

HOUSE FINANCE COMMITTEE
April 28, 2005
2:50 P.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [2:50:48 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Eric Croft
Representative Mike Hawker
Representative Jim Holm
Representative Reggie Joule
Representative Mike Kelly
Representative Carl Moses
Representative Bruce Weyhrauch

MEMBERS ABSENT

Representative Bill Stoltze, Vice-Chair
Representative Richard Foster

ALSO PRESENT

Representative Paul Seaton; Senator Bert Steadman; Suzanne Cunningham, Staff, Representative Kevin Meyers; Melanie Millhorn, Director, Division of Retirement and Benefits, Department of Administration; Miles Barker, Staff, Senator Burt Steadman

PRESENT VIA TELECONFERENCE

Rose Kalamarides, Administrator for the Teamsters Medical Plan, Anchorage

SUMMARY

#HB 217

HB 217 An Act relating to the determination of full and true value of taxable municipal property for purposes of calculating funding for education and certain other programs.

HB 217 was POSTPONED.

#

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 non-vested 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.

CS SB 141(FIN) was HEARD and HELD in Committee for further consideration. SB 141 was placed into a work group consisting of: Chair, Representative Kelly and with members Representative Hawker, Representative Weyhrauch and Representative Croft.

[2:51:48 PM](#)

#SB141

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 non-vested members of the teachers' retirement system defined benefit plans to transfer into the teachers' retirement system defined contribution plan and for non-vested 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.

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Representative Hawker MOVED to ADOPT work draft #24-LS0637\C, Craver, 4/26/05, as the version of the bill before the Committee. Representative Joule OBJECTED in order to hear the changes.

SUZANNE CUNNINGHAM, STAFF, REPRESENTATIVE KEVIN MEYERS, explained the changes made between the proposed version ("C") and the House State Affair version ("X") of the legislation.

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Ms. Cunningham pointed out that in version "C", the first change made was contributions of the employers. The medical percentage was reduced to 1.75%, Page 15, Lines 14-24, pertaining to the Teacher's Retirement System (TRS).

Ms. Cunningham referenced Pages 82-83, which lists contributions by employers in the Public Employee Retirement System (PERS).

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Ms. Cunningham commented on the changes made to the medical component of the bill, eliminating the requirement that the person retire directly from the system. That information is located on Page 25.

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Representative Croft asked about the change made on Page 58. Ms. Cunningham explained that was the increase from 2% to 3% to the Health Care Reimbursement Account (HRA).

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Ms. Cunningham pointed out that Page 25, Line 13, indicates the eligibility requirements for receiving medical benefits. In version "C", the requirement that the person retire directly from the system was eliminated.

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Ms. Cunningham referenced access to medical coverage and the normal retirement age as listed on Page 26.

AT EASE: [3:02:46 PM](#)
RECONVENE: [3:03:23 PM](#)

Ms. Cunningham stated that there were no changes made under the defined contribution retirement account.

Representative Croft understood that it increased the contribution by 1%. Ms. Cunningham reiterated that there had been no changes to the defined contribution account.

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Ms. Cunningham highlighted the changes made to the contribution details, made by the employers, listed on Pages 15 & 83. That language decreases the medical contribution from 3.75% to 1.75% and increases the HRA contribution from 2% to 3%.

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Representative Croft pointed out that the proposed bill would keep the existing employee contribution and that the employer contribution rate would change. He asked if the 3.7% was determined on base salary. Ms. Cunningham said yes.

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Representative Croft inquired why the change was made from 3.75% to 1.75%. Ms. Cunningham advised that pertained to another part of the bill. The House State Affairs (STA) version (X) established the eligibility age, 60 months prior to age eligibility of Medicare. A person would be eligible at age 60 to receive retirement and medical benefits. It could be more beneficial to a retiree, who retires at age 65 that the benefit actually comes at the age of 65 and not at age 60.

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Representative Croft questioned if the total contributed amount was for medical only or medical and retirement purposes.

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Ms. Cunningham noted that the vesting details did not change. (Copy on File). The medical program section removed the requirement to retire directly from the system. Additionally, it changed the age back to 65, the Medicare eligible age with ten years service.

Representative Croft asked why the language was used that Medicaid eligible age is 65 years old. Ms. Cunningham requested that Representative Seaton testify to that as the change was made in the House State Affairs Committee.

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Ms. Cunningham pointed out the change of the retiree share of the medical premium increased from 3% to 5%. Representative Croft asked if the intent was to ask the retiree to pay a premium for insurance, which would decrease depending on the number of service years. Ms. Cunningham said yes.

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Ms. Cunningham commented on an amendment made in the House State Affairs Committee, which provided that a dependant child, born to an eligible recipient, would be the only one eligible for qualifying for dependant coverage. Representative Croft advised that did not make a substantive change.

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Discussion occurred between Representative Weyhrauch and Ms. Cunningham regarding that language.

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Ms. Cunningham stated that the employer would contribute 3% of the annual average of the employer's compensation to the health reimbursement arrangement (HRA).

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Ms. Cunningham stated that the version in front of the Committee would allow a 10-year window for terminated, non-vested people to return to service eligible to receive their HRA.

Co-Chair Meyer thought that it would be an administrative burden to retain them longer than 10-years. Ms. Cunningham pointed out that the Senate Finance Committee version had a 5-year window. The House State Affairs Committee removed that window, keeping it unlimited. The House Finance Committee version is the compromise.

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Ms. Cunningham explained the changes to the board structure, from three non-beneficiaries to one from PERS and one from

TRS. Both PERS and TRS could submit a list of names to the Governor for appointment.

Representative Croft pointed out the use of "may" and asked if the Governor would be required to select from that pool. Ms. Cunningham said he would. Representative Croft inquired if there was a requirement for legislative confirmation. Ms. Cunningham stated that it would be only appointments by the Governor.

Representative Croft pointed out that in the prior versions, the appointments included those employees. Current language does not mandate from that list. Ms. Cunningham replied that was correct. Co-Chair Meyer interjected that the "hope" was to choose someone with expertise in those areas.

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Representative Croft addressed the recognition of confidence and asked if it had been included in the proposed version. Ms. Cunningham said it was.

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Ms. Cunningham added that language was put back in and that appointees must be eligible to receive a Permanent Fund Dividend.

Ms. Cunningham pointed out in the proposed version, there were four-year terms with a maximum of two consecutive terms with a one-year break required between.

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Ms. Cunningham said additionally, there is a requirement for the board to annually evaluate the employer's right for medical insurance including a per diem increase from \$150 to \$400 per day.

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Ms. Cunningham highlighted the differences in the proposed committee substitute, pointing out the language for penalty for false statements, AS 14.25.10.

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REPRESENTATIVE PAUL SEATON spoke to the changes between the two versions of the legislation. The House State Affairs Committee attempted to address ways for eliminating future unfunded liabilities. Unfortunately, the House Finance Committee substitute adds a number of those liabilities back in and are mostly are related to the medical system.

The "C" (House Finance Committee) version creates liabilities because it will not generate enough funds to pay for future benefits. The Mercer group made their calculations based on the assumptions that people would be retiring directly from the system. In the "C" version, employees would not have to retire out of the system and would expand the pool of potential retirees.

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Representative Weyhrauch inquired why that had not been calculated. Representative Seaton replied that the version before the Committee eliminates the language that retirees have to retire directly from the system. The pool of people that have ten years service and who would be able to retire would expand. The House State Affairs version stipulates that the person would have to retire directly from the system after 10 years of service.

Representative Seaton addressed unfunded liabilities, pointing out that medical benefits were significantly higher post 65-years than those in the previous version.

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Representative Croft spoke to retiring from the system. He was concerned that someone beginning at 30 years old, knew that they would not be covered at all if they did not retire from the State system, would consider other options.

Representative Seaton reiterated that the employee would need 30 years to retire from the system or 10 years in reaching retirement age. If the person had less than 30-years service, they would have to retire directly from the State system. The "C" version states that at age 65, the person who worked from 10 years on, would be covered. He pointed out that Mercer calculations had not been based on that.

Representative Seaton stressed there was a large difference in the two plans. The philosophical intent is to create a plan more like a defined contribution plan (DCP). The "C" version clarifies that the employee would lose their 10 years DCP. He thought that the health care reimbursement and the medical plan should work together. The medical component provides an insurance plan, covering regular medical. The DCP becomes dollars assigned to a personal account by the employee.

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Representative Croft asked what the interaction would be between the HRA and the medical-set-aside by the employer. Representative Seaton explained that the HRA provides money,

which could be used for any qualified health care expense. An employee could retire at 60 and use that money for covering their premiums. That language is not contained in the "C" version, in which the person would have to be 65 before they could receive medical benefits.

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Representative Croft asked if at retirement age, there would be an account covering ordinary items such as premiums from another account. Representative Seaton explained that the person would need to have major medical plan.

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Representative Croft inquired how major medical would be different from the current available medical coverage. Representative Seaton replied the major medical plan portion would be the same. The difference is that presently, the State pays 100% and under the proposed plan, there would be a cost share. There would be premiums paid by the employee. Under SB 141, there would be no subsidy base. He preferred the House State Affairs "X" version, as it identifies future liabilities.

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Representative Croft pointed out the change from 3.75% to 1.75%, representing how much of the employees salary was withdrawn for the medical care reimbursement. Representative Seaton advised that medical is actually a percentage of the salary. The health care reimbursement account (HCRA), because of the federal anti discrimination laws, is based on the average salary of the PERS and TRS members. They would have to work as a unit payment, 2% of the average salary of those people paid by the employer. The employer is the only contributor to the HRA and the medical.

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Representative Seaton added that SB 141 allows new dependant coverage after service. He commented that language could potentially have a substantial financial drain on the State. Given a person employed at this time, that cost in 30 years is estimated to be an average of \$54 thousand dollars per year. The House State Affairs STA version placed constraints, identifying such things as adoption of grandchildren. It is possible there could be a huge cost associated with adoptions. He stressed that healthcare is an expensive item. Healthcare has been identified as the most important item in the employee's retirement package.

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Representative Croft thought that both the House State Affairs and the House Finance Committee versions used similar language. He asked where in the "C" version was the language that addressed the issue of dependent children. Ms. Cunningham said on Page 26, Lines 5-7.

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Representative Croft asked if the language was not satisfactory because it did not specify dependent children at the time of retirement. Representative Seaton said the language does not indicate that the surviving spouse or the dependent children had any relationship to the working history of the employee. He thought that would be an unfunded liability to the system.

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In response to a query by Representative Croft pertaining to death and disability benefits for peace officers and law enforcement agents, Ms. Cunningham referenced Page 93, Lines 21-23. She pointed out the language was intricate to addressing benefits of a surviving spouse and dependents.

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Representative Seaton thought there was a big difference between a surviving spouse and dependent children.

Representative Holm questioned the concept of "a great liability". He pointed out that most retirees do not have dependent children. Survivor-benefits are different. Representative Seaton referenced the escalation in health care costs and in paying premiums; the State needs to be careful in what is being allowed with situations such as grandparents adopting grandchildren and marriages happening late in life.

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Representative Croft thought that the "C" version was fairer and asked about the impacts. Representative Seaton commented that they had requested that from the Mercer analysis. Their calculation was based on retirement directly from the system. They are presently reassessing it to determine the projected figures. He stated that if it was a defined contribution program, as far as the retirement benefit, it would not matter, however, a medical benefit creates a risk.

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Representative Croft did not agree the concern was "huge".

Representative Seaton referenced Page 2 of the comparison, a substantial change to the "subsidy by the system" increase is indicated. Previously, it increased from 30% to 90% coverage by the system. It was changed to 30% share by the retiree. Under the House State Affairs version, the employer would pay 30%, which would increase by 3% each year. He stressed that the proposed structure was very different. Under the "C" version, there would be a minimum of a 70% subsidy. Both the employers and employees wanted more benefits to come to long-term employees. The "C" version provides for a 70% subsidy after working only ten years.

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Representative Croft was confused with the percentages proposed and asked clarification if for those working 10 years, the employer would only pay 30% of medical. Representative Seaton said yes. Representative Croft understood that in the original Senate version, the employee would be responsible for paying out only 30%. Representative Seaton acknowledged it had been a large change. A long-term employee receives higher coverage, creating a larger incentive to stay working in the system.

Representative Weyhrauch asked how the change developed. Representative Seaton did not know, but thought it was the result of the tier committee structure. The proposal is similar to that of the State of Colorado.

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Representative Seaton spoke to the health care reimbursement (HRA) arrangement and hoped the arrangement would act as an incentive for employees to want to come back and work for the State so as to receive the retirement package.

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Representative Seaton explained moving the window to 10-year HRA contribution change. If an employee left the system for more than 10-years, they would lose their contribution. He thought the action would act as an incentive for the employee to return to State service. Representative Croft asked about the difference between the original Senate version and the House State Affairs "X" relationship with the HRA.

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Representative Seaton referred to consideration of the board members. The "X" version does not eliminate the competency

requirements required by the Governor. He commented on how the bargaining members would be elected.

Representative Croft asked about language on Page 46, Line 4, regarding who could be a board member. Representative Seaton replied that the House State Affairs version provided for one member with no association with PERS and TRS service, plus one member each from PERS and TRS.

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Representative Seaton expounded that they wanted the board terms to be as political as possible. The "X" version went to six-year terms with a maximum of two consecutive terms.

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Representative Hawker voiced his gratitude for all the work done by Representative Seaton and the House State Affairs Committee. He pointed out that the options presume a change to a defined contribution plan. He requested a characterization of the differences between the "C" and the "X" versions.

Representative Seaton responded that the proposed committee substitute does not address potential unfunded liability to the State. Additionally, testimony from employers indicates concern regarding rate escalation. The retirement and benefit program has one purpose - to attract and retain people. Employees and employers agree that medical benefits are the most important aspect. With a defined contribution program, adequate funding is necessary.

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Representative Hawker pointed out the challenge resulting from escalating costs driven by medical benefits. He asked if the House State Affairs Committee had considered alternatives to the issue.

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Representative Seaton said the Committee had looked at tier models. The State is under a severe constraint regarding their inability to change the benefit package because of constitutional obligations.

Representative Hawker asked if anything within the defined benefit model had been considered, such as a new tier and if that could be incorporated into the defined benefit model. Representative Seaton responded that the "X" version was not based on a defined contribution. The HRA portion is an element of the defined contribution plan, yet has aspects of the defined benefit model.

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SENATOR BERT STEADMAN, SPONSOR, added that there had been no change to the contribution formula for the retirement portion. He discussed the conceptual differences, addressing health care and the board structure. The Senate Finance version intended that health care would be available during working years and in retirement. The tier structure defines who pays which costs. He referenced Page 2 of the handout. The Senate version would be more expensive in dealing with post employment health care with more risk shifted to the employer after the age of 65.

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Senator Steadman commented on the 65-year age portion, at which time, it is assumed that person had been an employee and had 30 years service, then the State would pick up 90% of the premium. At that age, the person is unlikely to go back into the labor force and at that age, health care costs should not be shifted to the employee. Regardless of what happens to insurance growth rates in retirement, the State will pick up 90% of the amount if the employee has worked 30 years. It makes no difference, the split would be 90% for the State and 10% to employee. If the burden were shifted to the employee, the employee would not be able to cover it. An employee needs their health insurance after they retire. Before 65 years of age, the Senate version has the employee paying the premium.

Senator Steadman continued, the Senate version began with a 1%, moving to 2%; the "C" version has it at 3%. That is a crafted benefit to the employee; it needs to be attractive to the employee. He did not recommend that it be lowered.

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Senator Steadman continued, the cost of the Senate version is a little more for post employment health care because of the way in which it is handled after age 65. He referenced the defined contribution plan.

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Representative Croft asked about the 30-year retirement system and how that would affect employees currently in the system. Senator Steadman responded that the changes proposed in health care would not be for the current tiers and employees. The defined contribution would only be for the new tiers, coming into the system for the first time. Currently, there are no employees in that tier. The board would establish that rate. The Senate version established a

five-year window after termination; the "C" version extended that window to ten years.

Representative Croft understood that the account would have no significant liabilities for a long period of time.

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Senator Steadman clarified that there would be no liability applied to the health reimbursement arrangement. It would be like an employer funded savings account for the employee's health care costs.

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Representative Croft pointed out that the unfunded liability of the current system would continue. He asked if the savings account from the new tier could be used to pay off the unfunded liability. Senator Steadman said it could not. None of those monies can be used against the unfunded liability. The unfunded liability is the responsibility of the employer.

Representative Croft questioned how the legislation would fix the State's current problem.

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Senator Steadman stated that the \$5 billion dollar under funding was not intended to recapitalize the unfunded liability. That is a separate concern. Representative Croft misunderstood the intent.

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Representative Weyhrauch inquired if the intent was to establish a benchmark for a different class of employee at the Tier 4 level. Senator Steadman said yes, while restructuring the board.

Representative Weyhrauch pointed out that the "X" version does not address the unfunded liability and he thought it could create a separate unfunded liability. Senator Steadman thought that was inaccurate.

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Senator Steadman explained that the way in which an unfunded liability results is by not funding or under funding it. There is a liability for an employee that retires for his health care insurance costs at age 65. That would be funded as the plan moves forward. It is funded every year. The magnitude of a new tier and health insurance costs that are

required for the employees when they reach 65 is substantially different from what exists at this time.

Representative Weyhrauch questioned the divergence. He asked if the State needed something more than statutory language to create a constitutional requirement. Senator Steadman pointed out that an under funded mandate already exists and that it was misleading to say that the State would have a health insurance obligation for the new employees at age 65 without having an unfunded liability.

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Senator Steadman commented that the only way in which to guarantee that there was no unfunded liability would be to not offer health insurance. All versions of the proposal offer health insurance.

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MILES BARKER, STAFF, SENATOR BERT STEADMAN, added that because the House Finance Committee substitute changed the medical contribution from 3.75% to 1.75%, lowering it by the 2% will not pay for the medical benefit currently in the bill and is not a valid interpretation of the run numbers.

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Senator Steadman added that the benefit would be from age 65 onward and the split will always be 80% for the State and 20% for the employee to co-pay. The "X" version included a pre-65 requirement.

Senator Steadman discussed the composition of the board structure. Currently, the PERS and TRS boards spend 80% of their time on appeals. The appeal process would be moved to an administrative area. The current board sets the employer contribution rate and accepts the actuarial recommendations. The new board would address those two items. The new board would take care of assets and monitor liabilities, balancing them with cost containments.

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Senator Steadman added that there would be professional standards required of the board members and that they would need to have a more in depth understanding of the impact of their decisions. He noted that there would be three board members not from PERS and TRS.

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Senator Steadman added that most of the members would be from PERS and TRS. He suggested there was confusion in the

"X" version regarding the responsibilities of the board. Currently, there are over 100,000 employees in the current tier system. When the employer [State of Alaska] has to meet such an obligation, they need a "strong" seat at the table, as it affects the State's good faith.

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Representative Croft asked if there was an established interest rate for the defined contribution. Senator Steadman explained that the structure would be similar to the Supplemental Benefit System (SBS) and the board's responsibility would be to steer employees toward financial success.

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Representative Croft emphasize it would be relevant to the employee if the board made wrong decisions as it would affect their retirement funds.

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Senator Steadman agreed. The employee should have the ability to influence the selection in a defined contribution plan. There is no intent to have a defined contribution plan with no representation from the employees in the investment selections. Representative Croft recommended that all employees should be on the board.

Senator Steadman noted that the Senate Finance Committee (SFC) thought that the structural problem should be addressed first and then the new board could come back to the Legislature with cost control recommendations to deal with funding challenges.

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Representative Croft was confused how the State intended to build up a savings account to address the debt. He asked if SB 141 did not cure the current retirement system financial debt, what was the solution. Senator Steadman indicated that the first matter to address was a "structural fix" because the challenge is so large. After that, the State could go after the \$5.7 billion dollar debt concern.

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Senator Steadman advised that last year, the State lost \$700 million dollars while gaining 15% on their portfolio.

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Representative Hawker clarified that the first priority is the structural fix. He asked if the State knew for certain that the past structural fixes were not substantial enough to address these concerns.

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Senator Steadman pointed out that Tier 1 is more challenging than Tier 2 because it is more expensive. The issue is having a defined benefit plan that is so "unmovable" that the State cannot respond easily to the changing market conditions.

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Representative Hawker questioned how "broken" Tier 3 was. He pointed out that the Committee does not have the benefit of Mercer as a resource. He questioned how the Mercer group had been financed. Senator Steadman explained how the State secures Mercer, paying roughly \$450 thousand dollars a year for that service. Representative Hawker recommended it would be more responsible for the Committee to get a second opinion.

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Senator Steadman offered to share Mercer's findings. He reported that he has used models other than Mercer and he assumed that the other findings would obtain the same results. He suggested that distortions come into play unless one point in time is used.

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Representative Hawker discussed the compounding numbers in the medical industry could cause serious problems in the future. Senator Steadman pointed out that on the national level, health care costs are excessive. He acknowledged that he could not argue for a financial fix of \$5.7 billion dollars. Representative Hawker agreed, emphasizing that the problem is the medical cost component. Senator Steadman related the philosophical position of the Senate Finance Committee.

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Co-Chair Meyer advised that Ms. Millhorn was available to provide the requested numbers.

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Representative Kelly thanked Senator Steadman and Representative Seaton for their hard work. He voiced concern that if a new plan were not adopted, then 15% of the

Alaska workforce would suffer. He opined that the versions before the Committee were close enough to work out the differences. He argued that attracting and attaining new employees under the new system could be done and encouraged supporting a compromise between the two versions.

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MELANIE MILLHORN, DIRECTOR, DIVISION OF RETIREMENT AND BENEFITS, DEPARTMENT OF ADMINISTRATION, offered to provide data and answer any questions of the Committee.

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Representative Croft inquired how to best address the current \$5.7 billion liability. Ms. Millhorn said the defined benefits plan could provide a long-term solution because the employee contribution rate would decrease after 14 years. The 25-year amortized schedule would help eliminate the unfunded liability. The proposed plan would bring in a new tier and would deal with the volatility of investment returns and health care costs.

Representative Croft understood that the assets collected from the defined contribution would be used to pay off what is currently owed. Ms. Millhorn explained that the money would come from the employer. The employer would be paying for the past service cost of the unfunded liability. They own that obligation. The new tier would solve the problem by paying off the past service rate. She described the expectations of the new plan.

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Representative Croft interjected that it would not be eliminated, only transferred.

[5:12:04 PM](#)

ROSE KALAMARIDES, (TESTIFIED VIA TELECONFERENCE), ADMINISTRATOR FOR TEAMSTERS MEDICAL & RETIREMENT PLAN, ANCHORAGE, clarified that SB 141 would not impact her. She recommended that there be a distinction between funding for the retirement plan and the medical plan. She thought that the benefit package for retirees under the proposed plan still appears "generous" compared with that of the private sector.

Ms. Kalamarides commented that it should be carefully considered whether the State wants to change the retirement benefits for public employees from a defined benefit to a defined contribution plan. The funding issues should be separated from the costs of the medical benefits.

Ms. Kalamarides suggested that the risk was simply being shifted from the employer to the employee. In a defined benefit plan, the risk is smoothed out. Most people do not have enough information to make good investment choices.

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Ms. Kalamarides cautioned that the Legislature should look at what the private sector is doing with retirement health plans. She recommended leaving the defined benefit plan in place for future hirees, as it would attract better State employees. Most teachers would pick the defined benefit plan over a defined contribution plan.

Ms. Kalamarides applauded the work done by the House and the Senate. She stated that ultimately, the decision is a philosophical one regarding what type of employer does the State of Alaska want to be. She reiterated that the health benefits should be a different issue from the retirement plan.

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Co-Chair Meyer agreed that there could be a solution on the matter, acknowledging the tremendous amount of work done on the bill.

Co-Chair Meyer stated that the bill would be placed in a work group including consultation with Representative Seaton, Senator Steadman and Ms. Millhorn. SB 141 was placed into the work group with members: Chair, Representative Kelly and with members Representative Hawker, Representative Weyhrauch and Representative Croft. Representative Hawker maintained that the task of addressing the concerns would be a "huge undertaking" for the work group to provide in two days.

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SB 141 was HELD in Committee for further consideration.

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[5:22:03 PM](#)

ADJOURNMENT

The meeting was adjourned at 5:22 P.M.