

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

March 31, 2005

8:02 a.m.

**MEMBERS PRESENT**

Representative Paul Seaton, Chair  
Representative Carl Gatto, Vice Chair  
Representative Jim Elkins  
Representative Bob Lynn  
Representative Jay Ramras  
Representative Max Gruenberg

**MEMBERS ABSENT**

Representative Berta Gardner

**COMMITTEE CALENDAR**

HOUSE BILL NO. 214

"An Act relating to anatomical gifts and the anatomical gift donor registry program."

- MOVED HB 214 OUT OF COMMITTEE

HOUSE BILL NO. 191

"An Act relating to defined contribution systems for members of the teachers' retirement system and the public employees' retirement system; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 170

"An Act relating to the qualifications of public members of the Public Employees' Retirement Board and the Alaska Teachers' Retirement Board."

- HEARD AND HELD

HOUSE BILL NO. 177

"An Act relating to employee and employer contributions to the teachers' retirement system and the public employees' retirement system; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 238

"An Act relating to contribution rates for employers and members in the defined benefit plans of the teachers' retirement system and the public employees' retirement system and to the ad-hoc post-retirement pension adjustment in the teachers' retirement system; requiring insurance plans provided to members of the teachers' retirement system, the judicial retirement system, the public employees' retirement system, and the former elected public officials retirement system to provide a list of preferred drugs; relating to defined contribution plans for members of the teachers' retirement system and the public employees' retirement system; and providing for an effective date."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 214

SHORT TITLE: ANATOMICAL GIFTS & REGISTRY

SPONSOR(s): REPRESENTATIVE(s) MCGUIRE

03/09/05 (H) READ THE FIRST TIME - REFERRALS  
03/09/05 (H) STA, HES  
03/31/05 (H) STA AT 8:00 AM CAPITOL 106

BILL: HB 191

SHORT TITLE: PUBLIC EMPLOYEE/TEACHER RETIREMENT

SPONSOR(s): REPRESENTATIVE(s) KELLY

03/02/05 (H) READ THE FIRST TIME - REFERRALS  
03/02/05 (H) STA, FIN  
03/22/05 (H) STA AT 8:00 AM CAPITOL 106  
03/22/05 (H) Heard & Held  
03/22/05 (H) MINUTE(STA)  
03/29/05 (H) STA AT 8:00 AM CAPITOL 106  
03/29/05 (H) Scheduled But Not Heard  
03/31/05 (H) STA AT 8:00 AM CAPITOL 106

BILL: HB 170

SHORT TITLE: PUB EMPLOYEES/TEACHERS RETIREMENT BOARDS

SPONSOR(s): REPRESENTATIVE(s) KELLY

02/23/05 (H) READ THE FIRST TIME - REFERRALS  
02/23/05 (H) STA, FIN  
03/22/05 (H) STA AT 8:00 AM CAPITOL 106  
03/22/05 (H) Heard & Held

03/22/05 (H) MINUTE(STA)  
03/29/05 (H) STA AT 8:00 AM CAPITOL 106  
03/29/05 (H) Heard & Held  
03/29/05 (H) MINUTE(STA)  
03/31/05 (H) STA AT 8:00 AM CAPITOL 106

BILL: HB 177

SHORT TITLE: STATE EMPLOYEE RETIREMENT CONTRIBUTIONS  
SPONSOR(s): REPRESENTATIVE(s) KELLY

02/25/05 (H) READ THE FIRST TIME - REFERRALS  
02/25/05 (H) STA, FIN  
03/22/05 (H) STA AT 8:00 AM CAPITOL 106  
03/22/05 (H) Heard & Held  
03/22/05 (H) MINUTE(STA)  
03/29/05 (H) STA AT 8:00 AM CAPITOL 106  
03/29/05 (H) Scheduled But Not Heard  
03/31/05 (H) STA AT 8:00 AM CAPITOL 106

BILL: HB 238

SHORT TITLE: PUBLIC EMPLOYEE/TEACHER RETIREMENT  
SPONSOR(s): STATE AFFAIRS

03/30/05 (H) READ THE FIRST TIME - REFERRALS  
03/30/05 (H) STA, FIN  
03/31/05 (H) STA AT 8:00 AM CAPITOL 106

**WITNESS REGISTER**

REPRESENTATIVE LESIL MCGUIRE  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Presented HB 214, as sponsor.

KERRY JARRELL, Assistant Superintendent  
Bering Strait School District  
Unalakleet, Alaska

POSITION STATEMENT: Testified on behalf of the school district during the hearing on HB 191.

REPRESENTATIVE MIKE KELLY  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Testified as sponsor of HB 191.

HEATH HILYARD, Staff  
to Representative Mike Kelly

Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Presented Version I to HB 191 on behalf of Representative Kelly, sponsor.

MELANIE MILLHORN, Director  
Division of Retirement & Benefits  
Department of Administration  
Juneau, Alaska

POSITION STATEMENT: Offered a brief summary of the Alternative 1 and 2 medical plans, during the hearing on HB 191.

RICHARD SOLIE, SR., Ph.D., Member  
Teachers' Retirement System Board  
Fairbanks, Alaska

POSITION STATEMENT: Testified and answered questions during the hearing on HB 191.

#### **ACTION NARRATIVE**

**CHAIR PAUL SEATON** called the House State Affairs Standing Committee meeting to order at [8:02:49 AM](#). Representatives Gatto, Elkins, Lynn, Ramras, and Seaton were present at the call to order. Representative Gruenberg arrived as the meeting was in progress.

#### HB 214-ANATOMICAL GIFTS

CHAIR SEATON announced that the first order of business was HOUSE BILL NO. 214, "An Act relating to anatomical gifts and the anatomical gift donor registry program."

The committee took an at-ease from [8:03:43 AM](#) to [8:03:54 AM](#).

[8:03:57 AM](#)

REPRESENTATIVE LESIL MCGUIRE, Alaska State Legislature, as sponsor of HB 214, explained that the bill would make a technical correction to a broader bill that last year's House State Affairs Standing Committee passed, which created an anatomical gift registry in Alaska. She stated for the record that the registry has been successful. The proposed legislation would expand the definitions in last year's bill. She said that unwittingly a definition was adopted which left out "our only organ and tissue bank here in the state of Alaska." The bill would also clear up some inconsistencies between federal rulings and state laws.

[8:05:34 AM](#)

REPRESENTATIVE LYNN emphasized his support of the bill. He produced his driver's license, which shows that he is an organ donor. He stated his concern that [there be] no organ donations from any aborted fetuses or from any early induction fetuses with abnormalities incompatible with life. He said he has been told by Representative McGuire's staff that there may be a federal law that addresses that. He said, "I have some information that may be at odds with that, but this is not something that I want to take ... the time [to address currently]." He restated his support of the bill and said he would probably formulate an amendment. He added, "And we can address this during the interim between this committee and the next committee of referral."

[8:07:51 AM](#)

REPRESENTATIVE GATTO directed attention to page 2, line 26, and noted that the effort had been made to change "[MUST]" to "shall". He asked if there is a legal or grammatical definition that is different for each of those words.

[8:08:34 AM](#)

REPRESENTATIVE McGUIRE responded, "It's a drafting choice." She added that it doesn't seem like much of a difference to her, but in many of the legislative bills that have passed through the House Judiciary Standing Committee, the move has been to change the word to "shall".

[8:08:43 AM](#)

REPRESENTATIVE GATTO directed attention to page 3, line 15, which provides the definition of "technician". He said he is happy to see the definition in the bill. He offered further details.

[8:09:17 AM](#)

REPRESENTATIVE McGUIRE stated for the record that she appreciated Representative Gatto's comments last year [that lead to the definition]. She added, "In fact, the definition was too restrictive."

[8:09:34 AM](#)

REPRESENTATIVE RAMRAS emphasized that this is about organ donors, not fetuses.

[8:10:11 AM](#)

REPRESENTATIVE LYNN responded that it's a matter of definitions.

[8:10:56 AM](#)

CHAIR SEATON closed public testimony.

[8:11:04 AM](#)

REPRESENTATIVE ELKINS moved to report HB 214 out of committee with individual recommendations and the accompanying fiscal notes. There being no objections, HB 214 was reported out of the House State Affairs Standing Committee.

HB 191-PUBLIC EMPLOYEE/TEACHER RETIREMENT  
HB 238-PUBLIC EMPLOYEE/TEACHER RETIREMENT  
HB 177-STATE EMPLOYEE RETIREMENT CONTRIBUTIONS  
HB 170-PUB EMPLOYEES/TEACHERS RETIREMENT BOARDS

[8:11:39 AM](#)

CHAIR SEATON announced that the next order of business was HB 191. [Although the chair did not officially announce that HB 170, HB 177, and HB 238 were before the committee, they were discussed in conjunction with HB 191. See the committee calendar for bill titles.]

The committee took an at-ease from [8:11:57 AM](#) to [8:12:28 AM](#).

[8:12:57 AM](#)

KERRY JARRELL, Assistant Superintendent, Bering Strait School District, testifying on behalf of the school district, told the committee that he is also a certified public accountant (CPA) and, as of two weeks prior, an appointee to the Teachers' Retirement System (TRS) Board. He read his testimony as follows [original punctuation provided with some format changes]:

Rhetoric in the press has described the current condition of the retirement systems as the "PERS/TRS meltdown". The combined conditions have been characterized in the SB141 White Paper as a "perfect

storm". It is important to understand that, contrary to the recent rhetoric, the factors that led us to this point were not immediate, not rapidly developing, and do not represent a meltdown. I am not suggesting that the issues are not real, but I am suggesting that they need to be viewed in their proper context.

Retirement systems are like supertankers that respond slowly to environmental conditions and corrective actions. The seeds of the problems as well as the successes of the plans were planted and nourished over the past twenty-five years. When critics speak of the funding "crises" or "meltdown" of today, they are actually looking twenty-five years into the future and projecting what cumulatively will occur over that period. Just as actuaries may have erred on many projections over the past quarter of a century, current actuarial estimates will no doubt miss the mark over the next quarter of a century. Minor changes in assumptions can cause enormous changes in the funding status of the plans. Consider that a 2% change up or down in the estimate of the rate of growth of health care would change the unfunded liability of the plans by over a billion dollars.

Actuaries will be the first to admit that their projections are far from an exact science. It is evident today that many of the assumptions throughout the 1990's were incorrect. Health care costs were growing much faster than we realized for nearly a decade before actuarial assumptions were revised around 2002. The retirement plans that appeared fully funded in the late 1990's were obviously under funded. Correcting those assumptions in 2002 resulted in a multi-year adjustment that startled everyone. Those adjustments did not reveal mismanagement of the assets by the ASPIB, the boards, or the administration; they simply revealed that the state, its municipalities, and its school districts had been underpaying the necessary contributions for health care to keep the system healthy. Had more accurate rates been imposed earlier, the unfunded liability would not sit on the books of the retirement systems, it would be reflected on the books of the municipalities, boroughs, and school districts.

I would like to offer the following observations and recommendations for the legislature to consider.

8:16:33 AM

The major problem with our retirement plans is health care. In the 1980's and early 1990's health care was relatively more affordable than it is today. For the eleven-year period from 1992 to 2003, 69 % of the increase in unfunded liabilities, amounting to roughly \$3.7 billion, came from excess increases in health care costs. I use the term "excess" to mean that health care costs were \$3.7 billion more than the plan benchmark or estimate for that period. If it weren't for that \$3.7 billion deficit, we would not be here today and there would be no discussion of overhauling the retirement system.

The retirement super tanker has developed several leaks. By leaks, I mean benefits have been provided that have not been funded or calculated into the contribution rates. These leaks mandate payments greater than the plan ever intended. For example, there is no correlation between the earnings and contributions of part-time local public officials and the eventual benefits provided to those individuals. Under current provisions, a school board member or council member earns and pays little into the system, but they receive free medical coverage at 55 or 60. Their contribution to the retirement system could be as low as \$1,000 over their entire career, yet they could receive almost unlimited medical for them and their dependents for up to a generation.

Additionally, many schemes have been used by employees to boost eligible salaries in the final years of employment. Consequently, salary rates are often considerably higher than they should be. Termination bonuses have recently been identified in the press, but service credits, overtime, final year pay increases, etc. can produce large increases in benefits without reasonable contributions to the system to offset them. These practices create unfunded liabilities.

One of the most overlooked leaks in the super tanker is masked in the benefit formula itself. Using the

high three years for benefit calculation produces built in losses for the system. This piece of the formula, which has been considered sacred until now, consistently created an unfunded liability for every single participant.

8:19:11 AM

Much has been spoken about reducing the risk to the employers by moving to defined contribution plans. While the change to a defined contribution plan may limit the exposure for local and state governments, any plan that undermines the retirement security of public employees will eventually drive good people from public service. Retirement plans, by their very nature, are structured to protect employees, not to take advantage of them. A blended approach that gradually introduces the concept will spread risk equally among employers, the state, and employees.

8:19:52 AM

Recommendations:

Immediate changes need to be made to the health plan in order to maximize savings in every area possible. Aggressive steps should be taken to initiate preferred provider networks. Preferred prescription providers and the use of generic drugs should become mandatory under the plan. Increasing co-payments for drugs and services would spread the cost of services among beneficiaries and the plan. Disease management and large case management have been extremely beneficial in reducing unnecessary procedures and limiting hospital stays. I have personally administered a large self-funded plan for our school district for the past ten years. We have successfully implemented all of these procedures and realized considerable savings from them. The PERS/TRS Health Plan is large enough to wield considerable influence in negotiating savings with service providers.

Implement the changes in health care access that were recommended in the PERS & TRS Tier Proposals. These included limiting entry into the system until beneficiaries reach the age of 65 and assessing premiums based on years of service. Limiting access

to health care for part time elected officials would also help relieve the unfunded liability.

Stop the leaks caused by unfunded benefits. Any provision in the current statutes that drains from the system should be identified and corrected. Make the necessary changes to statutes that currently allow supplemental earnings to boost the wage base for retirement calculations.

Amend the formula for retirement benefits to create a more reasonable base period for eligible salaries. A minimum of ten years of earnings should be used for benefit calculation purposes. This will dilute the effects of any large payouts in the final years of employment and will help insure that benefits more evenly match contributions.

Take a very conservative approach in implementing elements of a defined contribution plan. The division of retirement and benefits has offered PERS and TRS Tier Proposals that incorporate a defined contribution plan that is more gradual. It provides significantly more protection for the state and the employer without totally abolishing the benefits of the current plan. The plans are healthy in terms of their ability to pay pension benefits. In spite of all of the bear market, low interest rates, legislative changes, etc., the pension portion of the plans were well funded and were in the top ten percent of state retirement systems as measured by one of the top pension experts, Wilshire Research. The success of that portion of the plans should be preserved to the extent possible.

The plans have served the state and its residents well for many years and can continue to do so in the future. Rather than dismantling the plan, we urge you to consider a combination of mid-course corrections and prospective changes.

We thank you for the opportunity to address these issues. I would be happy to answer any questions from the committee.

[8:23:39 AM](#)

CHAIR SEATON reminded testifiers to address HB 191, which establishes a defined contribution plan.

[8:24:45 AM](#)

MR. JARRELL, in response to questions from Representative Gatto, said the district he represents has 11 school board members, and there are 1,800 students spread over 15 villages, in an area of approximately 80,000 square miles.

[8:25:00 AM](#)

REPRESENTATIVE GATTO noted that many of the teachers in Mr. Jarrell's district don't make big salaries. He asked if that would be an indication of what Mr. Jarrell talked about regarding people who contribute a small amount to the retirement system, yet reap the health benefits. He asked, "Are you just as guilty as anyone could be of having 11 school board members, all of which qualify to take money from the plan and yet fund very little of it to the plan?"

[8:25:05 AM](#)

MR. JARRELL agreed that his school district certainly fits in that category. He said, "As an observer and a representative of the retirement system, if we're ever going to have a system that keeps up - contributions keep up with benefits - that's an area that will have to be corrected."

[8:26:21 AM](#)

CHAIR SEATON said that municipalities and school districts are finding that someone getting paid \$50 a month for being on a school board or city council for 10 years not only has access to the medical benefits, but also has access to retirement if that person was a previous employee of the borough or state, because the liability accrues for the number of years that the person worked. That person will get the liability for their full pension.

[8:27:39 AM](#)

MR. JARRELL said there are technical corrections that need to be made. He suggested looking at 10 years or even the entire number of years in a person's career, and to base the retirement benefit on the overall average of the earnings. He explained, "That way the contribution to the system would bear a direct

correlation to the benefits that were eventually accrued by that person."

[8:28:06 AM](#)

CHAIR SEATON responded that he agrees with that, except:

We don't have the accrued payments by the individual employer's school district, versus how much you paid, but how many years of service. So, even if you did a spread that would lower the people's eventual retirement amount, but there's a portion that is going to be absorbed by the school district by having people - basically volunteers - working on there and having them have access to that, it's still going to be proportionately much greater than their ... monetary contributions into the system.

MR. JARRELL stated that he believes that's true.

CHAIR SEATON continued:

And I guess the ... question about how it relates to [HB] 191 is that if ... this was a defined contribution program, then that problem goes away, right? Because whatever ... contribution they've gotten from the school board, that's the liability that the school board has to put forward. And whatever contribution they've gotten from the state employment or employment with the borough, that's that portion. So, all of a sudden we get this proportionality, so that we're switching from how many years you were active in an area to how much you contributed to the system from that employer.

MR. JARDELL responded that's correct.

[8:29:39 AM](#)

REPRESENTATIVE RAMRAS said he has been speaking with "some of the PERS/TRS people that have been in our hallways the last couple of days." He offered some names. He said HB 191 "is forced savings; ... it takes it up to a 10 percent ... savings rate." He asked what the effect would be on retention. He mentioned an article, in which Dr. Short, the superintendent for the Fairbanks North Star Borough, indicated that she would lose 200 teachers immediately, because they would not be able to

"afford the higher savings rate that was put on them." He said, "If you read this documentation, a defined contribution plan is going to end up with wealthier, better-off retirees 20-30 years from now, and a lot of this just seems like fear of change."

[8:31:48 AM](#)

MR. JARRELL deferred to Dr. Solie.

[8:32:31 AM](#)

REPRESENTATIVE RAMRAS told Chair Seaton that he would like to hear Mr. Jarrell's opinion.

[8:32:42 AM](#)

CHAIR SEATON said how much money there is "at the end" would depend on what the contribution rate is.

[8:32:56 AM](#)

MR. JARRELL said he thinks results will depend upon the knowledge and investment experience of each individual. He said he thinks that to completely remove the defined benefit from people will leave a number of them with no benefit whatsoever. He noted that teachers, in particular, do not have social security; they have no other benefits whatsoever. He said PERS employees generally do, or have the Supplemental Benefits System (SBS), which takes the place of social security. He said many teachers are good at what they do but are not savvy when it comes to their own financial investments. With a blended plan there would be at least some benefit.

[8:34:10 AM](#)

CHAIR SEATON asked if Mr. Jarrell would approve of a plan in which there was a requirement that investments such as SBS had to be made.

[8:34:49 AM](#)

MR. JARRELL reiterated that he would like to defer to Dr. Solie. Notwithstanding that, he said if half of the contributions were going into a defined contribution plan with a fixed rate of return, then it would be acting the same as a defined benefit plan and "should take care of at least a portion of that."

[8:35:26 AM](#)

CHAIR SEATON noted that there is a committee substitute for HB 191.

[8:35:38 AM](#)

REPRESENTATIVE MIKE KELLY, Alaska State Legislature, testifying as sponsor of HB 191, said the bill focuses only on a defined contribution plan. He noted that another bill of his addresses a change in the structure of the boards [HB 170], while yet another would bring the 45,000 existing employees to the payment table [HB 177]. None of the plans would change existing benefits, "except for the new employees coming into the door."

[8:37:05 AM](#)

REPRESENTATIVE GATTO moved to adopt the committee substitute (CS) for HB 191, Version 24-LS0461\I, Craver, 3/30/05, as a work draft. There being no objection, Version I was before the committee.

[8:37:51 AM](#)

HEATH HILYARD, Staff to Representative Mike Kelly, Alaska State Legislature, presented Version I on behalf of Representative Kelly, sponsor. He indicated the changes made by Version I.

[8:39:43 AM](#)

REPRESENTATIVE GRUENBERG asked Mr. Hilyard to prepare a chart in detail, citing by page and line the changes he just reviewed.

MR. HILYARD said he would do so.

[8:40:28 AM](#)

CHAIR SEATON reminded the committee that the following bills are related: HB 191, HB 170, HB 177, and HB 238. He said the committee should not be contrasting any of those bills with "what's happening in the other body."

[8:41:46 AM](#)

REPRESENTATIVE RAMRAS repeated his previous questions regarding retention, the fear factor, and the rate increase.

[8:42:40 AM](#)

REPRESENTATIVE KELLY reiterated that the DC plan has nothing to do with existing employees. He said it's important to remember that "there are ways to put sideboards so that folks that don't have ... that special talent to invest" can "leave that in a much more conservative protected status."

[8:43:43 AM](#)

CHAIR SEATON asked:

So, Representative Kelly, in your bill you have the board assigning a number of investment managers, such as SBS. Is that correct? I mean, this isn't individually the pure 401K, where you can go out and then put all your money in Enron stock or ... in Dell, or someplace else. This is money managers that have been approved by the board, and you could select ... certain money managers with different risk ... portfolios.

[8:44:08 AM](#)

REPRESENTATIVE KELLY answered that's correct. Regarding fear of new plans, he submitted that for the new person coming in the door, the defined contribution plan "has every bit the ability" to attract and retain that a defined benefit plan has. Furthermore, for the younger employee who is probably going to change careers several times in the 40-plus years they work, the defined contribution plan is highly portable and "turns out to be quite attractive to the younger set." He said, "That's that unvested portion in the current DB plan; if they want to stay there, they'll have that option. But if they want to transfer across, then it's a simple education program to show them the comparative analysis of the two plans ...."

[8:45:15 AM](#)

CHAIR SEATON referred to a summary included in the committee packet. He said the employer contribution would eventually reach 8 percent for TRS and 8.75 percent for PERS. The contribution by employees would be higher in TRS than in PERS. He asked why the plan was made that way.

[8:46:31 AM](#)

REPRESENTATIVE KELLY said "this" takes the two alternatives formulated by Mercer Human Resource Consulting and reflects some of the different retirement options among the classes of employee. He offered his understanding that it would attempt "on TRS side" to at least partially address the social security "opt out impact." He deferred further explanation to the Division of Retirement & Benefits.

[8:47:08 AM](#)

CHAIR SEATON noted that the medical portion of Version I of HB 191 shows that 3.5 percent of the contribution would be for medical, with another 1 percent for the health care reimbursement plan. He said he is trying to figure out "how this works in the first several years." He observed that, regarding employer contribution rates, 4.75 percent would be dedicated, but only between 0 and 2 percent is being taken from the employer in the first and second year, respectively. He asked if that was intentional.

[8:48:11 AM](#)

MR. HILYARD said at this time that was intentional; it was left at a graduated level with the understanding that it would provide no benefit in year one.

[8:48:39 AM](#)

CHAIR SEATON asked, "So, the bill lays that out that there are no contributions for medical benefits. ... Is that for the first four years or so?"

[8:49:01 AM](#)

MR. HILYARD clarified, "That graduation would apply to both rates: the 3.75 [percent] for the medical and then the 4.25 [percent] ... in ... TRS.... So, you would essentially graduate by increments of 25 percent of the total."

CHAIR SEATON said he would flag that area for later work.

[8:49:16 AM](#)

REPRESENTATIVE KELLY stated the intent was to encourage "someone to stay with us," which is why it is graduated.

[8:49:28 AM](#)

REPRESENTATIVE GATTO noted that police/fire employees are able to retire after 25 years, instead of 30; however, their contribution rate is higher than that of the 30-year employees. He said he did not notice that there would be a difference in the contribution rate for police/fire for employers. He asked if "this group of employees" would not "become more expensive to the system" because of leaving it earlier without supplying as much in contributions.

[8:50:34 AM](#)

MR. HILYARD responded that the sponsor was essentially following the Mercer Human Resources Alternative 2 option. He said, "With respect to adjustment, I think that is definitely something that's open for discussion and amendment. We were just trying to use a baseline of a plan, so that we could bring something forward to the committee."

[8:51:12 AM](#)

CHAIR SEATON interpreted that new employees in TRS, PERS, and police/fire would all be retirement eligible at 30 years. He directed attention to page 2 of the summary, which shows that under the medical system a person would have to retirement directly from the system with 30 years of service, or be 65 with at least 10 years.

[8:51:57 AM](#)

MR. HILYARD answered that's correct. He noted that lines 15-28 on page 11 refer to TRS. He noted that there is a provision for PERS and Public Safety employees on page 39, lines 2-3, which says that the member must have at least 25 years of service as a peace officer or fire fighter and 30 years for all other employees.

[8:53:15 AM](#)

REPRESENTATIVE KELLY mentioned gap coverage provisions, by which a person can get access to coverage before a certain age by paying for it.

[8:54:30 AM](#)

CHAIR SEATON stated his understanding that the medical portion of Version I had not been changed from the original bill.

REPRESENTATIVE KELLY [off microphone] said the medical portion has changed.

CHAIR SEATON noted that it is the same as the tier committee task force recommendation.

8:56:33 AM

MELANIE MILLHORN, Director, Division of Retirement & Benefits, Department of Administration, stated that the medical plan is same for both Alternative 1 and Alternative 2. She indicated that those alternatives set out the criteria by which individuals are able to receive medical coverage. The tier committee specifically determined that an employee had to retire out of the system, had to be age 60, and had to have 10 years of service, or satisfy the requirements through years of service instead of age. The years of service for police/fire and TRS is 25 years, and 30 years for PERS.

8:58:30 AM

MS. MILLHORN, in response to a question from Chair Seaton, stated the following:

The two specific components within the medical design include pre-65 and post-65. So, pre-65 includes a defined dollar benefit for the members. ... It's based on years of service, so each year the division would determine what the premium amount is for that particular coverage, and then, based on years of service, the member would receive a subsidy amount associated with that. ... Post-65 medial coverage coordinates with Medicare. It's also derived by looking at the years of service for the individual, and the individual will pay a contribution amount based on that premium amount established by the system.

9:00:19 AM

MS. MILLHORN, in response to a follow-up question from Chair Seaton, clarified that if a person has not been employed 30 years [in PERS] he/she would have to be age 60 with 10 years of service. She said a person who is 65 and has worked 25 years would receive a subsidy amount under the defined benefit plan for medical coverage at 75 percent. In response to a question

from Chair Seaton, she said, "It's the premium that's set out based on the claims amount that year." In 2004, for example, the premium was \$5,962.

[9:02:41 AM](#)

MS. MILLHORN, in response to Chair Seaton, explained as follows:

When we establish that premium amount, one other component associated with the defined dollar benefit portion - the pre-65 - is that there's a 5 percent medical inflation factor that is considered every year for that subsidy amount.

[9:03:06 AM](#)

CHAIR SEATON asked if the premium can only grow at 5 percent a year.

[9:03:25 AM](#)

MS. MILLHORN answered that's correct. She confirmed that that's true no matter what the medical costs are. In response to a follow-up question from Chair Seaton, she indicated that the member would have a portion that he/she will have to absorb.

[9:03:44 AM](#)

CHAIR SEATON asked that Ms. Millhorn give a Power Point presentation on Saturday regarding the medical aspects of a defined contribution program.

[9:04:32 AM](#)

REPRESENTATIVE GATTO asked Ms. Millhorn if, during her upcoming presentation, she could offer some sample scenarios.

[9:05:49 AM](#)

MS. MILLHORN said one important component that fits in with the medical plan design is the health reimbursement arrangement, which is designed to ensure that members have "those expenses allowable for them to pay that additional cost" between the defined benefit pre-65 portion and the defined health benefit for post-65.

[9:06:36 AM](#)

CHAIR SEATON asked that Ms. Millhorn be prepared to make comparisons between the medical benefits in HB 191 and HB 238.

[9:09:09 AM](#)

CHAIR SEATON, after considering Dr. Solie's schedule, said he would allow him to talk about the other related House bills, but asked him to specify whenever he changed focus.

[9:10:11 AM](#)

RICHARD SOLIE, SR., Ph.D., testifying as a member of the TRS Board, noted that he is a retired professor of Economics, and was also the head of the department, as well as the acting dean of the School of Management. He stated that he was appointed to the TRS Board by Governor Frank Murkowski in the summer of 2003, and reappointed to a full term in January 2004. He was one of the four members on the tier committee charged with developing proposals for a new retirement plan for both TRS and PERS.

[9:12:33 AM](#)

DR. SOLIE, regarding member contributions, stated his understanding that there is difference in approach between HB 238 and HB 191. Dr. Solie named two components: equal sharing of normal costs, and equal sharing of past due liabilities. He said both components are relevant to HB 191 and are "partially relevant with respect to HB 238 ...." He stated that he philosophically agrees with the concept of equal sharing of the normal costs. Both Alternatives 1 and 2 include employee contributions that would be as high or higher than those of the employer. He said he would agree with doing that with existing plan members "if it will pass court muster."

DR. SOLIE stated concern regarding the 5 percent a year potential increase. He said, "If it were a sharing of normal costs, that really wouldn't come into play, but if it were sharing in the past ... unfunded liabilities, then it would. And I have a real problem with that. I think you can imagine what a teacher or public employee would feel like if they were faced with the kind of increases that were envisioned there ...." He stated that it was the 5 percent issue, not the 10 percent employee contribution under a proposed defined contribution plan, to which previously mentioned Superintendent Short in Fairbanks had responded.

9:16:06 AM

CHAIR SEATON told Dr. Solie that HB 238 would have a 13 percent cap for PERS and a 14 percent cap for TRS. He asked if that would solve the problem for Dr. Solie.

9:16:50 AM

DR. SOLIE responded that that solves a lot of the problem; however, he still has a philosophical problem. He mentioned the percentages of "ramp up" for PERS and TRS to "cover the total maximum." He said he thinks that it would be difficult to ramp that up in one year. He emphasized that he is speaking both personally and philosophically on the subject; he cannot speak on behalf of TRS or PERS members as a whole. He said he thinks there is a fairness in the idea of sharing the normal cost.

9:17:41 AM

CHAIR SEATON asked Dr. Solie what percentage of "ramp up" would be acceptable to him.

9:18:12 AM

DR. SOLIE responded that he is reluctant to say, but less would be better than more. He continued:

I wouldn't have ... had a personal problem with ... a 2.5 percent ramp up, but I suspect that there are a number that were not in the position that I was, in where it would have been a much more difficult thing. I mean, I think just view it from the standpoint: it's a federal tax. If you were told that your federal tax was going to go up - no exemptions on it - ... 2.5 percent a year, or 5 percent, or whatever, it's significant. And so, the slower the rate at which that could be phased in, the better it would be.

9:19:17 AM

CHAIR SEATON said the committee would consider that issue.

9:19:32 AM

REPRESENTATIVE GATTO said saying one amount is "better than" another breeds the question: "Better for [whom]?" He said any

time something is better for one, it's got to be worse for another.

9:20:24 AM

DR. SOLIE responded that he thinks his previous remarks were clearly from the standpoint of the employee and the impact on the turnover. He continued:

But my point was that the amount lost to the fund by a slower ramp up is not going to be great. And I personally think that the tradeoff between what the fund would lose in a slower ramp up would be more than offset by the lessened impact on the employee and the turnover situation.

9:21:03 AM

DR. SOLIE, in response to Representative Gruenberg, offered further details regarding his positions at the university.

9:21:59 AM

REPRESENTATIVE GRUENBERG observed that Dr. Solie was in a position to observe the management and retention issue regarding at least one part of the university. He stated that he doesn't want to do anything that would impede the university's ability to attract the best faculty. He said he knows one issue that attracts and keeps good people is the pension plan of the university system. He asked Dr. Solie to evaluate which plan - defined benefit or defined contribution - would attract and retain the best.

9:23:25 AM

DR. SOLIE opined that the current defined benefit plan "would be the most attractive." He said he thinks that for an individual coming to Alaska for a shorter period of time with no intention of staying long term, a defined contribution plan would be superior. He said that may apply to attracting teachers to the Bush, because he said he suspects that a lot of the teachers who go out to the Bush don't do so with the idea of making that a career.

9:24:32 AM

REPRESENTATIVE GRUENBERG said he would like to limit his question to the university system.

[9:24:46 AM](#)

DR. SOLIE said - as it pertains to attracting younger faculty members - that it is not overwhelmingly significant whether the retirement plan is defined benefit, defined contribution, or a hybrid. He noted that when he was involved with the university there was a Supplemental Benefits System (SBS). He opined that, particularly with younger employees, salary is much more important than the benefit plan. In response to a question from Representative Gruenberg, he said he thinks that is still true today. He listed some areas that are tough to recruit people in: accounting, finance, economics. He talked about initiating a step plan in salary for those areas that were tough to recruit for, which enabled the university to attract people to those areas.

[9:27:23 AM](#)

CHAIR SEATON reminded Representative Gruenberg that representatives of the university had - during another hearing - talked about the university's optional retirement plan (ORP) - a defined contribution plan, which a majority of eligible members have chosen.

[9:28:10 AM](#)

REPRESENTATIVE GRUENBERG explained that he was interested in hearing Dr. Solie's perspective, because it is from the point of view of a person who's made his career at one institution.

[9:28:33 AM](#)

DR. SOLIE said he thinks retention is different issue; as professors get older, the defined benefit plan takes on significance. Furthermore, access to the health care plan becomes a critical issue in terms of retention.

CHAIR SEATON said it should be possible to get exact numbers from the university, regarding how many people are in PERS versus how many chose ORP.

[9:29:32 AM](#)

DR. SOLIE, regarding past unfunded liabilities - particularly with respect to HB 191 - said, "That would share all of the way up on the unfunded liability." He said that could potentially mean as much as "25-32 percent sharing." In response to a remark by Chair Seaton, he confirmed that he is talking about the combination of the normal cost and the past unfunded liability. He added that it's the past unfunded liability that is "the really big part of it." He continued as follows:

There, I think that would be a very serious problem from two standpoints. Number one, just the amount. I mean, that would be a potential killer. And that's the issue upon which Superintendent Short in Fairbanks said she would have these 190-some teachers that would walk out the door the next day.

[9:31:33 AM](#)

CHAIR SEATON reminded Dr. Solie that [HB 238] "doesn't take that tack."

CHAIR SEATON said he thinks that part of the issue can be dropped, because the House State Affairs Standing Committee is fully aware that it can't be taking 25 percent of somebody's salary and putting it into their retirement plan.

[9:31:49 AM](#)

DR. SOLIE suggested that a relevant point is the balance of the unfunded liabilities that are attributable to current retirees as compared to "current actives." He said a question to Mercer [Human Resource Consulting] revealed that in TRS, "approximately 72 percent of the unfunded liabilities are attached to nonactives; only about 28 percent are attached to actives." For PERS, the numbers are a little bit lower: about 67 percent of the unfunded liabilities are attached to nonactives. He stated his point is that a vast majority of the unfunded liabilities are attached to the current retirees "and nobody is talking about sending them a bill for it." He explained that the existing employees would be paying a major part of the bill for those retired; they would be paying for something that is not going to benefit them and in no way is attributable to them. He added that even among current active employees there would be a serious imbalance, because the individual who is about to retire has accrued a major part of that unfunded liability, whereas the new employee who comes into the system has none. He said, "And

yet it's the new employee ... who's going to pay that bill for his whole career."

[9:34:14 AM](#)

CHAIR SEATON said, "That's some of the reason why we need a cap that works into the realm of those contributing people in the current tiers [who] would be looking at past service costs on the benefits that they're going to receive." He noted for the record: the increased contribution amount is addressed in Representative Kelly's HB 177; HB 191 addresses only the defined contribution plan; and both elements are addressed in HB 238.

[9:34:39 AM](#)

REPRESENTATIVE GATTO asked if Alaska would be a model for the federal government to fix its own social security problem.

[9:35:07 AM](#)

DR. SOLIE replied that the federal government's problem is simpler. He explained that the projections indicate that once the social security fund runs dry the benefits have to be paid out of current contributions, and at that point in time the contributions are estimated to pay for about 75 percent of the benefits. Over time that will dip to approximately 68 percent. Even with that significant reduction, the system is capable, on the basis of current income, of providing the bulk of the benefits. Conversely, if Alaska doesn't cover its costs, TRS will be broke in about 25 years and the current contributions would be a much smaller fraction of the benefit. He offered his understanding that, regarding social security, about a 2 percent increase in the social security tax would fix the problem. He added, "Also, lifting the maximum would go part of the way."

[9:36:54 AM](#)

CHAIR SEATON said that with social security "it's all unfunded liability." He explained, "Present dollars are paying the present." Alaska is attempting to collect enough money so that it will grow over time to pay the benefits that are "related to that employee."

[9:37:36 AM](#)

REPRESENTATIVE RAMRAS asked if Dr. Solie is concerned about rushing a solution, and whether he thinks the legislature should find a solution this year, or reflect to next January.

[9:38:20 AM](#)

DR. SOLIE stated that he's heard it said that anyone who recommends delaying the solution doesn't understand the seriousness of the problem, but he said he doesn't agree with that. He said he thinks this is a serious issue. Once the legislature establishes a new tier, based on the way that the supreme court has ruled in the past, those benefits are basically set in concrete. He stated that it would behoove the legislature to get it right the first time. He said he thinks the tier committee came up with some good ideas, but he is not prepared to say that it was the best plan. He said there are things being proposed that need serious consideration and the cost of delaying one year would cause minimal effect.

DR. SOLIE noted that actuarial projections show that if the legislature, as of July 1, [2005], was to eliminate the benefit plans completely for all new employees, it would still be 10 years before the PERS rate would drop to 25 percent and the TRS rate would still be 30 percent at that point. He said, "The new plan is only going to bring that down gradually." He said there are things that can be done within the current plan that don't require action by the legislature. For example, the administration can make changes to the health care plan, which is where he said the biggest problem is.

[9:40:40 AM](#)

DR. SOLIE said he has spoken with [Sam] Trivette of [the Retired Public Employees of Alaska (RPEA)] and found him to be open to addressing some of the issues and to work cooperatively with the state.

[9:41:11 AM](#)

REPRESENTATIVE RAMRAS stated concern that the legislature doesn't have bankers and economists to explain what it means to solve a problem like this.

[9:41:53 AM](#)

DR. SOLIE said his written testimony shows that he agrees with the concept of increased professionalism on the boards and with

the concept of bringing in some outside members who are not members of [either] system. He clarified that that does not mean that he doesn't have the greatest of respect for the current members of the board. He added, "But I do think that, with some of the issues that we grapple with, some expertise in the areas spelled out in some of the bills would be a positive, and bringing in the public perspective would be a positive." Regarding HB 170 - the recomposition of the boards - he stated concern that there be guaranteed seats on the board [for] people "representing those plans." He explained that it is trust funds put in trust for [PERS/TRS members] that the board manages, and large sums of money have been put into those funds by [PERS/TRS members] for the purpose of providing for their retirement plan. He stated that he thinks it is absolutely essential that [those members] be represented on the boards and "should have the majority."

[9:44:15 AM](#)

CHAIR SEATON offered his understanding that the PERS board members are currently selected through an election process which costs approximately \$80,000. He asked how TRS selects its members.

DR. SOLIE said, "I think there is a ... provision where there can be nominations from employee groups, but the governor makes the appointment."

[9:45:37 AM](#)

DR. SOLIE, in response to a question from Chair Seaton, noted that the board is comprised of people who are either current retirees or "current actives." He said there is no "guarantee of access" for the TRS Board. He stated that although that has worked well, he sees emerging from the bills being discussed an emphasis on professionalism and outside experience. He said that makes him fear that "it might shift away and it would lose sight of the need to have representation from this group." In response to a follow-up question from Chair Seaton, Dr. Solie stated:

Frankly, the appointment process doesn't bother me, even if it weren't a nomination, as long as there were some dedicated seats. And I'm sure that the labor organizations would have a different view of that than I.

9:46:39 AM

REPRESENTATIVE ELKINS asked Dr. Solie if he has given recommendations to the administration and if it has shown any indication that it might be willing to implement those regulations.

9:47:10 AM

DR. SOLIE answered yes. He qualified that he can only speak in a limited fashion regarding that, because he has only been on board for 1.5 years, and he was not a member of the health committee, which has been primarily responsible for "forwarding some of those recommendations." However, he said he knows in the past that "they dealt significantly with the issue of increasing ... the generic drug participation." During that time, as a result of an educational program that was implemented, Dr. Solie said he thinks there was an increase of at least 5 percentage points in the percentage of generic drug usage. He noted that each percentage point saves about \$1 million.

DR. SOLIE reported that there were about 8 issues that were forwarded in the most recent board meeting and the administration seemed open to a request to give a report on the progress of those issues at the next PERS/TRS meeting. He said HB 238 - a closed formulary issue - was one of the recommendations. There are others that could be cost saving. He said he heard that 80 percent of hospital care in Anchorage is provided by Providence Hospital, and yet that hospital is not a preferred provider. He indicated that if it were, the savings could equal 20-30 percent. He concluded, "So, I think there are things that can be done that will engender significant savings out of the current program without the need for change."

9:50:12 AM

REPRESENTATIVE ELKINS said he understands and appreciates what Dr. Solie is saying. He thanked him for being well spoken.

9:50:50 AM

REPRESENTATIVE GRUENBERG said he finds the testimony of Dr. Solie helpful and he encouraged letting Dr. Solie continue his testimony by teleconference in the future.

9:51:29 AM

DR. SOLIE, in response to a question from Representative Gatto, stated his understanding that there would be one hospital in Anchorage, for example, that would be named as the preferred provider, and if anyone who went to another hospital, he/she would pay the additional cost.

[9:51:57 AM](#)

DR. SOLIE stated that he is not opposed to the concept of a defined contribution plan. He asked the committee to recall that the Alternative I proposal advanced by the tier proposal committee was a hybrid of a defined contribution and defined benefit plan. He said the [tier proposal] committee voted unanimously against the Alternative II plan. One of the basic reasons for the committee's choice, he explained, was that "there was a recognition that many of the employees in the State of Alaska and none of the teachers within the system are covered by social security; thus they don't have the basic floor ... that social security provides." He said the committee felt strongly that there was a need for a floor, which is why it proposed "the 1 percent [defined benefit plan]."

DR. SOLIE stated that surveys conducted showed that employers were in favor of reducing costs and sharing the risk. They did not indicate that they wanted to shift the whole risk to the employees, nor did they want the employees to bear a tremendously large additional increase.

[9:53:46 AM](#)

CHAIR SEATON responded that he has had "a very different conversation with the employers." He said their main concern was not reducing costs from the current normal cost rate, but was in regard to a huge escalation of costs. He stated that if the legislature decides on a defined contribution plan it is critical to figure out whether to drop below the contribution rate that employers have been paying for the last 20 years or to focus on not jumping the rate up.

[9:55:32 AM](#)

DR. SOLIE responded as follows:

Number one, we had no control over the past service unfunded liability. That's an issue that was separate that we couldn't do anything about, frankly. All we

could deal with is the cost of employees entering a new tier, other than these other factors that I've mentioned of potential savings mainly in the medical side. But the plan that we proposed would have reduced the employer contribution to 8.75 percent for TRS and to 8 percent for PERS. It would have had the employee contribution at 10 percent for TRS and at 8 percent for PERS.

[9:56:22 AM](#)

CHAIR SEATON asked if, knowing the past service costs were going to increase, reducing the normal service cost was the only thing that could be controlled.

[9:56:36 AM](#)

DR. SOLIE answered that's right. He said, "We were focusing on reducing the normal cost on the part of the plan that we felt we had some authority to affect."

[9:56:45 AM](#)

CHAIR SEATON surmised that the driving force for that was that "the total contribution rate was going to be so high that you were trying to reduce it wherever you could, and that's where you thought you could."

[9:57:00 AM](#)

DR. SOLIE indicated that is partly the reason. He stated, "I also feel that ... there are going to need to be some adjustments in retirement plans, and ours is amplified by that huge unfunded liability."

[9:57:50 AM](#)

CHAIR SEATON drew attention to a draft sectional analysis compiled by his staff [included in the committee packet].

[9:58:07 AM](#)

DR. SOLIE, in regard to HB 238, stated the following:

As I calculate it, under HB 238, the employer ... share of the normal cost would be 11 percent; our

proposal was 8.75 [percent]. ... For the PERS side, the employer contribution would be 10 [percent]; our proposal was 8 [percent]. Now, the fact of the matter is, it's going to take at least that amount of increased contribution on the part of the employers - or at least a combination of employers and employees - to provide a [defined benefit] plan that will give coverage that is at all comparable to what the current defined benefit or to what our blended plan would provide. And I say that because there is, I think, pretty well established information in the literature showing that, typically, individually managed plans earn rates of return that are significantly below those of the pool funds. And the figure that is most commonly bandied about is about 2 percent. I ran some numbers using a 1.5 percent reduced rate.

9:59:43 AM

CHAIR SEATON added that, in relation to that, the only selections are those that are available from the board. He said, "So, it's like SBS."

9:59:49 AM

DR. SOLIE said he understands that. He added, "But ... nevertheless, within that would be selections which would include fixed income versus equities, and probably some international funds, and so on. And in the selection among those, the general result is that the employee-managed funds earn less." He emphasized that those results are based on the figures he had available. He mentioned a model that he said he would share with Chair Seaton's staff. He offered further details on his model as it relates to males. He said he assumed in his example that the individual would buy an annuity, which would be indexed for inflation the same way as the current plan is. He noted that the numbers would be different for females because of their longer life expectancy. He offered further details. He emphasized that females would be penalized significantly by a defined contribution plan compared to males.

10:02:29 AM

CHAIR SEATON pointed out that in HB 238, there would be 10 percent each from employer and employee for PERS, and 11 percent

each from employer and employee for TRS. He indicated that that doesn't include the medical calculation.

10:03:06 AM

DR. SOLIE explained that he was just "pulling out the portions that would have been dedicated to the [defined contribution] plan," because the [tier proposal committee's] proposal included a medical plan in it. He stated that the committee had proposed a health care plan with an 8.75 percent contribution for TRS and 8 percent for PERS. Additionally, as Ms. Millhorn described, the employer subsidy was designed to begin at the normal retirement of age 60. He said, "I may have missed it, but I quickly went through [HB 191], and I couldn't see it coming in until age 65. So, that's a concern."

10:04:28 AM

CHAIR SEATON stated that there is quite a difference between HB 191 and HB 238, because the latter does [set the retirement age] at 60.

10:04:37 AM

DR. SOLIE, regarding the provision of not giving any premium support until age 65 in HB 191, said there is "a similar arrangement on the Senate side." He said he spoke with Miles Baker, [Staff to Senator Bert Stedman]. He indicated that [a higher retirement age] "reduced the normal cost of the health care plan from 3.75 [percent] to 1 percent." In terms of what is proposed in HB 238, he offered his understanding that the bill would give premium support at age 60. He added:

But we had a much more conservative approach to that ... such as described by ... [Ms. Millhorn]. I think it was sufficiently complex that it didn't come through. And I have to apologize for that, because it was my idea to do it. But, as was described, in the 60-65 period the employer was paying a percentage of this fixed initial amount, which would be inflated by the increase in health care costs, up to a maximum of 5 percent per year. But the premium is going to be inflated by the health care cost. So, in effect, in the 60-65, what we were saying is they start out equally, but the ... health care responsibility - of which the employer pays a percentage - would rise at 5 percent per year. The actual health care costs are

going up faster. And so, the employer is only paying a percentage of this part [emphasis on "this"]; the employee pays all of the additional balance of this part. So, the employee bears the full risk in the 60-65 period of above average health care increases. Whereas in the 65-and-on period then it's as you have defined it. So, what you have got in the 60-65 is really a significantly more expensive plan than what we proposed, and frankly, I would recommend going to an approach such as ours. Because ... 60-65, ... the pre-Medicare eligible age, ... is the one that is really killing the system; that's the really expensive part. So, I would suggest that you look at that and go back to what I call a [defined benefit] type of health care plan participation in the 60-65 period. I think that will save money in the long run.

CHAIR SEATON said he hopes the administration will come forward at the next meeting with a medical presentation, in which the issues Dr. Solie mentioned could be included.

[10:07:16 AM](#)

DR. SOLIE, regarding normal retirement age, said the idea of changing the retirement age as each mortality table is released could cause some confusion. He said the table could increase that age every year. Additionally, there has been a long-term trend of life expectancies increasing close to 2.5 years every decade, thus, in two decades, the normal retirement age would be up to the Medicare eligibility, unless the latter was raised. He suggested the legislature adjust the retirement age no more than every five years and cap the normal retirement at whatever Medicare eligibility age is.

[10:09:13 AM](#)

CHAIR SEATON indicated that, in [HB 238], the defined age of 65 was taken out and Medicare eligibility was inserted.

[10:09:25 AM](#)

DR. SOLIE noted that the tier proposal committee's plan would use Medicare eligibility, because "we were aware of that possibility in the future."

[10:09:41 AM](#)

DR. SOLIE made one final comment on HB 191 and the build up of contributions rates in the first five years. He also stated his understanding that HB 238 "has vesting over the period." He said he thinks the approach in HB 238 is far superior; it gives an incentive for the shorter-term employees to stay. He offered further details.

[10:10:41 AM](#)

REPRESENTATIVE LYNN asked that Dr. Solie be available by teleconference in the future.

[HB 191 was heard and held.]

#### **ADJOURNMENT**

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at [10:11:02 AM](#).