

HOUSE FINANCE COMMITTEE
April 30, 2005
2:29 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [2:29:55 PM](#).

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Representative Paul Seaton; Representative Beth Kerttula; Senator Bert Steadman; Representative Lesil McGuire; Speaker John Harris; Virginia Ragle, Assistant Attorney General, Department of Law; Suzanne Cunningham, Staff, Co-Chair Meyer

PRESENT VIA TELECONFERENCE

Representative Jim Holm

SUMMARY

CSSB 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."

HCSSB 141 (FIN) was heard and HELD in Committee for further consideration.

[2:31:07 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."

Representative Joule WITHDREW his objection from April 28, 2005, to Representative Hawker's motion to adopt the work draft for SB 141, Version C.

Representative Hawker WITHDREW his motion from April 28, 2005, to adopt a work draft for SB 141, labeled 24-LS0637\C, Craver, 4/26/05.

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Co-Chair Meyer noted that the House State Affairs version would be before the Committee [24-LS0637\X].

[2:32:17 PM](#)

REPRESENTATIVE PAUL SEATON, STATE AFFAIRS COMMITTEE CHAIR, reviewed HCS CSSB 141 (HSTA). He provided members with a handout: "Walkthrough House State Affairs CS to SB 141" (copy on file.) He explained the changes to the existing retirement system and to the current and proposed boards. He described the medical program elements of the HSTA version of SB 141. The HSTA Committee added an Ad-hoc Post Retirement Pension Adjustment, which would occur when the Fund is solvent and the "system can support it". This was left at 110 percent: assets to liability.

Changes to the Board structure were adopted, which merged the PERS, TRS and ASPIB (Alaska State Pension Investment Board) boards into the new Alaska Retirement Management Board (ARM). The makeup of the board was changed to make it more representative. The HSTA version increased the PERS and TRS members to two each. Representation outside of the retirement system was reduced to one. Four members would represent the employer: commissioners of the departments of Administration and Revenue, a finance officer from a political subdivision and a finance officer of a school district. He observed that he would support an amendment to have the PERS and TRS members picked by the Governor from a list nominated by the bargaining units.

Terms would be staggered and were changed from three to six years, to prevent a single term governor from replacing the entire Board. The intent is to make it less political.

Representative Seaton asserted that the primary duty (90 percent) of the current TRS and PERS boards is to hold hearings on disabilities. These duties would be transferred to the Department of Administration hearing officer.

Representative Seaton discussed medical program elements. He observed that there was no pre-retirement plan. Surveys of employees and employers identified medical benefits as most critical. The HSTA version provides a plan with 3.75 percent of employee compensation for TRS and 3.5 percent of employee compensation for PERS. This would be 60 months pre-Medicare eligible and after Medicare eligible. The subsidy base would only increase by 5 percent a year, to prevent an unfunded liability.

Eligibility was changed and would be based on the "Medicare eligible age" instead of 65 yrs, in anticipation that the federal government would change the age sometime in the future. Service would be 30 years. A member's spouse and dependents would be eligible if they were dependents during the member's active service. This would allow the department to determine the liability at the time the person leaves employment.

Representative Seaton referred to the Health Reimbursement Arrangement (HRA) and the required employee and employer contributions, which was increased to 2 percent.

Each person would pay a set premium for major medical. Retirees would have to meet the required amount of service. Pre and post Medicare eligible retirees would pay different premium amounts.

Representative Seaton discussed the formula for post Medicare eligibility. The subsidy base continued on through post-Medicare eligibility. He observed that an amendment might be offered to change this.

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Representative Seaton noted that there was also a change to the employer dollar amount for the HRA. Individual accounts

are maintained upon termination of employment. Under the previous version, benefits would have been lost after five years. He noted that the intent would be to retain the benefits, which the were paid into, upon return to employment. This would be in line with a defined contribution account, which would follow with the person and be accessible upon retirement age and ten years of vesting. The required employer contribution would be 4.5 percent; the total contribution would be 12 percent. The employee would pay 8 percent. Optional contributions would be allowed, but would not be matched. Rollovers would be the same. There would not be any vesting in the employer's portion of the contribution in the first year, but it would increase by 25 percent a year. After three years an employee would take his contribution and 50 percent of the employer's contribution. After five years the employee would get the full amount of the employer's contribution in addition to his own.

[2:42:04 PM](#)

Representative Seaton referred to investment accounts and observed that that there would be a range of investment options. Participants would direct the investment into fund accounts, but would not be able to invest in individual stocks, similar to SBS. Employees would be able to elect distribution of accounts upon termination of employment, after 60 days, subject to federal regulations. The Board would set the "normal cost rate".

Representative Seaton noted that conditional service, retirement benefit, and credit service was changed to 120 days for legislative employees.

Representative Seaton referred to the fiscal note. The PERS and TRS liability would be paid for two years through the plan.

Representative Seaton discussed the option to convert from the defined benefit (DB) to the defined contribution plan (DC). An unvested TRS and PERS member would be able to convert their DB plan into a DC plan.

A mechanism was included for political subdivisions, which do not currently have a PERS system, to join the DC plan.

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Representative Joule inquired about the boards and asked if discussion occurred regarding approval by the legislature of the membership. Representative Seaton noted that the HSTA Committee did not go into confirmation by the legislature.

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Co-Chair Meyer observed that a work group was set up to find areas of common grounds between the various versions of SB 141. He asked Representative Kelly, the chairman of the group, for a report.

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Representative Kelly reported that the working group worked out the differences between the HSTA version and the proposed House Finance Committee substitute, version C. He referred to a handout, "SB 141 Bill Version Comparison" (copy on file.)

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Representative Kelly referred to item #17, board members. He noted that the working group generally agreed that the PERS and TRS system would be represented by two members per system, which would be selected by the governor, from a list nominated by the bargaining.

Representative Kelly spoke of item #18. The working group agreed to keep the requirement for permanent fund dividend eligibility. The intent is to assure that the board member be an Alaskan. There was no change to item #19 from the HSTA version. The working group approved language proposed in version C, for items 20 and 22. He noted that there was no time to create a new committee substitute.

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Representative Kelly commented that after discussions with Representatives Meyer and Seaton, the decision was made to bring forth the amendments that found consensus.

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Representative Croft, working group member, referred to item 18. He noted that there was some discussion on whether a member would have to be active or vested in the system.

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Representative Seaton, who also participated in the work group, related that a problem with the permanent fund dividend qualification requirement could occur if there were three public members that had not been involved in the system. He did think it would pose a problem as the presented.

Representative Croft referred to page 47, HCS CSSB 141 (STA). He concluded that employees are likely to be PERS/TRS members. The commissioners would also be participants. He concluded that it would not be a problem.

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Representative Kelly stated that the theme of the amendments would be eliminating increases for existing employer contributions, addressing death and disability, early retirement opportunities, and health care provisions.

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Representative Kelly MOVED to adopt Amendment 1:

Page 47, line 11
Delete "three"
Insert "seven"

Page 47, lines 24-31
Page 48, lines 1-5
Delete all material
Insert

(3) two trustees shall be a member of the public employees' retirement system who shall be selected form a list of nominees submitted by public employees' retirement system bargaining units;

(4) two trustees shall be a member of the teachers' retirement system who shall be selected from a list of nominees submitted by teachers' retirement system bargaining units.

Co-Chair Meyer OBJECTED for discussion purposes.

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Representative Seaton observed that the amendment reduces the public membership to one and increases the PERS and TRS membership to two eaach.

Representative Croft noted a technical change to amend Amendment 1:

Add "four" after "of" in lines 10 and 13.

Representative Kelly OBJECTED for the purpose of discussion.

Representative Seaton explained due to the staggered terms, both of the members would not be replaced at the same time.

Representative Croft agreed MOVED to AMEND his amendment to Amendment 1: change "four" to "three". There being NO OBJECTION, it was so ordered.

[3:03:04 PM](#)

Representative Weyhrauch observed that it is the responsibility of the bargaining unit to make sure members as qualified as possible.

Representative Kelly WITHDREW his objection to the amendment to Amendment 1. There being no further objection, the amendment (a) to Amendment 1 was adopted.

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Representative Croft restated the amendment change. He MOVED amendment (b) to Amendment 1:

Add the words "All trustees shall be subject to the legislature."

Representative Croft observed that the legislature is the ultimate appropriating body. The financial responsibility lies with the state. He acknowledged that most nominees are confirmed, but felt that there should be a legislative check.

Representative Kelly clarified that the permanent fund board is not confirmed by the legislature. He maintained his OBJECTION to amendment (b) to Amendment 1. He opined there might be enough protection.

Representative Kelly noted that the intent is to be consistent with the Permanent Fund Board.

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Representative Weyhrauch observed that some of the members of the Permanent Fund Board are confirmed by the legislature. The attorney general and commissions of revenue are confirmed by the legislature.

Representative Kelly felt that there was sufficient oversight.

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Vice-Chair Stoltze asked how the Bradner Decision affects legislative confirmation.

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VIRGINIA RAGLE, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, observed that the board would not be the head of an agency or a quasi-judicial board, which would require confirmation.

Representative Croft asked if the TRS/PERS boards are confirmed. Ms. Regal clarified that the TRS/PERS boards are not confirmed. She understood that the legislature cannot require confirmation of just anyone. There are certain prescribed, descriptive terms that the Constitution uses to determine when confirmation is appropriate.

Representative Croft withdrew amendment (b) to Amendment 1.

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Representative Hawker asked if there is a technical correction to Amendment 1. He MOVED amendment (c) to Amendment 1:

Replace (3) and (4) with (d) and (e).

There being NO OBJECTION, amendment (c) to Amendment 1 was adopted.

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Co-Chair Meyer WITHDREW his objection to adopt Amendment 1. There being no further objection, Amendment 1 was adopted, as amended.

[3:14:11 PM](#)

Representative Kelly MOVED to adopt Amendment 2:

Page 59, line 15
Delete "two"
Insert "2.5"

Co-Chair Meyer OBJECTED for discussion purposes.

Representative Kelly explained that the 2.5 percent contribution represents the middle ground between the HSTA and the Senate versions. {The amendment would substitute 2.5 for 3.75 as the employers contribution to the employees major medical insurance.]

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Representative Seaton observed that the total health care cost was decreased due to cost constraints.

In response to a question by Representative Croft, Seaton clarified that the amendment refers to the public employee's health reimbursement plan.

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Representative Croft observed that the next three amendments offer different percentages. He stressed that any percentage adopted would be an estimate and emphasized that if the guess were wrong future employees would suffer. Under the current system the Board reevaluates yearly.

Co-Chair Meyer acknowledged Representative Croft's concerns, but pointed out that the legislature can increase the amount in the future.

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Representative Kelly stressed that the amount is a policy call.

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Representative Hawker expressed similar concerns to those expressed by Representative Croft. He questioned what evidence there is that 2.5 would meet the medical needs of retirees.

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Representative Seaton responded that there are numerous tables to show the effect of different funding levels. He acknowledged that the House State Affairs Committee did not feel that two percent was sufficient, without pre-Medicare eligible health care. Their analysis demonstrated that there would not be sufficient funding to provide for health care during the pre-Medicare eligible period. He noted that it would take 3 percent to cover the need without pre-Medicare eligibility. He recounted testimony that 2.5 percent would be "medically very rich" and would adequately fund the premium base for early retirement. He felt that the result would be a good medical plan.

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Representative Hawker summarized that 2.5 percent is adequate to provide the necessary benefits. Representative Seaton responded that 2.5 HRA with pre-Medicare eligibility would provide excellent medical coverage for retirees.

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Representative Croft asked what would happen if they were wrong. He observed that if they were wrong the employee would be considerably under saved. The employee faces the consequences.

Representative Kelly noted that the percentage could always be increased, but emphasized the need to be conservative since the amount cannot be reduced.

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Representative Hawker pointed out that the reason the issue is before the state of Alaska is that the experts recently erred in judging medical costs. Representative Seaton responded that the pre-60 medical plan has a subsidy base and cost containment with an escalation of five percent a year. He acknowledged that if inflation is seven percent that there would be some cost sharing.

Representative Croft asked how a number could be chosen for medical costs. Representative Seaton acknowledged that the design is a defined medical contribution plan, which constrains the subsidy base. The subsidy base would go up to \$47,000 a year in 30 years. The cost to the system is built in. He acknowledged that projections can be wrong. Representative Croft summarized that if medical costs increase beyond 5 percent that employees would have a shortfall. Representative Seaton agreed and added that it is important to have a large nest egg.

[3:33:57 PM](#)

Representative Croft MOVED to amend Amendment 2: replace "3" with "2.5".

Co-Chair Meyer OBJECTED.

In response to a question by Representative Weyhrauch, Representative Seaton clarified that the total employer contribution would be 10 percent.

[3:36:37 PM](#)

At ease.

[3:38:08 PM](#)

Representative Weyhrauch restated the amendment to Amendment 2.

[3:39:58 PM](#)

At ease.

[3:40:44 PM](#)

A roll call vote was taken on the motion to ADOPT the amendment to Amendment 2.

IN FAVOR: Croft, Hawker, Joule, Moses, Weyhrauch
OPPOSED: Foster, Holm, Kelly, Stoltz, Chenault, Meyer

The MOTION FAILED (5-6).

Co-Chair Meyer WITHDREW his objection to the motion to adopt Amendment 2. There being NO OBJECTION, Amendment 2 was adopted.

[3:42:55 PM](#)

Representative Kelly MOVED to adopt Amendment 3:

Page 16, line 10
Delete "4.5"
Insert "5"

Page 83, line 20
Delete "4.5"
Insert "5"

Co-Chair Meyer OBJECTED. Representative Kelly explained that the additional half percent reflects the medium approach to assure sufficient funds.

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Representative Croft questioned if there is evidence indicating that the funding level is appropriate.

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Representative Kelly referred to tables provided by Representative Seaton and maintained that the amendment represents a generous contribution level. He noted that, per the Constitution, the rate cannot be reduced.

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Representative Croft summarized that current employees can not have their level dropped; it would require a new tier. Representative Kelly observed that current employees would not be affected.

Representative Seaton added that 10.9 to 11.1 is the 24-year average employer contribution.

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There being NO OBJECTION, Amendment 3 was adopted.

An at-ease was taken.

[4:02:33 PM](#)

Representative Kelly MOVED to ADOPT Amendment 4 (New):

Page 16, line 12:

Delete "3.75"

Insert "2.5"

Page 27, line 27:

Delete "(j) and (k)"

Insert "(j), (k), and (n)"

Page 28, lines 7 - 8:

Delete "will use the subsidy base for Medicare-eligible premiums"

Insert "are eligible for benefits as provided in (n) of this section"

Page 28, line 8:

Delete "will"

Insert "shall"

Page 28, line 10, following "(m)", through line 11:

Delete all material.

Page 28, line 12:

Delete "the subsidy"

Insert "The subsidy"

Delete "will be"

Insert "shall be"

Page 28, line 14:

Delete "Each"

Insert "The"

Delete "will"

Insert "shall"

Page 28, following line 15:

Insert a new subsection to read:

"(n) The cost of premiums for a participant who is eligible for Medicare is the following percentage of the premium amount:

(1) 30 percent if the member has 10 or more, but less than 15 years of service;

(2) 25 percent if the member has 15 or more, but less than 20 years of service;

(3) 20 percent if the member has 20 or more, but less than 25 years of service;

(4) 10 percent if the member has 30 or more years of service."

Reletter the following subsections accordingly.

Co-Chair Meyer OBJECTED.

SUZANNE CUNNINGHAM, STAFF, CO-CHAIR MEYER, discussed the amendment. Legislative Legal Services drafted New Amendment 4 in keeping with the intent of Amendment 4, which pertains to the cost of premiums for participants who are eligible for Medicare. She reviewed the percentage based on service (see above).

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Co-Chair Chenault observed that the amendment did not address 20 to 25 years of service.

Co-Chair Chenault MOVED to AMEND Amendment 4 by changing 25 years to 30 on page 2, line 17: (3) 20 percent if the member has 20 or more, but less than 30 years of service.

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Representative Croft asked if the percentage schedule was the same as the Senate version. Representative Weyhrauch questioned the status of medial benefits for those that are pre-Medicare eligibility.

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In response to questions, Representative Seaton explained that the House State Affairs version added 60 months pre-Medicare eligibility and retained the same post Medicare system. The House State Affairs pre-Medicare version was combined with the post Medicare Senate version. The pre-Medicare program is subsidy based, which pays 30 - 90

percent of the premium depending on years of service. The system changes with Medicare eligibility.

Representative Croft summarized that the amendment is a hybrid of the two approaches. Representative Seaton agreed. The HSTA version adds pre-Medicare eligibility and cost containment. There is also a Medicare subsidy from the federal government. The cost difference of the 2.5 percent is 1 percent for pre-Medicare and 1.5 for post Medicare. The post Medicare premiums are smaller because of the federal subsidy, but the system pays a higher percentage.

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Representative Croft stressed that there will be no governmental obligation if the medical costs estimates are wrong. He did not think the percentage should be lowered.

Representative Seaton clarified that the payment would be a guaranteed benefit that the state of Alaska would provide to the employee.

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In response to a question by Representative Weyhrauch, Representative Seaton clarified that the original Senate version contained 3.75 percent, with cost containments.

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Representative Weyhrauch MOVED to AMEND Amendment 4 to delete on page one, lines 1 - 3. There being NO OBJECTION, it was so ordered. [The amendment to the amendment would result in the retention of 3.75 percent.]

There being NO OBJECTION, it was so ordered.

Representative Kelly MOVED to RESCIND the Committee's action in adopting the amendment to the amendment. Representative Croft OBJECTED.

A roll call vote was taken on the motion to rescind.

IN FAVOR: Holm, Kelly, Stoltze, Foster, Hainault, Meyer
OPPOSED: Hawker, Joule, Moses, Weyhrauch, Croft

The MOTION PASSED (6-5).

A roll call vote was taken on the motion to amend by deleting lines 1 - 3 on page 1.

IN FAVOR: Hawker, Joule, Moses, Weyhrauch, Croft

OPPOSED: Holm, Kelly, Stoltze, Foster, Chenault, Meyer

The MOTION FAILED (5-6).

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Representative Croft spoke against the reduction to 2.5 percent. He emphasized the inability to accurately predict medical costs over the next 30 - 40 years.

Representative Kelly stressed that there is some sharing of the risk, but the legislature is doing the best it can to assure that future plans can be maintained.

[4:23:04 PM](#)

A roll call vote was taken on the MOTION to ADOPT Amendment 4, as amended.

IN FAVOR: Kelly, Stoltze, Weyhrauch, Foster, Hawker, Holm, Chenault, Meyer

OPPOSED: Joule, Moses, Croft

The MOTION PASSED (8-3).

[4:23:34 PM](#)

Representative Kelly MOVED to ADOPT (New) Amendment 5:

Page 83, line 22:

Delete "3.5"

Insert "2.5"

Page 93, line 19, following "the member has":

Delete all material and insert "at least 25 years of service as a peace officer or fire fighter or at least 30 years of service for all other employees; or"

Page 94, lines 4, following "a member with at least":

Delete "30 years of service"

Insert "25 years of service as a peace officer or fire fighter or at least 30 years of service for all other employees"

Page 95, line 6:
Delete "(j) and (k)"
Insert "(j), (k), and (n)"

Page 95, lines 17 - 18:
Delete "will use the subsidy base for Medicare-eligible premiums"
Insert "are eligible for benefits as provided in (n) of this section"

Page 95, line 18:
Delete "will"
Insert "shall"

Page 95, line 20 following "(m)" through line 21:
Delete all material.

Page 95, line 22:
Delete "the subsidy"
Insert "The subsidy"
Delete "will be"
Insert "shall be"

Page 95, line 24:
Delete "Each"
Insert "The"
Delete "will"
Insert "shall"

Page 95, following line 25:
Insert a new subsection to read:
 "(n) The cost of premiums for a participant who is eligible for Medicare is the following percentage of the premium amount:
 (1) 30 percent if the member has 10 or more, but less than 15 years of service;
 (1) 25 percent if the member has 15 or more, but less than 20 years of service;
 (1) 20 percent if the member has 20 or more, but less than 25 years of service;
 (1) 10 percent if the member has 30 or more years of service.

Reletter the following subsections accordingly

Co-Chair Meyer OBJECTED.

Representative Seaton explained that the amendment reinstates the 25-year of service for police officers.

Representative Weyhrauch MOVED to ADOPT an amendment to Amendment 5: Change 25 to 30 on page 2, line 26

There being NO OBJECTION, it was so ordered.

Representative Weyhrauch MOVED to ADOPT an amendment to Amendment 5:

Delete lines 1 - 3 on page 1.

Representative Kelly OBJECTED.

A roll call vote was taken.

IN FAVOR: Weyhrauch, Croft, Hawker, Joule,
OPPOSED: Kelly, Moses, Stoltze, Foster, Holm, Meyer,
Chenault

The MOTION FAILED (4-7).

[4:27:15 PM](#)

Representative Kelly MOVED to ADOPT Amendment 6:

Page 50, line 6

Insert new paragraph

(8) review annually the status of the retiree health insurance fund established for members of the defined contribution plans under AS 14.25.310-14.25.590 and AS 39.35.700-39.35.990 to ensure the medical cost rate established for employers under AS 14.25.350(b) and AS 39.35.750(b) is sufficient to fully fund the employers' required share of the premiums established for the retiree major medical insurance plan; the board shall notify the legislature immediately if the board determines the rates established by statute are insufficient;

Renumber the remaining paragraphs accordingly

Co-Chair Meyer OBJECTED. Representative Seaton explained that the amendment would require annual review of the 2.5 percent [employer contribution] to assure that sufficient funds are collected to provide medical benefits.

Representative Croft questioned if the amendment should state that the amount is "sufficient to provide medical benefits". He did not feel that the amendment was specific enough. Representative Seaton clarified that the amendment would clarify that the legislature would make sure that the employer contribution of 2.5 is enough to provide for the guaranteed benefit for the plan.

In response to comments by Representative Seaton, Representative Croft clarified that, while he would like to change the entire program to a defined benefit, he was not attempting to do so in Amendment 6. The question is: within the context of a defined contribution plan, should the legislature periodically "get a reality check on whether what we are providing as benefit, in a defined contribution system, is sufficient for people to retire on."

Representative Kelly stressed that the discussion concerns two different studies. One would look to see if the funding level is adequate for premiums. Representative Croft's concerns would require the whole situation to be studied.

Representative Croft MOVED to ADOPT a conceptual amendment to Amendment 6: to broaden the study to ask if the contribution rate is enough to pay the cap subsidies that have a box of 5 percent, and whether the benefit is sufficient for retirement. He pointed out that the legislature would not have to act on the findings.

[4:31:32 PM](#)

Representative Kelly OBJECTED. He noted the amendment is beyond the scope of the amendment.

Representative Weyhrauch questioned if the amendment to the amendment should be a separate amendment. He spoke in support of providing more information to the legislature, but felt that it should be its own amendment.

Representative Croft spoke in support of retaining the amendment to Amendment 6. He maintained that the current plan is a cost shifting not a risk sharing.

[4:35:07 PM](#)

Representative Kelly stressed that there is still a problem at 5 percent. He disagreed with the assessment that there is no risk [to the state of Alaska.]

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Representative Croft restated his amendment to broaden the study to include whether the benefits paid are sufficient for the employees to fund an adequate retirement and meet their medical expenses. A roll call vote was taken on the motion to adopt a conceptual amendment to Amendment 6.

IN FAVOR: Moses, Stoltze, Weyhrauch, Croft, Joule

OPPOSED: Foster, Hawker, Holm, Kelly, Chenault, Meyers

The MOTION FAILED (5-6).

Representative Weyhrauch MOVED to AMEND Amendment 6: add on line 9 "and make recommendations on rates that are sufficient". There being NO OBJECTION, it was so ordered.

There being NO OBJECTION, Amendment 6 as amended was adopted.

[4:38:43 PM](#)

Representative Kelly MOVED to ADOPT Amendment 7:

Page 51, line 20

Delete "\$150"

Insert "\$400"

Representative Kelly observed that the [board] stipend amount would be the same as that of the Permanent Fund board members.

There being NO OBJECTION, it was so ordered.

[4:39:37 PM](#)

Representative Weyhrauch WITHDREW Amendment 8.

Representative Kelly MOVED to ADOPT Amendment 9, which provides for an employer making contributions towards a

retiree major medical insurance. Representative Seaton explained that the amendment would provide extra contributions for police/fire death benefits. He did not have actuarial numbers on the amendment, as the House State Affairs Committee did not consider the amendment.

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Representative Weyhrauch suggested the amendment be considered at a different time.

Representative Kelly WITHDREW Amendment 9. There being NO OBJECTION, it was so ordered.

[4:42:04 PM](#)

Representative Weyhrauch WITHDREW (New) Amendment 10. There being NO OBJECTION, it was so ordered.

[4:42:36 PM](#)

Representative Kelly MOVED to ADOPT Amendment 11:

Page 59, lines 24-27

Delete all material

Insert

"If a person who has not met the eligibility requirements of AS 14.25.470 or AS 39.35.870 returns to employment with a participating employer within 10 years after the date of termination, the person's account balance shall be restored in the amount recorded on the date of termination from the trust, with interest.

Co-Chair Meyer OBJECTED for the purpose of discussion. Representative Seaton explained that Amendment 10 would make the HRA available for persons that returned to service within 10-years. The Senate version had a five-year window.

Representative Kelly WITHDREW Amendment 11. There being NO OBJECTION, it was so ordered.

[4:45:08 PM](#)

Representative Kelly MOVED to ADOPT Amendment 12:

Page 27, lines 8-11

Delete all material

Co-Chair Meyer OBJECTED for the purpose of discussion. Representative Seaton explained that Amendment 12 would eliminate some of the unfunded liability. The question is: Should the system be responsible for new dependents of an employee? He observed that it is a policy call.

[4:47:49 PM](#)

Representative Croft spoke in support of the amendment. He suggested that people have the right to have second families and for those families to be eligible for benefits. He did not think that individuals would have families just to reap benefits.

Co-Chair Meyer acknowledged the attempt to minimize liability, but agreed with Representative Croft.

Vice-Chair Meyer WITHDREW his objection to the motion to adopt Amendment 12. There being NO further OBJECTION, it was so ordered.

[4:49:28 PM](#)

Representative Kelly MOVED to ADOPT Amendment 13:

Page 112, following line 7:

Insert a new bill section to read:

"* **Sec. 143.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL RETROACTIVITY. If secs. 1 - 9, 12, 15 - 18, 20 - 86, 93 - 104, 106 - 111, and 113 - 130 of this Act take effect after July 1, 2005, secs. 1 - 9, 12, 15 - 18, 20 - 86, 93 - 104, 106 - 111, and 113 - 130 of this Act are retroactive to July 1, 2005."

Renumber the following bill sections accordingly.

Page 112, line 10:

Delete "Section 142 of this Act takes"

Insert "Sections 142 and 143 of this Act take"

Page 112, line 11:

Delete "secs. 143 and 144"

Insert "secs. 144 and 145"

Co-Chair Meyer OBJECTED for the purpose of discussion. Representative Weyhrauch explained that the amendment would provide a technical correction suggested by the drafters.

There being NO further OBJECTION, it was so ordered.

Representative Weyhrauch MOVED to ADOPT Conceptual Amendment 14:

For any employee hired after the effective date of this act, who is killed or disabled in the course of their employment, the provisions of AS 14.25.157, 160,162, or 39.35.410, 415,420,430, and 440 as they existed before the effective date of this act, shall apply.

Co-Chair Meyer OBJECTED for the purpose of discussion.

[4:50:58 PM](#)

Representative Weyhrauch explained that individuals killed in the line of duty, principally fire and police officers are negatively affected by the legislation. The intent of the amendment would be to retain Tier III disability benefits for the heirs and descendents of employees hired after the effective date and killed while affecting their employment.

Vice-Chair Stoltze spoke in support of the amendment.

Co-Chair Meyer WITHDREW his OBJECTION. Representative Kelly OBJECTED for the purpose of further discussion. He requested additional information.

[4:54:12 PM](#)

Representative Seaton noted that the federal Public Safety Officers Benefit program provides \$267,494 for any emergency or public safety officer killed in the line of duty, or officers that are terminally and totally disabled.

In response to a question by Representative Kelly, Ms. Millhorn clarified that individuals killed on the job would have death benefits under the existing PERS statute. A lump sum payment would be paid to their beneficiary if there is no spouse; if they have a spouse the benefits would be available under existing statute.

[4:57:50 PM](#)

Co-Chair Meyer spoke in support of the amendment.

In response to a question by Representative Kelly, Ms. Millhorn did not know the relative cost [of the amendment].

Ms. Millhorn observed that there are currently 31,000 in the PERS system. She added that 2,705 are police or firefighters. Over the last five years, there have been approximately six death benefits paid by the state of Alaska due to occupational death. There have been 13 in PERS for all other deaths.

[5:01:04 PM](#)

Representative Croft spoke in support of the amendment, which would pay 40 percent of base salary out over the life of the remaining spouse. It is preferable to a lump sum, which could be too much or too little. The amount would be measured by the need of the beneficiary.

[5:02:26 PM](#)

Representative Kelly questioned if the amendment would risk changing the nature of the plan.

Ms. Millhorn responded that a different kind of benefit would be created, which would reach back and create a defined benefit contribution. She referred to plans by other states where disability benefits were the account balance.

[5:04:20 PM](#)

Co-Chair Meyer reiterated his question as to whether it would create a problem.

Representative Kelly asked that the amendment be held for further consideration.

Representative Croft questioned the funding source. Ms. Millhorn noted that the money would come out of the medical contribution. Under the defined benefit plan all the provisions are in the evaluation and paid for by the employer and the employee. Representative Croft agreed and

asked what would happen under the new plan. Ms. Millhorn noted that the new plan would most likely fall under the medical component. Representative Croft did not see how it would fall under the employees or the unfunded liability.

[5:08:40 PM](#)

Representative Kelly noted that a previous amendment would pay for the plan.

Representative Weyhrauch WITHDREW Amendment 14. There being NO OBJECTION, it was so ordered.

Representative Weyhrauch WITHDREW Amendment 15. There being NO OBJECTION, it was so ordered.

[5:10:05 PM](#)

Representative Weyhrauch MOVED to ADOPT Amendment 16:

Page 11, line 4:
Delete "110"
Insert "105"

Page 11, line 14:
Delete "110"
Insert "105"

Page 78, line 1:
Delete "110"
Insert "105"

Co-Chair Meyer OBJECTED for the purpose of discussion. Representative Weyhrauch explained that the amendment would provide for a cost of living adjustment from 105 percent. He felt that the amendment would allow more latitude.

Representative Seaton did not object to the amendment.

Co-Chair Meyer WITHDREW his OBJECTION to adopt Amendment 16. There being NO further OBJECTION, it was so ordered.

[5:12:26 PM](#)

Representative Weyhrauch MOVED to adopt Amendment 17:

Page 18, line 20, following "**accounts.**", through page 19, line 13:

Delete all material.

Insert "The board shall invest the assets of the individual accounts under AS 37.10.210."

Page 49, lines 15 - 16:

Delete all material.

Reletter the following subparagraphs accordingly.

Page 49, line 18, following "Plan);":

Insert "and"

Page 49, lines 19 - 20:

Delete all material.

Reletter the following subparagraph accordingly.

Page 85, line 30, following "**accounts.**", through page 86, line 23:

Delete all material.

Insert "The board shall invest the assets of the individual accounts under AS 37.10.210."

Vice-Chair Stoltze OBJECTED for discussion purposes.

Representative Weyhrauch explained that the amendment speaks to who is doing the investment in the plans and why. He referred to a study in "Governing Magazine", March 2004. The state of Nebraska introduced a defined contribution plan where state and county employees controlled their investments. He observed that, during the period from 1983 to 1999, state and county workers averaged 6 percent return on their investments versus an 11 percent return by the state's traditional investors handling the traditional pension funds.

Representative Kelly spoke against Amendment 17 and suggested that it goes too far.

[5:14:32 PM](#)

Co-Chair Meyer asked if the attempt is to make options similar to the SBS system. Representative Seaton affirmed and explained that the House State Affairs Committee looked at allowing the new board to manage the funds with the same

accounts that the defined benefits use. They found that it would be illegal for a single defined contribution account to have a single investment option, under the IRS code. Individuals could elect to have their accounts managed by the new ARM Board.

[5:15:50 PM](#)

A roll call vote was taken on the motion to Adopt Amendment 17 was taken.

IN FAVOR: Weyhrauch, Hawker, Joule, Moses

OPPOSED: Croft, Foster, Holm, Kelly, Stoltze, Chenault, Meyer

The MOTION FAILED (4-7).

[5:17:28 PM](#)

At ease.

[5:22:18 PM](#)

ADJOURNMENT

The meeting was adjourned at 5:23 P.M.