. He observed that teachers do not qualify for social security, which compounds the problem. He stressed the need to show public sector employees how a defined contribution plan would not adversely affect employment.

[2:08:26 PM](#)

TOM RICHARDS, PRESIDENT, FAIRBANKS EDUCATION ASSOCIATION, spoke of concerns with SB 141. He felt that the basic premise of recruitment and retention of teachers would not be met. He gave an example of a teacher comparing wages of the defined contribution plan to private sector advantages. He concluded that the private sector would win out. Teaching suffers from a loss in the profession after 5 and 7 years of employment. Teachers may not stay in Alaska with the defined contribution plan. The defined benefit plan has the incentive of a COLA. The defined contribution plan would not provide the COLA incentive. He felt that defined contribution would work toward the detriment of recruitment and retention. He expressed concern with the analysis of the \$5.6 billion unfunded liability. He noted that there would be no Tier II retirements during 2011 - 2016, yet contributions would still go into the Fund. He felt that the unfunded liability would decline during this time. He asked the Committee to take the time necessary to answer these questions.

[2:12:51 PM](#)

JAMIE MARKS, TEACHER, DZ MIDDLE SCHOOL, related his experience as a teacher. He noted that poor investments and planning could result in more demand on the welfare system and stressed that he has no time to manage personal investments. He acknowledged that the defined contribution plan would benefit the state, but maintained that employees should be able to expect good benefits when they retire. High quality persons need reasons to become teachers. He felt the defined contribution system would be one more roadblock.

[2:16:13 PM](#)

JAMES CONLEY, ANCHORAGE POLICE DEPARTMENT, REPRESENTS POLICE DEPARTMENT EMPLOYEE ASSOCIATION, expressed concern with the lack of death benefits for police officers. He showed a photograph of a young girl whose father was killed in duty. The man mentioned had a death benefit, but would not be covered under the proposed plan.

[2:19:39 PM](#)

PAUL HONEMAN, LIEUTENANT, ANCHORAGE POLICE DEPARTMENT, representing himself, spoke against the defined contribution plan. He stressed that he would not continue working in the public system under the plan and noted that he would not recommend that his son follow him into the profession under the defined contribution plan.

2:22:24 PM

MIKE COUTIRER, SERGEANT, ANCHORAGE POLICE DEPARTMENT, testified against the legislation. He spoke of recruiting and retention issues. The present program poses a problem for recruiting. He observed that the current plan does not compete nationally and the Tier IV plan would be the worse in the nation. Applicants would seek employment elsewhere. He spoke in opposition to SB 141.

[2:25:54 PM](#)

EVERETT ROBBINS, PRESIDENT, OFFICE, ANCHORAGE POLICE DEPARTMENT EMPLOYEES ASSOCIATION, spoke against the legislation. He acknowledged the problem. He provided members with a fact sheet demonstrating that defined contribution plans cost more (copy on file). He maintained that Mayor Beigich is not in favor of a 100 percent defined contribution plan. He felt more time was needed to come up with a better plan. He referred to the state of Florida's plan where 90 percent of employees have chosen a defined benefit plan.

[2:31:06 PM](#)

GERARD ASSELIM, OFFICER, ANCHORAGE POLICE DEPARTMENT, testified in opposition to the legislation. He spoke about non-sworn support employees, which accounts for one-third of their membership such as dispatcher, clerks, and technicians. It has been a huge challenge to hire and retain dispatchers. He maintained the legislation would hurt recruiting efforts.

[2:34:13 PM](#)

MICHELLE BUCHER, SERGEANT, ANCHORAGE POLICE DEPARTMENT, testified in opposition to SB 141. She spoke of injuries incurred on duty, responsibilities as an officer, and hazards of the job. She related stories of on-duty police injuries. This bill would eliminate disability benefits for police officers and leave out medical coverage for a family of a disabled officer.

[2:38:24 PM](#)

DEBRA SEELY, wife of a police officer killed in duty, spoke in opposition to SB 141. She noted the legislation would eliminate the pension and death benefits for families. She spoke of personal concerns about paying bills after the death of her husband and how families count on the security of having death benefits.

[2:44:13 PM](#)

CHARLIE ARTEAGA, KETCHIKAN, PRESIDENT OF NEA ALASKA-RETIRED, testified via teleconference, in opposition to SB 141. He

maintained that the bill would not protect the future of teachers. He stressed the need to prevent teachers from leaving service after 5 or 6 years. He stressed that SB 141 would not retain and attract employees or provide security for future employees.

[2:47:59 PM](#)

SARA JUSTINE BLACK, KETCHIKAN, testified via teleconference in opposition to the legislation. She urged legislators to slow down and reconsider this legislation. She stressed that she would not want to have to manager her own retirement.

[2:49:20 PM](#)

KATHY CHRISTOPHERSON, BETHEL, testified via teleconference, in opposition to SB 141. She spoke of her experience as a teacher in Bethel. She spoke of the promise of a defined benefit program and the advantages that it provided. She related the high rate of teacher turnover and suggested that the bill would increase the rate.

[2:52:29 PM](#)

VI JERREL, ANCHOR POINT, testified via teleconference, against SB 141. She spoke in opposition to a new board being formed. She noted that members were not able to vote.

[2:55:38 PM](#)

RONNIE SANFORD, 2005 Alaska Teacher of the Year, testified via teleconference in opposition to the legislation. He stressed that teachers are the single most important factor in education. The defined contribution plan would further erode teachers' retirement system and result in a loss of teachers. He maintained the defined contribution plan is not a reliable way to provide for retirement. Alaska is falling behind in recruitment and retention of teachers.

[2:57:33 PM](#)

JOHN WESLEY, KPBSD, KENAI, testified via teleconference in opposition to SB 141. He expressed concerns regarding the proposed changes in the legislation. He suggested using the interim to understand the retirement system and crafting a plan that works.

[2:59:39 PM](#)

FRED STURMAN, SOLDOTNA, testified via teleconference in opposition to SB 141. He suggested that the tiers be developed more like a private enterprise. He stated that there is no equity under the defined contribution plan.

[3:01:44 PM](#)

ED MARTIN, SR., COOPER LANDING, testified via teleconference against the legislation. He agreed with Mr. Sturman's testimony. He opined that everyone should be on social security rather than create two classes of people. He felt it was a matter of fairness.

[3:04:30 PM](#)

KATHY SUMMERS, PRESIDENT, MATSU EDUCATION ASSOCIATION, testified via teleconference, in opposition to SB 141. She suggested slowing down and working with NEAAlaska. She pointed out that MatSu is the fastest growing area in the state and would feel the impact the most. She quoted remarks by Representative Kott regarding the loss of legislative per diem and noted that the same concerns apply to teachers.

[3:05:54 PM](#)

LYNN KRACKE, MATSU EDUCATION ASSOCIATION, testified via teleconference, against SB 141 and the changes in the TRS/PERS board. She maintained that the defined contribution plan would adversely affect retention and recruitment of employees and suggested further analysis of the actuarial numbers.

[3:06:55 PM](#)

GLEN RAMOS, SCHOOL PSYCHOLOGIST, MATSU EDUCATION ASSOCIATION, testified via teleconference, in opposition to SB 141. He stressed that he and other employees want to retire with dignity. He compared the defined contribution plan to "switching the deal in the middle". He suggested slowing the process down and looking at Alaska data.

[3:08:40 PM](#)

BETTE REED, NEA ALASKA-RETIRED, testified via teleconference, against the defined contribution plan in SB 141. She shared experiences in other states regarding such plans. She maintained that a bad state retirement plan would reduce previously earned social security benefits. She asked that current retirement system not be changed.

[3:10:52 PM](#)

JOHN DICKENS, BETHEL, testified via teleconference, in opposition to SB 141. He spoke of unintended consequences. He felt that the legislation would be detrimental. He related that Bethel is in a crisis concerning police officers. He related problems in bush communities.

[3:14:57 PM](#)

MARIAN TAYLOR, SPECIAL EDUCATION TEACHER, ANCHORAGE, testified via teleconference, against SB 141. She suggested the Committee slow down and reconsider the bill. She reported that she was disillusioned by the response she got in Juneau from legislators regarding this bill. She opined that the actuarial advice is wrong. She shared some of the problems in education if this bill is passed.

[3:20:21 PM](#)

DUANE MORAN, APEA/AFT, testified via teleconference, against SB 141. He argued a point made earlier by Ms. Millhorn, regarding long-term disability. He pointed out that long-term disability is not available to members of the Anchorage school district. He questioned where Alaska fits in the 21st Century global economy. He related statistics about graduation in Alaska. He compared salaries of Florida with those of Alaska.

[3:23:05 PM](#)

ADA GLEASON, ANCHORAGE, RETIRED STATE EMPLOYEE, testified via teleconference, in opposition to SB 141. She focused on the restriction of ad hoc post retirement pension adjustments. She suggested redoing this part of the bill. She spoke for future employees of the defined contribution plan, which provides no floor. She spoke in favor of a death benefit for police officers and against the defined contribution plan.

[3:26:27 PM](#)

JAMES ORR, FAIRBANKS, testified via teleconference, in opposition to SB 141. He suggested that Ms. Millhorn's point about 6 different incomes coming in is not the norm. He urged the members to reconsider this bill.

[3:28:09 PM](#)

IRENE MATHEIS, FAIRBANKS, testified via teleconference, against SB 141. She spoke about recruitment problems and suggested taking more time to reconsider this bill.

[3:29:17 PM](#)

TAMMY SMITH, FAIRBANKS EDUCATION ASSOCIATION, testified via teleconference, against SB 141. She maintained that the defined contribution plan would damage the quality education that parents have come to expect. She concluded that the defined contribution plan, which increases yearly is unfair.

[3:32:10 PM](#)

CONTESSA GOSSETT, PROBATION OFFICER, MATSU DIVISION OF JUVENILE JUSTICE, MATSU, PALMER, testified via teleconference, against SB 141. She maintained that the PERS and TRS systems would be destroyed by the legislation. She spoke against the loss of medical benefits and noted that states that have changed to the defined contribution system are now changing back. She spoke about reconsidering her career if the bill passes. She spoke against changing the board. She suggested developing an alternative plan.

[3:34:37 PM](#)

ANDREA ANDREWS, DIVISION OF JUVENILE JUSTICE, MATSU, testified via teleconference, in opposition to SB 141. She shared her concerns about the MatSu area. She felt that the bill is being fast-tracked.

[3:37:33 PM](#)

DAVE BODDY, ALASKA PROFESSIONAL FIREFIGHTERS, JUNEAU, spoke of a concern about the lack of death and disability benefits. He shared a story about a firefighter who became disabled in an accident. He said the bill would also affect the ability to recruit new applicants.

[3:40:18 PM](#)

DEBBIE HULL, TEACHER, JUNEAU, testified against SB 141. She spoke of personal experience managing costs when teachers and other public employees bear the brunt of increased costs. She said teachers are again being asked to bear the brunt of reductions.

[3:42:48 PM](#)

MIKE DAVIDSON, ALASKA PROFESSIONAL FIREFIGHTERS ASSOCIATION, testified in opposition to SB 141. He spoke of a concern about lack of death and disability benefits in SB 141. He related what would happen to families if there were an accidental death. He said there is not another source of funding for this benefit.

[3:45:22 PM](#)

DOMINIC LOZANO, ALASKA PROFESSIONAL FIREFIGHTERS, FAIRBANKS, testified in opposition to SB 141. He noted that there are large unknowns in the bill. He suggested taking more time to study this bill.

[3:47:30 PM](#)

JEFF MANN, PUBLIC SAFETY EMPLOYEES ASSOCIATION (PSEA), expressed concerns about the bill and stated his opposition to SB 141. He related that defined benefits provide a

variety of opportunities. It is currently difficult to recruit state troopers. A defined contribution plan does not encourage longevity.

[3:49:57 PM](#)

CRAIG PERSSON, POLICE OFFICER, PERAMEDIC, PUBLIC SAFETY EMPLOYEES ASSOCIATION, asked the committee to slow down the process. He maintained that police officers and firefighters do not understand actuarials, but they do their job. He spoke against SB 141.

KEITH PERRIN, RETIRED STATE TROOPER, PSEA, testified against SB 141 and listed names of troopers who have died [in the line of duty]. Officers put themselves in jeopardy every day. He asked the committee to not abandon these officers.

[3:53:47 PM](#)

DEEDIE SORENSEN, TEACHER, JUNEAU SCHOOL DISTRICT, testified in opposition to SB 141. She related that the quality of the future in education and other areas would be detrimentally impacted by this legislation. She shared a story about her students and the need to be objective. She suggested the legislators do the same.

[3:55:49 PM](#)

AMY MARTIN, TEACHER, JUNEAU SCHOOL DISTRICT, spoke against the legislation. She related both private sector and public education experiences and expressed concerns with the removal of the death benefit. She urged the Committee to reconsider the legislation.

[4:01:15 PM](#)

LINDA FRAME, TEACHER/ACTING PRINCIPLE, JUNEAU PUBLIC SCHOOL SYSTEM, testified against the proposed legislation. She expressed concerns that the legislation would be detrimental to teacher recruitment and would pull teachers from rural communities. She maintained that people of the State are not supportive of the bill.

[4:04:14 PM](#)

JULIE VAN DRIEL, EDUCATOR, JUNEAU PUBLIC SCHOOL, spoke against the legislation. She pointed out that it is not uncommon for a teacher to spend 12 hours a day in the classroom. She addressed the number of students that enter the penal system. She pleaded that the bill not be moved from Committee.

[4:06:49 PM](#)

JACKIE NELSON, TEACHER, DELTA JUNCTION, testified via teleconference, against the proposed legislation. She maintained that the calculations used in the Mercer actuarial are faulty. She applauded efforts to seek a second actuarial opinion. She acknowledged that the [retirement] system is ill, but maintained that it could be made whole and viable. She requested that the bill be slowed down and asserted that defined contribution systems do not work.

[4:09:22 PM](#)

WHITNEY AILLAUD, TEACHER, DELTA JUNCTION, testified via teleconference, in opposition to the proposed legislation. He maintained the defined contribution plan was based on bull market calculations and was poorly crafted and has not had enough review. He felt that the legislation was being railroaded through in a non-election year. He commented that it would encourage educators to move out of state.

[4:11:17 PM](#)

Cindy Lou Aillaud, Educator, Delta Junction, testified via teleconference, in opposition to the legislation. She stated that the bill would be detrimental to teachers within the system and it would drive public servants out of State. She observed that NEA Alaska is willing to work in the summer and fall to craft a better solution. She urged that the bill not pass from Committee.

[4:13:21 PM](#)

TYLER GROSSHUESCH, ALASKA PUBLIC EMPLOYEES ASSOCIATION (APEA), ANCHORAGE, testified via teleconference, on behalf of school custodians. He understood that the House State Affairs version removed areas of concern for school custodians. He maintained that school custodians cannot afford a pay cut and that the defined contribution plan would not work for those toward the bottom of the pay wage. He expressed concern with the effect the plan would have on retaining quality faculty. The University has an optional plan that is only available for the higher paid professors and recommended that it be made optional to higher paid state employees.

[4:16:39 PM](#)

SARAH GROSSHUESCH, NET-AK AEA, TEACHER, ANCHORAGE, testified via teleconference, and voiced grave concern with the proposed legislation. She spoke to the need for retiring with a "quality of life". She urged that legislators consider all state employees when determining the consideration. She urged reconsideration and asked the Committee to move more slowly with the legislation.

[4:19:07 PM](#)

MANIA COOKSON, ANCHORAGE, testified via teleconference, against the legislation. She maintained that SB 141 does not take the interest of State employees into account. She pointed out that social security was removed in 1980. The new proposal for the state system is moving too fast for review. She encouraged legislators to seek a better foundation that would benefit all citizens of Alaska.

[4:22:09 PM](#)

DAVE CAMPANO, STATE EMPLOYEE, ANCHORAGE, testified via teleconference, in opposition to SB 141. He discussed the benefits of state employees. He stated that the bill would further remove the buying power of state employees. He commented on the benefit package. He observed that the State is currently having a difficult time recruiting employees. The market forces of the past have established the current problem. He stressed that SB 141 does not address how to appropriately fund the system. He asked that some of the health benefit experience be considered.

[4:27:03 PM](#)

PAT LUBY, ADVOCACY DIRECTOR, ALASKA ASSOCIATION OF RETIRED PERSONS (AARP), ANCHORAGE, testified via teleconference, against the legislation. He stated that there is a 'fatal flaw' in SB 141, in that it would be possible to out live the defined contribution. He pointed out that, while other private employers participate in a defined contribution plan, they also participate in Social Security, which is basically a defined benefit plan. The state of Alaska does not participate in social security. You cannot outlive the current PERS or TRS defined benefit plan. Without social security or a defined contribution plan, employees will be able to outlive their contribution plan. No one knows what life expectancy will be in three or four years. Changing the retirement system is serious business with serious consequences. He noted that AARP encourages the Committee to slow the bill down.

[4:30:20 PM](#)

DAVE PARSONS, EDUCATOR/ESSA, FAIRBANKS, testified via teleconference, against the proposed legislation. He stressed the legislation would have a devastating affect on all support staff in the education system. He pointed out that SB 141 does take into consideration the needs of public employees. He maintained that adequate school funding is the real crisis.

[4:34:37 PM](#)

LAURA PETROVICH, FAIRBANKS EDUCATION ASSOCIATION, testified via teleconference in opposition to SB 141. She observed that a defined benefit plan is one of the primary reasons to work in the public sector as opposed to the better-paid private sector. She suggested the people are the state's greatest resource.

[4:36:10 PM](#)

PATRICIA CRAMER, TEACHER, FAIRBANKS, testified via teleconference in opposition to SB 141. She noted the rate of return. She felt it would be difficult to attract certified teachers under a defined contribution plan. She will not receive social security. There is no safety net for teachers.

[4:38:06 PM](#)

JIM FIORENZI, FAIRBANKS, FAIRBANKS EDUCATION ASSOCIATION, testified via teleconference, in opposition to SB 141. He maintained that teachers are a human resource. He observed that it is already difficult to replace employees.

[4:42:12 PM](#)

KAREN EDDDY, FAIRBANKS, testified via teleconference in opposition to the legislation. She maintained that the legislation needs revision. She noted that there is only one public employees' retirement system in the state of Alaska. She expressed concern that young people will leave the state.

[4:46:15 PM](#)

GERRY GUAY, ANCHORAGE, testified via teleconference in opposition to the legislation. He suggested that SB 141 would not value dedicated workers. The legislation assumes that workers can invest as well as the current fund managers. He observed that his \$200 thousand in SBS after almost 20 years would only last a few years. He questioned how the state could be expected to entice dedicated workers and felt that the legislation would jeopardize the system.

[4:50:32 PM](#)

JOHN DICKENSON, ANCHORAGE, testified via teleconference in opposition to the legislation. He noted the difficulty of finding qualified workers and maintained that the defined contribution plan would reward portability at the cost of long-term employment. He emphasized the expense of hiring and training. He felt that the legislation would result in inexperienced staff and unacceptable service, which would result in high turnover.

[4:53:16 PM](#)

LORRIANE CAMPBELL, ANCHORAGE, testified via teleconference in opposition to the legislation. She did not feel that the situation was an emergency and asked the Committee to further reflect on the problem. She observed that it takes a quality retirement system to attract quality teachers.

[4:56:01 PM](#)

ROBIN SWINFORD, ANCHORAGE, testified via teleconference in opposition to the legislation. She noted that all agencies are under-funded, overworked and stressed. She maintained that SB 141 would adversely affect all state agencies. She urged the Committee to reconsider the legislation.

[4:59:24 PM](#)

MARGO WARING, JUNEAU spoke in opposition to the legislation. She noted that state employees are prohibited from stacking benefits such as social security. She spoke in support of maintaining the Employees Retirement Board. She maintained that SB 141 would tilt the power too far toward employers. She urged members to study the options.

[5:03:34 PM](#)

JIM ASHTON, BUSINESS MANAGER, PUBLIC EMPLOYEES ASSOCIATION LOCAL 71, testified against the legislation. He observed that there are minimal employment qualifications, which are becoming harder to find. He felt that the legislation would make it virtually impossible to recruit new employees or that employees would be hired and trained than leave for better pay and better benefits. He asserted that the public sector is losing employees to the private sector.

[5:06:50 PM](#)

SAM TRIVETTE, PRESIDENT, PUBLIC EMPLOYEES ASSOCIATION OF ALASKA, JUNEAU, spoke in opposition to the legislation. He acknowledged problems with the system but maintained that benefits that are not fully funded should not be allowed at all. See written testimony (copy on file.)

[5:11:57 PM](#)

TOM HARVEY, EXECUTIVE DIRECTOR, NEA-ALASKA, testified in opposition to the legislation. He provided members with written testimony (copy on file.) He spoke in support of the House State Affairs Committee version. He referred to page four of his testimony, which looked at a defined contribution plan for a hypothetical Sitka teacher with a starting salary of \$35,571. He concluded that after 30 years

the employee would not have sufficient funds to cover projected health insurance costs and would be in debt by the age of 62. He maintained that employees would not be able to retire in dignity, if they could retire at all.

Mr. Harvey recommended a highbred plan, such as one suggested by the Tier Committee. He stressed that a solution to the death and disability issue, needs to provide a death and disability benefit. He hoped to find a real solution.

Mr. Harvey addressed what the total start up costs should be. He commented on the issue of cost of closing the present system. He observed that the state of West Virginia is now indicating \$1.4 to \$1.8 billion dollars in savings after going back to a defined benefit plan. He pointed out that a solution needs to be done now and not in an election year.

[5:21:25 PM](#)

KRISTINA TORNQUIST, EDUCATOR, JUNEAU, spoke against SB 141. She stated that it would not fund or give relief for past service costs. It would have a devastating affect on future retirees. Public school retirees do not have the option for the Social Security. She noted that there are loopholes and maintained that under-funded retirement incentive programs have not served the system well. She stressed that adequately funded schools and quality retirement system will attract good teachers for the system and that the State of Alaska can afford it.

[5:26:10 PM](#)

MARY GRAHAM, STATE EMPLOYEE, JUNEAU, spoke against the proposed legislation. She noted that she was a hiring manager. She maintained that with passage of the bill would make hiring more difficult. It is a big job of hiring managers and it is difficult to find qualified candidates. She commented on the use of state resources. The retirement package has always been an incentive for hiring employees. State agencies function better when they can attract career employees. She opposed the bill.

[5:28:45 PM](#)

CAROL COMEAU, SUPERINTENDENT OF SCHOOLS, ANCHORAGE SCHOOL DISTRICT, recommended that SB 141 be separated from the base school allocation issue. She maintained that the issues need to be separated and solutions need to be found. She did not feel that the life of the bill, one month, was not enough. She pleaded that the legislation be carried into the interim and stressed that the entire state should be part of the solution. She reiterated that HB 1 must be separated from SB 141.

Co-Chair Meyer noted that they tried hard to fully fund education this year. He noted that they did not concur with the Senate changes.

[5:31:23 PM](#)

CINDY SPANYERS, APEA/AFT, JUNEAU, testified against the legislation. She noted that APEA/AFT represents school districts and state employees across the state. She questioned if portability was a positive attraction for state employment. She referred to a May 2004 Mercer report. She noted that the report concluded employees do not prefer defined contribution plans. She urged that the state stick with a defined benefit plan. She noted that several states have returned to defined contribution plans, while in other states employees are opting not to participate in defined contribution plans. She maintained that many employees could not hope to retire under a defined contribution plan. She noted that there are many occupations that have the risk of injury, such as fish and wildlife technician, school employees, social workers, child support enforcement, and others. She urged that the Committee look at real life situations in the state of Alaska. She asked that the Committee support education.

[5:36:40 PM](#)

Senator Steadman acknowledged that it is expected that the House Finance Committee will come forward with recommendations. He spoke in support of the current provisions for death benefits. He noted that testimony was emotional, and stressed that there is no intention to put the state at a disadvantage. There are population trends affecting nationwide.

Representative Kelly thanked for all the work put into the legislation.

SB 141 was HELD in Committee for further consideration.

#

ADJOURNMENT

The meeting was adjourned at 5:40 PM