

**ALASKA STATE LEGISLATURE
CONFERENCE COMMITTEE ON SB 141**

May 9, 2005
8:28 a.m.

MEMBERS PRESENT

Senator Lyda Green, Chair
Senator Ralph Seekins
Senator Donny Olson

Representative Bruce Weyhrauch
Representative Paul Seaton
Representative Harry Crawford

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CS FOR SENATE BILL NO. 141(FIN)

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

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

"An Act relating to the teachers' and public employees' retirement systems and creating defined contribution and health reimbursement plans for members of the teachers' retirement

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

MEMBERS SIGNED A LETTER DETAILING THE ITEMS AGREED UPON AND THE ITEMS NOT AGREED UPON FOR DISTRIBUTION TO BOTH BODIES

PREVIOUS COMMITTEE ACTION

BILL: SB 141

SHORT TITLE: PUBLIC EMPLOYEE/TEACHER RETIREMENT/BOARDS

SPONSOR(S): FINANCE

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

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

04/22/05	(H)	STA RPT HCS (STA) 1DP 5NR
04/22/05	(H)	DP: SEATON;
04/22/05	(H)	NR: LYNN, GATTO, GRUENBERG, ELKINS, RAMRAS
04/23/05	(H)	FIN AT 10:00 AM HOUSE FINANCE 519
04/23/05	(H)	Heard & Held
04/23/05	(H)	MINUTE (FIN)
04/28/05	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
04/28/05	(H)	Heard & Held
04/28/05	(H)	MINUTE (FIN)
04/30/05	(H)	FIN AT 2:00 PM HOUSE FINANCE 519
04/30/05	(H)	Heard & Held
04/30/05	(H)	MINUTE (FIN)
05/01/05	(H)	FIN AT 1:00 PM HOUSE FINANCE 519
05/01/05	(H)	Moved HCS CSSB 141 (FIN) Out of Committee
05/01/05	(H)	MINUTE (FIN)
05/02/05	(H)	FIN RPT HCS (FIN) 2DP 5NR 2AM (FORTHCOMING HCS)
05/02/05	(H)	DP: KELLY, FOSTER;
05/02/05	(H)	NR: JOULE, STOLTZE, MOSES, MEYER, CHENAULT;
05/02/05	(H)	AM: HAWKER, WEYHRAUCH
05/02/05	(H)	OBJECTION TO REFERRAL TO RULES
05/02/05	(H)	OBJECTION TO REFERRAL TO RULES WITHDRAWN
05/02/05	(H)	RETURNED TO FIN COMMITTEE
05/02/05	(H)	FIN RPT HCS (FIN) 3DP 4NR 1AM (FORTHCOMING HCS)
05/02/05	(H)	DP: FOSTER, KELLY, CHENAULT;
05/02/05	(H)	NR: HOLM, STOLTZE, MOSES, MEYER;
05/02/05	(H)	AM: HAWKER
05/02/05	(H)	OBJECTION TO FISCAL ANALYSIS WITH FINANCE RPT
05/02/05	(H)	REPLACE FISCAL ANALYSIS FAILED Y15 N25
05/02/05	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
05/02/05	(H)	Moved HCS CSSB 141 (FIN) Out of Committee
05/02/05	(H)	MINUTE (FIN)
05/03/05	(H)	HCS (FIN) NT RECEIVED
05/03/05	(H)	MOVED TO BOTTOM OF CALENDAR
05/03/05	(H)	BEFORE THE HOUSE
05/03/05	(H)	MOTION TO DIVIDE AM NO 3 NOT IN ORDER
05/03/05	(H)	ADJOURNED TO 5/4
05/05/05	(H)	BEFORE THE HOUSE
05/06/05	(H)	ENGROSSED
05/07/05	(H)	VERSION: HCS CSSB 141 (FIN) AM H

05/07/05	(S)	CONCURRENCE MESSAGE READ AND HELD
05/07/05	(S)	CONFERENCE COMMITTEE APPOINTED
05/07/05	(S)	GREEN (CHAIR), SEEKINS, OLSON
05/07/05	(H)	RECEDE MESSAGE
05/07/05	(H)	CONFERENCE COMMITTEE APPOINTED
05/07/05	(H)	SEATON, WEYHRAUCH, CRAWFORD
05/08/05	(S)	LIMITED POWERS FREE CONFERENCE GRANTED
05/08/05	(H)	LIMITED POWERS FREE CONFERENCE GRANTED

WITNESS REGISTER

Ms. Wendy Redmond
 University of Alaska (UA)
 PO Box 755000
 Fairbanks, AK 99775

POSITION STATEMENT: Commented on SB 141.

Ms. Traci Carpenter
 Staff to Senator Green
 Alaska State Capitol
 Juneau, AK 99801

POSITION STATEMENT: Commented on SB 141.

Mr. Miles Baker
 Staff to Senator Stedman
 Alaska State Capitol
 Juneau, AK 99801

POSITION STATEMENT: Commented on SB 141.

ACTION NARRATIVE

SB 141-PUBLIC EMPLOYEE/TEACHER RETIREMENT/BOARDS

CHAIR LYDA GREEN called the Conference Committee on SB 141 with limited free powers to order at [8:28:53 AM](#). Present were Representatives Weyhrauch, Seaton, and Crawford and Senators Olson, Seekins and Chair Green.

CHAIR GREEN directed members' attention to the matrix entitled "SB 141 - Differences between Senate and House" and explained that the points of agreement from the previous meeting are highlighted in green, as well as the points recommended for discussion today. She said without objection Items 5 and 7 were adopted and the first open issue is item 8. She hoped to get an acceptable proposal to both bodies.

CHAIR GREEN said, regarding item 8, the number 4 is acceptable to the Senate but the Senate wants to include a definition of "normal cost rate." That definition would read:

For the purposes of this section, 'normal cost rate' means a percent of payroll required to fully fund the actuarially calculated benefits expected to be earned by active members during a fiscal year.

She offered that definition as a conceptual amendment.

REPRESENTATIVE WEYHRAUCH asked for the definition of "past service rate."

CHAIR GREEN suggested it might be a term of art.

REPRESENTATIVE WEYHRAUCH asked if it would be the rate next to line 9.

REPRESENTATIVE SEATON stated that "past service rate" is defined in the House bill and explained the goal of the House was to place a floor on the employer contribution rate so that future PERS/TRS boards won't be faced with the current debacle associated with under contributing. He said the Senate version would require that the normal cost rate be funded every year and the contribution rate would not be less in the event of a bull market.

He suggested the House and Senate agree in concept. The difference is whether or not to set a contribution floor or say the normal cost rate must always be funded. Either way is acceptable, he said.

CHAIR GREEN said the goal is to have healthy contributions to keep the plan whole for the future.

REPRESENTATIVE CRAWFORD summarized by saying that the pension programs weren't adequately funded during the "go-go" years of the '90s, which dug the hole Representative Seaton mentioned and no one looked forward to a repeat situation.

[8:33:45 AM](#)

REPRESENTATIVE SEATON asked if the suggestion is to say that the employer rate may not be less than the normal service cost without addressing past service cost.

CHAIR GREEN advised that "past service rate" is addressed in AS 39.35.250.

REPRESENTATIVE SEATON questioned whether another section would address the fact that the employer may be required to pay additional contributions for past service costs.

MS. TRACI CARPENTER, staff to the Senate Finance Committee, explained that past service rate is defined in the statutes related to PERS. Separate parts relate to the calculation of the employee's contribution rate and the amount of the employer's contributions. She suggested reworking the language to make sure that past service costs are addressed.

REPRESENTATIVE SEATON said that is acceptable and it would be helpful to adopt all the amendments conceptually.

[8:38:33 AM](#)

CHAIR GREEN announced Amendment 1 for open item 8 is adopted conceptually to provide an opportunity for additional work on past service rate.

A M E N D M E N T 1
For Open Item 8

Sec. 7. AS 14.25.070 is amended to read:

Sec. 14.25.070. Contributions by employer. (a) An employer shall contribute to the plan an amount equal to the normal cost rate, expressed as a percentage certified by the board, less the member contribution under AS 14.25.050. The amount shall be calculated by applying the certified percentage against the sum total of the base salaries paid to members, including any adjustments to contributions required by AS 14.25.173(a).

(b) For the purposes of this section, "normal cost rate" means the percent of payroll required to fully fund the actuarially calculated benefits expected to be earned by active members during a fiscal year.

Sec. 93. AS 39.35.270 is amended to read:

Sec. 39.35.270. Contributions by employer. (a) An employer shall contribute to the plan an amount equal to the normal cost rate, expressed as a percentage certified by the board, less the member contribution under AS 39.35.160. The amount shall be calculated by applying the certified percentage against the sum total of the compensation paid to members, including any adjustments to contributions required by AS 39.35.520(a).

(b) For the purposes of this section, "normal cost rate" means the percent of payroll required to fully fund the actuarially calculated benefits expected to be earned by active members during a fiscal year.

[8:38:44 AM](#)

CHAIR GREEN announced the next item under discussion is item 9b.

REPRESENTATIVE SEATON said the House prepared and submitted a packet of amendments to combine and address several issues at the same time. Using the matrix for explanation, he offered amendment 24-LS0637\RA.4 to address Items 9b, 11, and 12.

He proposed adopting the following:

ITEM: 9b

Employer Contribution to Medical

CSSB 141 (FIN): 1.75 percent to Medical

ITEM: 11

Medical Benefits

HCS CSSB 141 (FIN) am H: "Must retire directly from system for access to medical coverage."

ITEM: 12

CSSB 141 (FIN): No pre-Medicare cost sharing.

ITEM: 9c

Employer contribution to HRA

Amend HRA amount: 3.00 percent to HRA

Proposed employer contribution percentages for Items 9a-c:

9a: 5.00 percent to DC account

9b: 1.75 percent to Medical

9c: 3.00 percent to HRA

CHAIR GREEN said that makes a generous contribution to the HRA and enriches a plan that gives the employee full access to a wide variety of services.

[8:41:09 AM](#)

REPRESENTATIVE WEYHRAUCH pointed out that the total for 9a-c is 9.75 percent, which differs from both the House and Senate versions.

CHAIR GREEN acknowledged the total would have to be recalculated.

REPRESENTATIVE SEATON said the total would be increased somewhat when the public employee death and disability benefit is addressed. The House suggests that an amended version of the House proposal be accepted for Items 15 and 16.

CHAIR GREEN said the Police/Fire and the PERS systems vary and therefore the committee would have to agree conceptually on the basis points for each.

[8:44:16 AM](#)

CHAIR GREEN asked Representative Seaton to walk the committee through conceptual Amendment 2 relating it to the matrix.

CHAIR GREEN asked if there'd actually been a motion to adopt conceptual Amendment 1. [It was adopted.]

SENATOR SEEKINS moved conceptual Amendment 2 and objected for discussion purposes.

[8:45:06 AM](#)

REPRESENTATIVE SEATON explained conceptual Amendment 2.

24-LS0637\RA.4
Craver

A M E N D M E N T 2

OFFERED IN THE CONFERENCE COMMITTEE BY REPRESENTATIVE SEATON
TO: HCS CSSB 141(FIN) am H

Page 17, line 17:
Delete "2.5 percent"
Insert "1.75 percent"

Page 27, line 17:
Delete "60 months less than"

Page 28, lines 25 - 28:
Delete all material.

Reletter the following subsections accordingly.

Page 28, line 31 through page 29, line 15:
Delete all material.

Reletter the following subsections accordingly.

Page 29, line 22:
Delete "30 years of"
Insert "25 years of"

Page 29, following line 23:
Insert a new paragraph to read:
"(4) 15 percent if the member has 25 or more, but
less than 30 years of service;"

ReNUMBER the following paragraph accordingly.

Page 38, line 4:
Delete "60 months less than"

Page 61, line 8:
Delete "2.5 percent"
Insert "three percent"

Page 86, line 21:
Delete "2.5 percent"
Insert "1.75 percent"

Page 96, line 27:
Delete "60 months less than"

Page 98, lines 9 - 12:
Delete all material.

Reletter the following subsections accordingly.

Page 98, lines 15 - 30:
Delete all material.

Reletter the following subsections accordingly.

Page 99, line 6:
Delete "30 years"
Insert "25 years"

Page 99, following line 7:
Insert a new paragraph to read:

"(4) 15 percent if the member has 25 or more, but less than 30 years of service;"

Renumber the following paragraph accordingly.

Page 111, line 21:

Delete "60 months less than"

SENATOR SEEKINS removed his objection to conceptual Amendment 2.

[8:47:31 AM](#)

CHAIR GREEN announced conceptual Amendment 2 was adopted.

SENATOR SEEKINS asked whether the agreement on 9a is accomplished in the amendment.

REPRESENTATIVE WEYHRAUCH said 9a was agreed upon previously and the current discussion relates to 9b.

REPRESENTATIVE SEATON confirmed conceptual Amendment 2 does not affect 9a.

SENATOR SEEKINS asked the record to reflect that the House version is being amended.

REPRESENTATIVE WEYHRAUCH clarified that the Senate version of 9b was adopted in conceptual Amendment 2.

SENATOR SEEKINS added that the House version of Item 9a was agreed to previously.

REPRESENTATIVE SEATON said the "Must retire directly from the system..." is already in the House version.

[8:49:19 AM](#)

CHAIR GREEN announced that Item 9a was officially closed out yesterday and therefore no longer subject to change.

REPRESENTATIVE WEYHRAUCH moved conceptual Amendment 3 dealing with item 9c and item 17.

Item 9c

Employer contribution to HRA

CSSB 141(FIN): 2.00 percent to HRA

HCS CSSB 141(FIN) am H: 2.50 percent to HRA

Amended Amount: 3.00 percent to HRA

Item 17

Health Reimbursement Arrangement (HRA)

CSSB 141(FIN): Employer contributes 2 percent of annual average employer's group compensation.

Page 58, Line 10

HCS CSSB 141(FIN) am H: Employer contributes 2.5 percent of annual average employer's group compensation.

Page 61, Line 8

Amended Amount: Employer contributes 3.00 percent of annual average employer's group compensation.

A M E N D M E N T 3

Page 61, line 8, delete "2.5," insert "3"

[8:51:01 AM](#)

REPRESENTATIVE WEYHRAUCH asked if the Senate version of item 12, in conjunction with the new amount for 9c, is agreed upon.

CHAIR GREEN said yes, in conceptual Amendment 2.

SENATOR SEEKINS asked for verification.

REPRESENTATIVE SEATON verified that the Senate language for item 12 - "No pre-Medicare cost sharing" - was adopted as part of conceptual Amendment 2.

REPRESENTATIVE WEYHRAUCH questioned whether clean up language is needed for item 17 - "Health Reimbursement Arrangement" - as part of conceptual Amendment 3.

CHAIR GREEN said that's correct.

SENATOR SEEKINS voiced agreement.

REPRESENTATIVE WEYHRAUCH referenced the matrix and said that item 17 is amended to 3.0 percent and is part of conceptual Amendment 3.

REPRESENTATIVE SEATON said conceptual Amendment 3 amends page 61, line 8, which is line 17 on the House side.

[8:54:48 AM](#)

REPRESENTATIVE SEATON offered Amendment 4.

A M E N D M E N T 4

TRS

Page 17, following line 22 insert new section "(c) An employer shall make annual contributions to the plan in an amount adopted by the board to be actuarially required to fully fund the cost of providing medical benefits in 14.25.480."

ReNUMBER accordingly

PERS

Page 86, following line 26 insert a new section "(c) An employer shall make annual contributions to the plan in an amount adopted by the board to be actuarially required to fully fund the cost of providing medical benefits in 39.35.880."

ReNUMBER accordingly

REPRESENTATIVE SEATON said this refers to an item addressed previously on the medical. The Senate version was 1.75 percent and the House version was 2.5 percent. Both bodies expressed the amounts as numbers and both bodies agreed to have health care actuarially calculated.

CHAIR GREEN asked which item the amendment refers to.

REPRESENTATIVE SEATON replied it applies to 9b. He recapped the concern that both bodies were setting a particular number in statute. Page 86, line 30 of HCS CSSB 141 (FIN)am H deals with death and disability benefits and the amendment brings it back to the actuarially computed number.

SENATOR SEEKINS said that's a reasonable provision.

[8:57:03 AM](#)

CHAIR GREEN said the one issue is that the board is not officially in business until October 1, 2005 so the committee needs to adopt a rate for 7/1/2005 to 10/1/2005. She asked if he would accept an amendment to say "For the time being it would be 1.75 percent for the period until the board calculates."

[8:57:48 AM](#)

REPRESENTATIVE SEATON said the proposed amendment doesn't delete the 1.75 percent. It adds the annual requirement for the calculation.

SENATOR SEEKINS commented there would be a carry forward rate now-and-then but, after the first calculation, the process would begin.

REPRESENTATIVE SEATON said that's correct.

CHAIR GREEN asked if the House version has a calculated rate in statute.

REPRESENTATIVE SEATON said in the House version the board will be responsible for the actuarial calculation and it is charged with adopting rates that will pay the benefits.

CHAIR GREEN asked for a motion to adopt Amendment 4.

[8:59:33 AM](#)

SENATOR SEEKINS moved Amendment 4.

CHAIR GREEN announced Amendment 4 was adopted without objection.

CHAIR GREEN directed members' attention to line 14.

REPRESENTATIVE SEATON asked that staff explain that item.

[9:00:31 AM](#)

MS. CARPENTER explained that item 14 is very similar in both versions. The Senate's medical program contains no subsidy for medical insurance until the member reaches the age of 65 or the Medicare-eligible age. Now that the "retire from the system" concept has been accepted, if a person retires from the system prior to reaching Medicare-eligible age, the individual would be required to pay the full premium until reaching Medicare-eligible age, which is from the Senate version.

[9:01:37 AM](#)

REPRESENTATIVE SEATON responded, "The effect of this is that a person if they had a spouse that was actually covering them with medical coverage or something, they would have to select by the age of 70½ or upon termination from employment, whichever is later, whether they wanted to participate in the medical benefit."

REPRESENTATIVE WEYHRAUCH suggested members were agreeing to the Senate version of both 14 and 14a.

CHAIR GREEN said that is what she is hearing as well.

SENATOR SEEKINS said the 70½-age mirrors federal law.

REPRESENTATIVE WEYHRAUCH said as a practical matter, at the age of 70½, the person is probably already retired and merely has to make the election by that date.

MS. CARPENTER told members Senator Seekins was referring to the federal IRS regulations, which require a person to begin taking distributions from a 401k plan at age 70½.

CHAIR GREEN asked members if the Senate language for 14 and 14a is acceptable.

[9:03:08 AM](#)

SENATOR SEEKINS moved to adopt the Senate versions of items 14 and 14a without amendment.

CHAIR GREEN announced that without objection, the motion carried.

[9:03:51 AM](#)

MS. CARPENTER suggested members skip to item 18 because it is related to item 14.

REPRESENTATIVE WEYHRAUCH thought item 17 had been addressed [in Amendment 3].

CHAIR GREEN said that is correct.

MS. CARPENTER said item 18 is part of the medical language from the Senate version. It makes explicit that an employee does not have to participate in the medical program in order to use that employee's HRA.

SENATOR SEEKINS said if kept as is, the employee could use his/her HRA to pay for allowable medical expenses if covered under another plan and accomplish portability.

MS. CARPENTER said that is correct.

[9:04:52 AM](#)

CHAIR GREEN said it might apply to a married couple with one spouse providing full coverage for both. The couple could use the HRA to buy supplemental or long-term care insurance.

SENATOR SEEKINS moved to accept line 18 without amendment.

CHAIR GREEN announced that without objection, the motion carried.

[9:05:39 AM](#)

REPRESENTATIVE SEATON moved to amend the House version of item 19 that would replace "time limitation" with "35 years" to provide a time certain.

CHAIR GREEN objected and said that would provide an extremely long window.

REPRESENTATIVE WEYHRAUCH asked Representative Seaton to read the sentence.

REPRESENTATIVE SEATON read, "An employee can return to a participating employer within 35 years and have the account balance restored with interest."

REPRESENTATIVE WEYHRAUCH said he thought the House language played into the portability concept more. In the Senate version, the employee can have the account balance restored without interest if the employee returns to work within 5 years. He asked if the employer's contribution would be considered as part of the pay the employee is getting. That is where he believes it plays into the concept of portability.

CHAIR GREEN said that portion of the plan is not portable. It is designed to give the employer a choice, in a way, to use the account the employer has contributed to. The idea behind it is the employer contributes to it while the employee is employed. It is not an investment account to be held for 35 years while the employee is living and working elsewhere. This plan is designed to augment health coverage [while employed].

REPRESENTATIVE SEATON said the best example he can provide is that of a young female teacher who comes into the workforce in Alaska and leaves after 6 years to raise a family. The teacher stays home for 8 or 10 years and decides to go back to work in the school system. The House version says if the employee contributes while working and then takes a break, the benefits of the contributions made to her identified account will be there upon reemployment. The chief purpose of having a benefit account and a retirement and benefit system is to attract and retain employees because of the high amount of employee movement within the system. He continued, "One of the chief things we tried to do in this entire benefit package is change from a defined benefit to a defined contribution philosophy. The defined contribution philosophy is that there was something put into an account that has your name on it and that's there. Now you have to vest and everything else but this is the defined contribution element of a medical plan..."

CHAIR GREEN disagreed and said the defined contribution is on the retirement side. The [defined benefit] was set up as an employer add-on to that, not to re-create the current situation, which has caused an incalculable liability. She said it should be assumed that someone who leaves PERS employment for 35 years has accumulated all sorts of benefits elsewhere. This unlimited liability will recreate one of the problems the retirement system is experiencing now. She prefers a 5 year limit but if House members could agree to 10 years, she would find that to be reasonable.

SENATOR SEEKINS asked if the HRA is an account that can be used to subsidize medical insurance premiums forever.

REPRESENTATIVE SEATON said that is incorrect; it's a defined account deposited in the employee's name to be used for medical purposes only.

SENATOR SEEKINS said it is a memo account and not a property value. He said a well-designed retirement system rewards the long-term employee. He said with the memo account, there should

be a cut-off point when the person reaches an actuarial age and has not re-entered the system. The state will not know where former employees are living after a certain point. He said a person who does not return after a certain amount of time is not likely to return; he would rather see the money from those accounts be used to increase benefits for employees who stay.

[9:15:58 AM](#)

SENATOR OLSON said he sees this as disadvantageous to a woman who was employed, left the workforce for 20 years to raise a family in Alaska and decided to return to work. He said this would encourage mothers to get back into the retirement system rather than to raise families.

REPRESENTATIVE WEYHRAUCH said he worked for the state and took a 6-year hiatus clerking [in the court system] and then a 15-year hiatus and became a legislator. He said in today's society, people move from job to job; people have testified that they are bringing a number of retirement programs to their lives. He asked Senator Seekins if a memo account follows a former employee around.

SENATOR SEEKINS said the state would have to account for every single former employee every year. He doesn't object to someone coming back in and having their memo account balance restored but he questions whether it should be with interest. He also believes the bill should contain a time certain that is at least age sensitive when it is unlikely the person will re-enter the system so that the state doesn't have to keep track forever - perhaps until December 31 of the year the person turns 65.

REPRESENTATIVE WEYHRAUCH questioned how this could be detrimental if the system is keeping track.

SENATOR SEEKINS said he does not have a problem with that if the employee comes back for more than one day.

SENATOR OLSON agreed and said otherwise, the employee would just be working the system.

SENATOR SEEKINS said he wants to take care of good employees and not let someone get a free ride.

[9:19:52 AM](#)

REPRESENTATIVE SEATON said the employee would have no reason to come back for 1 day unless he was vested. His second point is that an HRA would not present a liability to the system because it is an account with a defined amount of money with the employee's name on it; no benefits come out of it other than the money and interest earned. He said that differs from the unfunded liability problem of major medical costs.

SENATOR SEEKINS agreed but said it is a memo account that the state must keep track of forever. He said the legislation should include an actuarial date at which time the account no longer exists if the employee hasn't re-entered the system.

REPRESENTATIVE SEATON clarified that his amendment to item 19 does just that by adding a 35-year limit because 35 years is within the working life of an employee. He said he was open to changing that number.

SENATOR SEEKINS asked about an employee who returned to work at age 50.

[9:21:47 AM](#)

REPRESENTATIVE SEATON said this would not require anything new be kept open because employee records track date of hire, contributions, etc. Employee information is not purged.

SENATOR SEEKINS disagreed because an account only for use by a specific individual must be tracked and calculated annually.

REPRESENTATIVE SEATON suggested a cut-off date of 25 years.

SENATOR SEEKINS suggested 25 years or 65 years of age.

CHAIR GREEN preferred 55 years of age.

REPRESENTATIVE SEATON thought 65 years of age is logical since that is the retirement eligible age in the bill.

SENATOR SEEKINS said he wants this benefit to go to the people who have truly contributed to the State of Alaska through their employment.

REPRESENTATIVE CRAWFORD asked if the individual account will be deposited in the general fund after the cut-off date.

[9:24:04 AM](#)

MS. CARPENTER explained the HRA money would be pooled in a group trust fund. For accounting purposes, each individual member would have an account record. If a person forfeits his HRA, the money would stay in the pool and be used for the benefit of other employees in the pool or to pay future contributions in advance.

SENATOR SEEKINS said his proposal is to credit the folks in the pool by somehow using lapsed account balances. He repeated he wants to create a benefit to those who stay in the system.

REPRESENTATIVE SEATON suggested requiring the employee to return for at least one year.

REPRESENTATIVE WEYHRAUCH said one year seems fair except for legislative employees, who should be required to work one session.

SENATOR SEEKINS repeated that he wants to make sure it applies to an employee who is returning to work and is not just using the system.

CHAIR GREEN replicates a huge problem with the current system, that being the ability for someone to find a loophole to come back and work for a very short period of time.

[9:26:57 AM](#)

REPRESENTATIVE WEYHRAUCH thought the Senate language provides that loophole because a person could return within 5 years and work just 1 day.

REPRESENTATIVE SEATON didn't think that people should consider this as a defined benefit pool for which lapsed funds can be used for other employees. He said an HRA account would contain a fixed 3 percent employer contribution plus interest with a specific employee's name on it. That amount cannot be given to other employees.

SENATOR SEEKINS suggested including an age certain that says if the employee hasn't reentered the system, the state no longer has to keep track of that employee. He asked what members consider a reasonable age to be.

[9:28:42 AM](#)

REPRESENTATIVE SEATON said some commissioners return at later ages so he didn't want to cut it off too early. He felt 60-65 years of age is reasonable.

SENATOR SEEKINS suggested on December 31 of the year a person reaches 60 years of age.

[9:29:36 AM](#)

REPRESENTATIVE WEYHRAUCH said that creates different ages within the conceptual framework of the bill.

[9:29:51 AM](#)

CHAIR GREEN suggested returning within 10 years or at 60 years of age, whichever is later. She noted there would always be untapped HRA funds, for example in the case of death, which the state would be within its right to redistribute. She said the bill needs to make clear the account will not be held in perpetuity for the employee.

SENATOR SEEKINS said 10 years or 65, whichever is later, would take care of the person who has an interruption, which he prefers.

REPRESENTATIVE SEATON said he has no problem with that language. He clarified that he meant the lapsed HRA money would not be redistributed to other HRA accounts but it could be used for other purposes.

[9:31:49 AM](#)

CHAIR GREEN replied:

It would be part of the calculation of the interest though. Of course they could use it in another account. If that person's not going to draw the money - isn't it all just money that sits there? It doesn't matter if the state puts in new money or that they use money. It's never going to be used. If the person has passed on or for whatever reason we can guarantee they're not going to come back and use the HRA, the state has the ability to use that money in its calculation of [indisc.] of funding the next year's interest or however it's calculated.

REPRESENTATIVE SEATON clarified he was speaking to the account balances of other individuals, not the physical dollars. It would not be added to the account balances of other individuals because the premise of the HRA is it is 2 percent of the average wage base put in a separate account.

[9:32:54 AM](#)

SENATOR SEEKINS restated an employee who has worked for 10 years and vested has 10 years in which to re-enter the system or at the Medicare-eligible age it cuts off, whichever is later, and the employee must remain for two years before the account accrues interest.

CHAIR GREEN felt the term "Medicare-eligible" to be troublesome because that age can float up.

SENATOR SEEKINS clarified it would be as of December 31 in the year a person turns 65.

REPRESENTATIVE WEYHRAUCH asked how that would apply to a 65-year old person who came back to work on December 1.

SENATOR SEEKINS said that employee would have to remain for two years.

CHAIR GREEN asked Ms. Carpenter to clarify that issue.

[9:34:21 AM](#)

MS. CARPENTER explained that a person with 10 years of service would be entitled to the money. The employee would then only have to meet the rest of the eligibility requirements under the medical program. The effect is the same in both the House and Senate bills. The House version contains an explicit statement saying except the person does not have to retire directly from the system and there is no retirement from the system in the Senate version. She continued, "I heard Senator Seekins say once that person has 10 years in, then they have 10 years to come back and that is not the concept. It is anyone who has less than 10 years would forfeit their rights unless they came back within a certain time period."

REPRESENTATIVE WEHYRAUCH added, "And got the vesting period in."

SENATOR SEEKINS said that was his intent.

CHAIR GREEN said an employee would have to work 10 years to vest in the HRA before leaving employment in both versions.

REPRESENTATIVE SEATON said the purpose of this is to say if a person worked 6 to 8 years and had a block in employment, that employee can come back and work 8 more years. That employee would be vested and the account stays with that employee. He furthered, "The other way is saying if you worked 8 years and went out and had a kid, and then you came back in and worked another 8 years, you've worked 16 years but you don't have any vesting in your HRA because there was no 10-year period where you worked. You worked two 8-year periods but...."

CHAIR GREEN clarified that the current 10 year vesting requirement is in both versions of the bill. She said the question is what requirements should be placed on the employee when returning to the system to access that account.

REPRESENTATIVE WEYHRAUCH said the difference is the Senate version has 5 years and [Representative Seaton's amendment] says 35 years.

REPRESENTATIVE SEATON said the purpose of this section has nothing to do with pre-vesting. Its purpose is to allow an employee to accumulate deposits made on that person's account. If that employee only worked for 8 years, she could return and continue to come back and build on her HRA account and vest. He stated, otherwise a person who did not work continually for 10 years would be out and none of that state service would apply. He thought saying 10 years would be confusing and preferred to say if the employee does not return by age 65, the account is gone.

[9:38:43 AM](#)

SENATOR SEEKINS said his intent is to make sure this provision takes care of the folks who stay in, work in and contribute to Alaska, not to benefit those who want to manipulate the system for their own benefit. He repeated that a person who has not reentered the system by December 31 of the year that person reaches age 65 he can no longer reenter and claim any ownership of the previous HRA.

[9:40:24 AM](#)

MS. CARPENTER referred members to page 61, lines 17-19, of the House version. She suggested adding "by the year in which they turn 65" to line 17 so that it would read:

If a person returns to employment with a participating employer by the year in which they turn 65..."

SENATOR SEEKINS suggested adding, "before December 31 of the year in which they turn 65 and remains for a minimum of 2 years."

REPRESENTATIVE WEYHRAUCH pointed out that a person who returned at age 65 on December 31 would have to work two years until December 31.

SENATOR SEEKINS said that is correct.

CHAIR GREEN said she does not see why a person should accumulate interest on an HRA when not working.

SENATOR SEEKINS noted that 35 years worth of compounded interest can equal a lot of money.

[9:42:31 AM](#)

CHAIR GREEN said the employer pays it all. She pointed out the state is not in the business of creating investment accounts for individuals and is prohibited from doing so for permanent fund dividends. She asked why this would be okay if a person isn't in the system.

REPRESENTATIVE WEYHRAUCH said one purpose of an HRA is to attract employees to state service that wouldn't be attracted otherwise.

CHAIR GREEN maintained that offering an HRA would give an employee an incentive to stay with the employer. She said she still believes a full 10-year vesting period should be required of all employees.

REPRESENTATIVE SEATON indicated that 10 years would be required but those years do not have to be consecutive. He thought this feature would be used most by teachers that leave to raise families.

SENATOR SEEKINS said he would prefer to attract an employee who would work 25-30 years with uninterrupted service.

[9:45:47 AM](#)

REPRESENTATIVE SEATON pointed out that an HRA is not contingent upon retiring directly from the system.

[9:46:16 AM](#)

CHAIR GREEN said the board make-up in the Senate bill consists of the commissioners of administration, revenue, three Alaskan residents who are non-beneficiaries, and one finance officer of a municipality, one from a school district, and one PERS and one TRS member. She said the Senate was looking for a professional investment board with no connection to PERS or TRS, which is why it included three Alaskan non-beneficiaries.

SENATOR SEEKINS said the Senate wants three independent folks with no vested interest in the state retirement system.

REPRESENTATIVE SEATON didn't understand why a PERS member wouldn't be trying to earn the most for the retirement system.

[9:49:22 AM](#)

REPRESENTATIVE WEYHRAUCH pointed out the commissioners will represent the employer, not PERS members.

CHAIR GREEN disagreed because if the system is not healthy, no one involved will benefit.

REPRESENTATIVE WEYHRAUCH clarified that he meant the commissioners would represent the employer and act as fiduciaries of PERS/TRS. He said the same would apply to the TRS board member who would be a beneficiary and who would want to keep the system healthy.

CHAIR GREEN said she hoped so but the commissioners are charged with a higher standard.

[9:50:48 AM](#)

SENATOR SEEKINS suggested that non-beneficiaries would have to shoulder the liability if the investments are unsuccessful. He said he wants to make sure the board has some professionals on

it who are not beneficiaries of the system to provide an "outside looking in" perspective.

[9:52:33 AM](#)

REPRESENTATIVE CRAWFORD said in the real world of big pension plans, [board] members represent management and labor. The House version proposes a board made up of four management and four labor representatives, and one uninterested party to be the tiebreaker. That person would be looking out for the people of Alaska. He thought the House version is the most fair and represents all areas.

[9:53:42 AM](#)

CHAIR GREEN said she would agree that the municipal and school district members would represent management; however every letter she has received from those entities says the legislature needs to backfill the PERS/TRS shortage.

REPRESENTATIVE WEYHRAUCH asked if the Senate would accept its composition with the exception of increasing PER/TRS members from one to two, thereby creating an 11-member board.

CHAIR GREEN said Senate members do not want more than nine members on the board.

SENATOR SEEKINS moved to adopt the following board make-up: the commissioners of administration and revenue, two Alaska resident non-beneficiaries, two PERS members, one TRS member, one school district member and one municipal member. He said the last two don't necessarily need to be financial officers but they need to have competence according to the screening provided.

[9:56:27 AM](#)

SENATOR OLSON likened having 33 percent of the retirement board be non-beneficiaries to having 33 percent of the game board be non-hunters and said he has a problem with that.

SENATOR SEEKINS agreed except for the fact that non-hunters don't pay for the management of fish and game. In the case of state retirement, non-employees would pay in the case of a shortfall.

[9:57:28 AM](#)

REPRESENTATIVE SEATON said he sees a discrepancy in the fact that the board has 2 PERS and 1 TRS members and objects to a single TRS member.

SENATOR SEEKINS said he wouldn't object to having two highly qualified PERS and TRS employees each and combining the municipal/school district position if they all meet the high stringency rules to capably manage this amount of money. He repeated that he was someone who is not a member of the governing system to be part of the board.

[9:58:54 AM](#)

REPRESENTATIVE SEATON pointed out that every member will have to meet the same criteria.

SENATOR SEEKINS moved to amend his earlier amendment to have the board made up of the commissioners of revenue, administration, two Alaska residents who are non-beneficiaries, two TRS members and two PERS members, and one member who represents municipalities or school districts.

REPRESENTATIVE CRAWFORD asked who would decide whether the applicants are qualified.

SENATOR SEEKINS said under the Senate plan, the governor will nominate folks.

REPRESENTATIVE SEATON said under the House version, the bargaining units will nominate a list of three candidates from which the governor will appoint.

SENATOR SEEKINS asked if all of the bargaining units must agree on whom they nominate.

REPRESENTATIVE SEATON said because of staggered terms, one member would be nominated at a time so that three names would be given to the governor for the one TRS vacancy, for example.

SENATOR SEEKINS asked if the legislature would confirm the governor's appointee.

REPRESENTATIVE SEATON said it would not confirm any of the appointments to this board.

[10:02:32 AM](#)

CHAIR GREEN read the board member qualifications from the House CS:

"recognized competence" means a minimum of 10 years' professional experience working or teaching in the field of investment management, finance, banking, economics, accounting, pension administration, or actuarial analysis;

and said she believes the Senate language is the same. She said that past and present board members with no financial background have had a steep learning curve. She wants the new board to be able to understand, from the beginning, the legislative discussions and investment principles. She envisions the new retirement board to be more like the Alaska Permanent Fund board.

REPRESENTATIVE CRAWFORD referred to the ironworker who served on a pension board for 20 years - a board with no shortfall - and said he understood the jargon.

CHAIR GREEN said that person would qualify under the definition in this bill because it requires recognized competency. A degree is not required.

REPRESENTATIVE CRAWFORD said he just wanted to raise that issue.

CHAIR GREEN said the greatest financial analysis might not make the cut because s/he is not chosen but that doesn't mean that person is not qualified.

[10:05:30 AM](#)

SENATOR SEEKINS said a college education isn't a requirement in his mind if the person has the demonstrated capability.

[10:05:44 AM](#)

CHAIR GREEN announced the committee would come back to board membership later and move on to item 22 - Board Terms. She said the difference in the House and Senate versions is that the House provides for six-year terms and allows a member to serve two consecutive terms with a one-year break afterward, while the Senate version provides for three-year terms and allows a member to serve a maximum of three consecutive terms with a one-year break required.

REPRESENTATIVE WEYHRAUCH asked whether either bill addresses removal for cause.

CHAIR GREEN said both do.

REPRESENTATIVE WEHYRAUCH suggested amending the bill to provide for five-year terms with a maximum of two terms.

SENATOR SEEKINS said having served on a lot of boards and commissions, he prefers the shorter term without a limit because some people are great contributors while others are absent a lot of the time. He said if a person is doing a good job, he should be able to serve forever. He said his intent is to provide a way to filter the process every so often to replace a member who has lost interest.

REPRESENTATIVE WEYHRAUCH said he was speaking to removal for cause.

SENATOR SEEKINS argued that is hard to prove as it involves moral turpitude.

SENATOR SEEKINS said as a PERS employee, he would like to have a filter to replace board members. He then proposed four-year staggered terms and allowing members to serve forever if they are doing a good job.

REPRESENTATIVE SEATON said the House's concern was not to allow all members to be replaced by a single governor. He explained, "If you have a four-year term that means the entire board is going to be replaced, there will be no overlap at all.... You have the two commissioners who are going to be replaced. It's like on the nine-member board you have three terms to be replaced over three years and in three years you've replaced the entire board."

[10:11:04 AM](#)

SENATOR SEEKINS asked if removal of political employees has been a big problem. He noted the Permanent Fund board member term is three years. The legislature recently inserted the clause that allows them to be removed for cause. He said he has seen some carry-over on that board from this and the previous governor. He said he is not worried about the governor; he is worried about work performance so if a member is good, that member should be able to stay.

REPRESENTATIVE SEATON indicated the need to build a system with some continuity beyond a single governor. He suggested compromising at five-year terms.

SENATOR SEEKINS questioned the reason for removing a person who is doing a good job. He argued that he is trying to find a balance to the problem of political appointees versus the need to retain contributing members. He said either way, he does not want to include the one-year break. He suggested four-year staggered terms and not requiring any one-year break.

CHAIR GREEN said with staggered terms, it would take a long time to replace the entire board.

SENATOR SEEKINS said he is opposed to term limits on this board because a person doing a good job should be able to stay.

REPRESENTATIVE WEYHRAUCH asked to take Senator Seekins' proposed amendment under advisement.

CHAIR GREEN agreed and moved to item 22a.

REPRESENTATIVE WEYHRAUCH said that subsumes 22a.

REPRESENTATIVE SEATON explained that 22a staggers the terms of the two PERS and TRS members so that they are not replaced simultaneously. He said that stagger should be built in conceptually.

SENATOR SEEKINS agreed.

[10:13:58 AM](#)

CHAIR GREEN noted that Ms. Carpenter suggested changing the staggered terms to the manner provided for the 7-member board that currently exists. The commissioners would automatically change if replaced by a new administration.

CHAIR GREEN said members would return to items 21, 22, and 22a and moved to item 23 - Board Duties.

[10:15:07 AM](#)

REPRESENTATIVE SEATON explained item 23 requires the board to annually evaluate the medical rate. Item 9b is slightly

different in that it requires the adoption of the plan to make sure it is funded.

10:15:42 AM

REPRESENTATIVE WEYHRAUCH said they should connect. He indicated one concern that led to this issue is that the employer rate has not been sufficient to cover projected costs. This item requires the board to conduct annual updates to insure that costs are covered.

CHAIR GREEN said that is somewhat taken care of by the new plan.

10:16:41 AM

CHAIR GREEN directed members back to conceptual Amendment 4 and asked if that covers item 23.

SENATOR SEEKINS said perhaps, if the evaluation is there. However, if an audit-type evaluation were undertaken, a biennial evaluation would be enough since a full-blown audit would occur every four years.

REPRESENTATIVE WEYHRAUCH said members could state that amendment 4 was adopted, which subsumes the language in item 23 because [the board] cannot do that without a reasoned basis to do so.

CHAIR GREEN added, "That's right because that is what they'll be doing - is determining that calculation and that requires the review as I understand it."

REPRESENTATIVE SEATON agreed but said in the past, the board rolled over the adoption from year to year without looking at the calculation. This primarily involves the defined benefit plan.

SENATOR SEEKINS suggested the biennial review because one update would provide a reasonable degree of certainty every other year and then a full-blown audit would be done on the fourth year.

10:19:16 AM

REPRESENTATIVE SEATON said the purpose of the update was to look at the basis of the actuarial calculation but he could agree to Senator Seekins' suggestion is fine.

REPRESENTATIVE WEYHRAUCH added, "I'm happy if this language is out because as long as we understand, for the record, what [line] 4 does, it has to require that interaction."

SENATOR SEEKINS said he was thinking this would be like a formal audit with recommendations done every other year, which is why he suggested the biennial update.

REPRESENTATIVE WEYHRAUCH said he is comfortable with the Senate language.

REPRESENTATIVE WEYHRAUCH moved to adopt the Senate language on item 23.

[10:20:54 AM](#)

CHAIR GREEN announced without objection, the motion carried. She then directed members' attention to item 28.

The committee took an at-ease and reconvened at [10:45:21 AM](#).

REPRESENTATIVE WEYHRAUCH asked to return to item 21, 22, and 22a.

[10:46:06 AM](#)

REPRESENTATIVE WEYHRAUCH said he thought members were in agreement about the board consisting of the commissioners of administration and revenue and two Alaska residents who are not beneficiaries, two PERS and two TRS members and one finance officer of a municipality or a school district, and moved to adopt that board composition [Amendment 5].

[10:47:11 AM](#)

CHAIR GREEN announced that without objection, Amendment 5 was adopted.

[10:47:17 AM](#)

REPRESENTATIVE WEYHRAUCH noted that one issue that was not resolved regarding the PERS/TRS members is the selection process. In the House version, the bargaining units submit the names of three nominees to the governor.

SENATOR SEEKINS asked how many PERS bargaining units exist and which one gets to submit the names.

REPRESENTATIVE WEYHRAUCH didn't know.

CHAIR GREEN said one of the least successful systems she has observed has occurred when the governor is provided a list of three or four names and cannot appoint from outside of that list. She indicated the list can be manipulated to get a certain result. She told members that member polls can be very expensive and yield very low returns.

[10:48:55 AM](#)

REPRESENTATIVE WEYHRAUCH suggested skipping that issue for now and going to item 22. He then asked members to agree to 4-year staggered terms with no required break.

CHAIR GREEN restated the motion is to adopt 4-year staggered terms with no break required and, without objection, announced the motion was adopted.

REPRESENTATIVE SEATON said the house language should be retained so that the PERS and TRS members are additionally staggered.

CHAIR GREEN was agreeable to including that language.

[10:50:21 AM](#)

REPRESENTATIVE WEYHRAUCH said he did not know how to deal with item 22a in the context of 21 and 22.

[10:50:48 AM](#)

MS. CARPENTER told members if the committee accepts the House language for staggering the terms of the PERS/TRS members, the initial staggered terms should be set in a manner provided for a 7-member board because of the commissioner appointments. She explained the language in both bills states, "Except for the commissioners, the trustees shall serve staggered terms."

SENATOR SEEKINS said since there is the potential of two new gubernatorial appointees in an election year, one of the staggered terms should occur in that year and two of the positions should be staggered on the other years to minimize disruption.

CHAIR GREEN asked members for desired language.

REPRESENTATIVE SEATON said Ms. Carpenter's suggestion makes sense; the initial terms will be set up in a manner appropriate for a 7-member board, however the PERS members' terms will be staggered from each other and likewise for the TRS members.

[10:52:44 AM](#)

CHAIR GREEN asked members to accept that language as a conceptual amendment and agree to it. With no objection, the motion carried.

[10:53:05 AM](#)

REPRESENTATIVE SEATON said the committee just adopted the House language with changes to the board terms, but he pointed out the House language did away with the election process and instead directs the bargaining units to submit a list of appointees to the governor. He asked if Senate members want an election process.

CHAIR GREEN said she does not want an election and she would prefer not to have the selection made from a list of names presented.

REPRESENTATIVE WEYHRAUCH said that provision was left open.

CHAIR GREEN moved to item 28.

[10:54:34 AM](#)

REPRESENTATIVE WEYHRAUCH moved to adopt conceptual amendment 6.

REPRESENTATIVE SEATON informed members amendment 6 begins on page 78, following line 22.

[10:55:16 AM](#)

SENATOR SEEKINS objected for the purpose of discussion. He then said that legislative employees are hired for 126 days, which includes 3 days before and 3 days after session. He asked if amendment 6 says an employee who works at least 80% of the time would get full credit.

REPRESENTATIVE WEYHRAUCH explained the House's concern was for employees who get hired later in the session. This provision wouldn't be applied retroactively; it would only be applied prospectively.

REPRESENTATIVE SEATON told members the amendment in the Senate provision was retrospective back to 1987 and changed the requirement from 60 to 120 days and, for another date, 80 days to 120 days. That changed accrued potential benefits. The House changed the requirement to 100 days and does not preclude an employee from accruing benefits if the session was shorter, otherwise no staff would receive benefits for that year.

SENATOR SEEKINS suggested using a percentage of the time the legislature is in session. He noted 100 days equals 79.36 percent and suggested requiring employees to work 90 to 95 percent of the legislative session.

REPRESENTATIVE CRAWFORD reminded members he was unable to begin session on time this year because of a family emergency and that could happen to a staffer as well. He does not feel employees should be required to work every day of the session.

SENATOR SEEKINS said the person would have to be employed for that period of time but wouldn't necessarily have to be here. A legislator could allow an employee to take needed time off because of the 24/7-work requirement.

REPRESENTATIVE SEATON asked if anyone objected to eliminating the retroactive provision to 1987 and accruing benefits during that time.

CHAIR GREEN said the Senate's interest is prospective.

REPRESENTATIVE SEATON agreed with that interest.

SENATOR SEEKINS asked Representative Seaton if he was agreeable to adding a percentage of time worked during legislative sessions, such as 90 or 95 percent.

11:00:09 AM

CHAIR GREEN felt it is strange that 4 months of a legislative session equates to a full year of employment so she questioned the need to shorten that time.

SENATOR SEEKINS said legislative employees need to be treated fairly and a percentage of time would do that.

CHAIR GREEN asked what the objection is to requiring a legislative employee to work 120 days.

SENATOR SEEKINS calculated out of 126 working days, 120 days equal 95 percent.

11:01:37 AM

REPRESENTATIVE WEYHRAUCH suggested taking 90 percent as opposed to a day limit under advisement.

REPRESENTATIVE CRAWFORD said he had a staffer who could not show up for the first three weeks of session and did not want to be paid for that time. He did not think 100 days provides enough flexibility.

CHAIR GREEN said the original language in the bill refers only to previous employees, which is a departure from what members have been discussing. After July 2005, a new concept applies.

11:03:21 AM

REPRESENTATIVE SEATON said that is correct for the defined contribution and HRA but the medical benefit is based on vesting for 10 years. He said the original language says 5 years, which was probably a Tier 2 calculation. He thought members would want this amendment to be consistent with other medical benefits and require 10 legislative sessions.

SENATOR SEEKINS said he believes requiring 10 years to vest with the employee working 90 percent of the legislative session is pretty generous.

CHAIR GREEN announced she would leave item 28 open and directed members to item 30.

SENATOR SEEKINS said this provision is designed to allow for a certain amount of portability. He said a PERS employee who wants to transfer to a position at the University of Alaska should not have to lose PERS credit in the transfer. However, strictly UA employees should be members of the UA system. He asked if members have difficulty with that concept.

REPRESENTATIVE SEATON said the problem is accrued benefits and different vesting requirements for medical plans. He offered conceptual amendment 7. He explained the UA came in with an optional plan it developed primarily for professors and administrative staff. UA wants to give employees who did not opt-in originally that chance. It also wants to offer another

optional plan. However, that creates a problem under the mandatory language, that being mandatory retirement programs (PERS/TRS) are protected under the Alaska Constitution. If UA is allowed to have a mandatory plan at its discretion, it could do what other employers do - change benefits retroactively because the UA plan would no longer be connected to the state plan or constitutional requirements. The UA also wanted its new plan to be "non-bargainable," which would allow it to get out from underneath constitutionally protected employee rights and to retroactively change benefits.

11:11:13 AM

SENATOR SEEKINS pointed out this will not force anyone to go from PERS to UA's system.

REPRESENTATIVE SEATON explained the UA wants to have a mandatory program, forcing all employees into its system.

SENATOR SEEKINS said he thinks the UA should have a unified system and shouldn't have to worry about what bargaining unit an employee is in. He asked if the UA retirement system isn't constitutionally protected.

REPRESENTATIVE SEATON said that is correct if the Senate version passes.

11:12:18 AM

CHAIR GREEN maintained the constitutional protection cannot be taken away.

SENATOR SEEKINS questioned how the Constitution could be amended by statute.

11:12:51 AM

MS. WENDY REDMOND, Vice President, UA, told members UA never expected, nor believes, that this would compromise employees' constitutional protection in any way. It is not UA's intention to do that and she does not believe it can be done.

SENATOR SEEKINS agreed with Ms. Redmond.

REPRESENTATIVE WEYHRAUCH said it would be like the court system's retirement program, which is under a different provision.

SENATOR SEEKINS said even if UA's intention was to get out from under the constitutional mandate that would not survive the first challenge.

REPRESENTATIVE SEATON questioned why the statute has a provision that says these programs cannot be "non-bargaining."

MS. REDMOND explained:

There is an opinion that - and a history, that PERS and TRS retirement programs are not a subject of collective bargaining. That opinion was issued prior to the time the optional retirement program at the University existed...Now our unions have not requested - we haven't had a challenge, they're not subject to collective bargaining. This simply was put in as clarifying language to bring it into compliance with PERS/TRS and ORP [ph] since there are now three retirement programs and at the time of the opinion there were only two.

REPRESENTATIVE WEYHRAUCH said he heard a lot of testimony given by the collective bargaining units on this issue when Ms. Redmond was not present.

MS. REDMOND said the UA has been involved in collective bargaining for three contracts since it has had the ORP program and that issue was never raised at the table.

REPRESENTATIVE WEYHRAUCH said it was brought up as a serious concern in committee so he thinks it would be advisable to hear from those folks.

SENATOR SEEKINS said he sees no constitutional prohibition to the UA having a program that would allow for a transportable provision based on the equal weight of the programs. He wants the employee to be able to have that choice and to be treated fairly when making that choice. He continued:

We can adjust these account balances to replicate the program that they're moving into from the program that they're moving out of but to have University employees who are part TRS, part PERS, part - back and forth, I think that we're not leaving the blue collar worker behind here. We're giving them the choice. They can move from here to there but here's the benefits

between here and there and you can weigh that and balance it and come out with it and make a fair decision on whether you want to move or not.

REPRESENTATIVE CRAWFORD asked if Senator Seekins is saying that someone who has been employed by a municipality with PERS may move to the University and continue with the PERS plan or whether that employee would have to switch to the defined contribution plan.

[11:17:45 AM](#)

SENATOR SEEKINS responded:

My concept would be that's part of the choice they would make to move from here to there. This is the plan but they get the full weight of their account balance over here transferred to this account over here. It's not a hard thing to try to figure out on an adjusted account if you've got this in PERS, when you come into the University system, here's - based on the investment you have over here - this is where you are in the system over here. You might be fully vested.

REPRESENTATIVE WEYHRAUCH said his understanding of why this happened is that this breaks apart the portability that was in PERS. For example, a UA mechanic's pension would continue who goes to work for the Fairbanks borough. This provision would terminate it because the person would be in two different systems. If that person didn't vest in one system, he would lose that time in the next system.

SENATOR SEEKINS said that is not what he wants. He wants full portability with equal weight between the programs.

REPRESENTATIVE WEYHRAUCH suggested working on language to accomplish Senator Seekins' intent.

CHAIR GREEN agreed and said she asked staff from the Department of Law to come walk the committee through the constitutional issues.

[11:19:41 AM](#)

REPRESENTATIVE SEATON said the UA told him it does not want a defined benefit plan, therefore transferring from or to PERS/TRS will be difficult.

11:20:17 AM

SENATOR OLSON thought the UA wanted a hybrid plan with both a defined contribution and a defined benefit plan.

REPRESENTATIVE WEYHRAUCH said right now the Board of Regents has that option. It offers its high paid professors a 401k option. Under this provision, that option will be mandatory.

11:21:00 AM

The committee moved to Section 33 [page 40 of HCS CSSB 141(FIN)am H].

REPRESENTATIVE Seaton suggested removing that section altogether and taking the Senate version, which makes no changes to existing statute.

CHAIR GREEN agreed and moved to item 34.

REPRESENTATIVE WEYHRAUCH said the House State Affairs committee, in line with Senator Therriault, included intent language that urged the Division of Retirement and Benefits to implement regulations that adopt cost saving measures in the retiree health care system. He said the same holds true for number 35, which requires a report to the legislature on those cost saving measures.

11:23:14 AM

SENATOR SEEKINS remarked, "I guess I don't have a problem with people implementing regulations to implement the statutes giving them plenipotentiary power to implement cost saving measures is something beyond the authority that I'd like to have them have."

The committee took a brief at-ease.

11:24:12 AM

CHAIR GREEN said one thing that happens when intent language is placed in statute is that the effectiveness of the scope and range of implementation is limited. She believes this language goes backward so requested the committee adopt the Senate language.

SENATOR SEEKINS said the legislature should demand full accountability but he does not want to demand it without creating some kind of additional obligation.

11:26:28 AM

REPRESENTATIVE SEATON pointed out the House version carefully worded its intent language so as not to limit the division or boards. The division and boards have already voluntarily taken on cost saving measures, such as the offering of generic prescription drugs. The House thought it critical that the division and boards have very clear direction from the legislature.

CHAIR GREEN asked, "Would it be possible that the purpose in what you're looking for, certainly as a first rung, is served in the House language on 35 and the Senate on 34? Adopt the House language on the report on implementation?"

11:29:17 AM

REPRESENTATIVE WEYHRAUCH asked how adopting regulations would go backwards.

CHAIR GREEN said she is concerned that lining out in statute what the division must put in regulation could restrict the division if it wants to go farther.

REPRESENTATIVE WEYHRAUCH agreed the language is somewhat restrictive because it does not say, "including but not limited to."

REPRESENTATIVE SEATON said he spoke with the Division of Legislative Legal to make sure that language doesn't limit the division.

SENATOR SEEKINS said that language implies "not limited to" in statute. He also pointed out the report on page 118 is very inclusive. It asks for additional ways to improve the financial health of the retirement plans.

11:32:08 AM

REPRESENTATIVE WEYHRAUCH said he has no problem with deleting item 34 but wants to give others time to think about it.

CHAIR GREEN agreed to return to lines 34 and 35. She then moved to item 37.

REPRESENTATIVE WEYHRAUCH explained that item 37 was added by the House to force the Legislature to make appropriations to address the solution. It says the provisions of the bill sunset unless the legislature adopts a statement saying a range of solutions have been adopted that addresses the current shortfall. He furthered there was concern that people not be led to believe the bill sets up a defined contribution plan that will solve all problems. The state needs to take other positive steps to address the current \$5.7 billion shortfall in PERS/TRS and potential unfunded liability of \$15 billion. This item was to force the legislature to make those appropriations or authorize pension bonds to address that shortfall.

SENATOR SEEKINS referred to page 118 of the House version and asked if that language carries out the intent of the sunset provision so that by next year, the legislature would be looking at recommendations to address this very serious problem.

CHAIR GREEN said the reason for its importance is to prevent the situation from getting worse.

SENATOR SEEKINS said that's when the legislature must look at appropriations if necessary.

CHAIR GREEN pointed out that language requiring passage of legislation can be very detrimental.

REPRESENTATIVE WEYHRAUCH said he does not see it as detrimental. He said the House fiscal note is zero, while the Senate fiscal note is \$69 million because of appropriations to different retirement funds. The Governor recently requested an appropriation for a loggers' pension program. He said the legislature makes appropriations based on the acknowledgement of a problem in these pension funds. He said he does not see why, if the legislature is addressing the problem in a piecemeal fashion, it cannot address it in a global fashion.

SENATOR SEEKINS agreed all shortfalls should be considered and that is what should occur in the process. If the governor makes a recommendation, the legislature decides whether to accept it.

REPRESENTATIVE WEYHRAUCH said ultimately, a 51 percent vote is necessary to solve the problem.

SENATOR SEEKINS said it is incumbent on the legislature to find a solution to this problem. He said the legislature cannot ignore its fiduciary responsibility under the Constitution so it must look at alternatives. He cautioned that this would say if the legislature cannot find a solution right now, the legislation will sunset so it would not be able to ignore the recommendations.

REPRESENTATIVE WEYHRAUCH said it is easier to ignore the recommendations than to ignore a sunset unless the legislature adopts legislation that says it will set itself on a course to solve it.

CHAIR GREEN said the timeframe is a constraint. The Board will not even be appointed until October or November. She said the implementation of a new plan requires confidence.

REPRESENTATIVE WEYHRAUCH said that is a rational concern for anyone adopting and managing the plan. He then asked that the committee revisit item 37 later.

REPRESENTATIVE SEATON added the House feared the problem of future liability would not be adequately addressed. This rewrite of the entire retirement plan has been done in a short timeframe. The legislature must find a long-term fiscal solution to the plan, which is of concern. Some people have opposed this legislation based on the fact that it is a short-term solution, making a long-term plan unlikely. He said he does not think the House would agree to not having any way to hold the legislature's "feet to the fire."

SENATOR SEEKINS said the Senate sees this as a poison pill that is unacceptable in its present construction.

[11:42:21 AM](#)

REPRESENTATIVE CRAWFORD said he believes the fix may exacerbate the problem by not putting more money into the present plan. The legislature is looking at a \$5.7 billion shortfall. That shortfall may grow if the legislature stops funding it. The problem is in Tier I and II, and Tier III is under-funded, which is why he supports the sunset date.

[11:43:27 AM](#)

REPRESENTATIVE WEYHRAUCH asked to return to item 37 at a later date.

11:43:42 AM

CHAIR GREEN moved to item 38.

REPRESENTATIVE WEYHRAUCH explained that item 38 gives employees 30 days to choose between a defined benefit and a defined contribution plan. If no choice is made, the default is the defined contribution plan.

CHAIR GREEN asked if that amendment contains another provision as well.

REPRESENTATIVE WEYHRAUCH was not sure.

CHAIR GREEN said one reason the Senate wants to move to a defined contribution plan is because the longer the legislature waits, the worse the problem will get. She pointed out every time a new employee is hired under Tier III, the detriment may not be obvious today but it will be when s/he retires. She said this provision is most heart wrenching to her.

11:45:44 AM

REPRESENTATIVE CRAWFORD said Senator Seekins argued that it is important to attract and retain long-term employees. The best way to do that is to have them lock into a defined benefit - if they leave they won't benefit from it. He said the legislature needs to study ways to make the defined benefit stronger and more solid.

11:46:39 AM

SENATOR SEEKINS said he heard a TRS employee say that if employees are given a defined contribution program in TRS, they may choose to go elsewhere, while employers want them to stay. He said he has trouble buying into that concept. He thought it was interesting to hear someone say that a defined contribution plan may be so good for someone who wants portability, the legislature may not want to offer it.

CHAIR GREEN said members would leave item 38 open and review all items that have been left open.

11:48:15 AM

REPRESENTATIVE WEYHRAUCH said the committee needs to get more information for lines 15 and 16 (occupational disability benefits).

REPRESENTATIVE SEATON requested a brief at-ease at [11:48:46 AM](#).

CHAIR GREEN reconvened the meeting at [12:11:59 PM](#).

REPRESENTATIVE WEYHRAUCH referred to the matrix and said the committee is done with page 1. He moved to line 19 on page 2 and said instead of dealing with the interest issue, the House is agreeable to inflation proof.

Line 19

SENATOR SEEKINS said his intent is to hold them harmless but not reward them with compounded interest.

CHAIR GREEN asked if members are willing to accept a conceptual amendment that the calculation is between the House and Senate language.

REPRESENTATIVE SEATON noted that Senator Seekins offered language that required the employee to return by December 31 of the year in which s/he turns 65 and to work for 2 years.

CHAIR GREEN called a brief at-ease at [12:13:29 PM](#).

[12:13:39 PM](#)

CHAIR GREEN said the growth of that HRA will be based on an inflation calculation, not on compounded interest. She verified that language is acceptable to all members.

CHAIR GREEN called another at-ease.

[12:14:39 PM](#)

REPRESENTATIVE SEATON moved to amend the inflation proofing provision to read "at the rate of the consumer price index of Anchorage, Alaska."

CHAIR GREEN announced without objection, that amendment was adopted.

REPRESENTATIVE SEATON moved a conceptual amendment (hand written) to lines 15 and 16.

CHAIR GREEN objected for the purpose of discussion. The conceptual amendment is as follows:

Page 86, line 29: Section (d) is replaced with the following and new section (e) is added.

(d) An employer shall make annual contributions to the group health and life benefits fund to fund occupational disability and occupational death benefits under AS 39.35.890 and AS 39.35.892 as follows:

- (1) Peace officers and firefighters 0.40 percent
- (2) All others 0.30 percent

She explained the employer makes that contribution, which does not necessarily mean the state. She asked if the calculations are estimates.

REPRESENTATIVE SEATON said the calculations are 31 and 28.

CHAIR GREEN questioned whether that calculation should be set in statute or whether it would be preferable to say it will be calculated as in part b of the amendment.

SENATOR SEEKINS asked if the .40 and .30 numbers are intended to accomplish a dollar amount or whether they are a contribution that would then be in the private group life and health benefits.

CHAIR GREEN said her understanding is the state is self-insured for purposes of this type of coverage. The value for investment is greater if the state can self-insure than if it purchases insurance. This is the newest statistical calculation to prepare to make the payment for the payout of the annuity on death or disability.

REPRESENTATIVE SEATON said the actuarial calculation was based on Mercer numbers. The total annual amount is \$4.097 million; for PERS, police and fire, the amount is \$716,005.

SENATOR SEEKINS asked what the benefit to a person making a claim would be.

REPRESENTATIVE SEATON said the average dollar amount is \$29,000.

SENATOR SEEKINS said (e) says the contribution rate will be calculated on an annual basis.

MR. MILES BAKER, staff to Senator Stedman, told members the House version brought the existing death and disability benefits from Tier III into the new program. This costing is based on a projection of what it would cost the state to self-insure or buy a policy. The details need to be worked out by the department. That is the amount required to provide that benefit based on the incident rate that currently exists in death and disability benefits for the current population. It has to be set in statute initially because the board will not be up and functioning until later this year. He continued, "From here on out, they will actuarially calculate to make sure that enough is going into that fund to continue to pay those benefits."

REPRESENTATIVE WEYHRAUCH said that while the discussion has revolved around firefighters and police that get killed on the job, other employees are killed in the line of duty, such as fish and game officers.

[12:22:26 PM](#)

SENATOR SEEKINS replied, "The contribution at this point, because it's less dangerous in a larger universe, is .30."

REPRESENTATIVE WEYHRAUCH said he wanted to understand the intent of the amendment.

CHAIR GREEN said the language included in the House version was the calculation of the pension benefit based on the employee's salary. Another concept considered was an annuity based on \$500,000. She wanted to make sure the annuity was not part of the conversation.

SENATOR SEEKINS said his understanding is that an employee who is disabled or killed on the job would receive full workers' compensation benefits. This benefit would be in addition to workers' compensation benefits.

REPRESENTATIVE SEATON said this would provide the same benefits that are provided under the current plan for workers' compensation for death and disability.

SENATOR SEEKINS repeated that this is over and above workers' compensation benefits.

CHAIR GREEN noted with no further concerns, the conceptual amendment takes care of both 15 and 16 and was adopted.

12:24:30 PM

REPRESENTATIVE WEYHRAUCH said there was a lingering issue on line 21. The committee agreed on the board composition but came to no agreement on how the PERS/TRS members would be appointed. He provided the following conceptual amendment:

All the bargaining units for PERS are going to have to come up with this list so they're going to have to argue among themselves, ballot out, put their nominees forward. That gets winnowed out on that process. They come up with a list of at least four nominees to the governor and they can do that through their existing elections so that the state isn't involved in that but then the governor has four names that he or she can pick those members from the PERS system fund.

SENATOR SEEKINS said he has no problem with that but it would be incumbent on the legislature to make sure the "big gorilla" isn't stacking the deck.

CHAIR GREEN requested that the conceptual amendment also require the names be submitted by a reasonable date certain. She said the boards and commission appointment process is lengthy so she doesn't want these names to be submitted at the last minute.

Members agreed to include "by a reasonable date certain" and moved to the next item.

REPRESENTATIVE WEYHRAUCH thought members were finished with page 3 except for line 28.

REPRESENTATIVE SEATON referred to the existing language in the Senate version on pages 76 and 77 (Section 111) and said the new plan should require consistency for vesting qualification. On page 77, employees are required to work five legislative sessions. All medical benefits require 10 years for vesting purposes.

CHAIR GREEN said Section 111 is a look back and has nothing to do with future employees. She suggested deleting that section and not addressing the 60 days.

12:29:39 PM

REPRESENTATIVE SEATON referred to line 4 of page 77 and said that language talks about otherwise eligible and applies to people employed after 1987 - meaning current and new employees.

CHAIR GREEN said deleting that section will leave the requirement as is. She said it was not the Senate's intent to mix in the plan for the HRA.

MS. CARPENTER said AS 39.35.385 is applicable to existing employees in the current tiers. New employees will not be covered under that statute so Section 111 will not apply to them.

All members were agreeable to adopting the House language.

[12:31:23 PM](#)

REPRESENTATIVE WEYHRAUCH moved to adopt amendment 7, which is acceptable to both the UA and to the employees subject to the UA's plan.

CHAIR GREEN announced that with no further discussion, amendment 7 was adopted.

REPRESENTATIVE WEYHRAUCH said the committee would be adopting the House language with amendment 7.

CHAIR GREEN asked members to hold off on that item and come back to it. She announced the amendment was adopted.

[12:32:27 PM](#)

CHAIR GREEN stated item 33 was done, the Senate language was accepted on item 34, the House language was accepted for item 35, and item 36 is done.

[12:32:47 PM](#)

REPRESENTATIVE WEYHRAUCH said the committee is left with the last two items. He explained that the House fiscal note assumed the cost of the existing program costs, which is why the amount was zero. He asked Chair Green how she wanted to address the fiscal notes.

CHAIR GREEN said they could be dealt with in conference committee, or inserted in the capital or operating budgets. She

said the Senate's intention was to let everyone know the cost to municipalities, boroughs and cities with PERS programs. That amount is the under-funded aspect of this year's budget plus \$38 million for school districts. The state has agreed to assist with that debt this year but it cannot continue to do that.

REPRESENTATIVE SEATON told members the House Finance Committee said [it wants to put the funds] in the supplemental and capital budgets. He asked that members accept the zero fiscal note and let the finance committees deal with the cost.

CHAIR GREEN announced that was acceptable.

CHAIR GREEN called an at-ease at [12:35:08 PM](#) and reconvened at [12:58:23 PM](#).

CHAIR GREEN announced a break at [12:58:25 PM](#) until 1:25 p.m.

CHAIR GREEN reconvened the meeting at [2:23:44 PM](#).

CHAIR GREEN announced the committee was on items 37 & 38.

SENATOR SEEKINS said he believes it is the intent of every legislator to address the long-term difficulty of the current \$5.7 billion shortfall in the liability. He thought there should be some compelling language to address this problem. It is a constitutional issue and involves real dollars.

SENATOR SEEKINS said the new board will have a time certain in which to bring the legislature recommendations for additional legislative and administrative policy changes. That language is compelling in that it says the legislature must address this issue. He believes it is important that the legislature adopt measures in the future that address this long-term unfunded liability. He said he would not object to stronger language, similar to what Representative Weyhrauch has proposed in (b). That language takes a responsible approach that he believes the Senate would not object to. The only objection would be if the problem were not fully addressed at once, some will say since the legislature didn't fulfill AS 14.25.315, AS 39.35.705 should go into effect. He argued against the reversion language but for strong action language and possibly an incremental approach. He said he is arguing to eliminate the "poison pill" section and adopt strong language that forces the legislature to address the issue over time.

REPRESENTATIVE WEYHRAUCH said he drafted language to start the discussion; he did not expect it to be final. He believes it is important to keep the legislature's "feet to the fire." If the legislature does not act, it should pay a consequence - that being that the work that went into a defined contribution plan would become parallel to a defined benefit plan that exists in statute. This language strikes a compromise between items 37 & 38. He said he is not sure he supports "before July 1, 2007" in section (a) because that will delay what needs to be done.

[2:32:51 PM](#)

CHAIR GREEN asked if the House changed the due date of the report from the board. She referred to page 118 of the House version and said the board is to report to the legislature 120 days after appointment or 15 days after the first day of the legislative session, whichever is first.

REPRESENTATIVE WEYHRAUCH said technically, it should read after the report is received under Sec. 140.

CHAIR GREEN believed that date to be very ambitious. She noted it includes a preliminary assessment of the actuarial services purchased by the board, recommendations for additional legislative or administrative policy to improve the financial health of the retirement plans, short-term and long-term recommendations for addressing the unfunded liability of the retirement plans, and recommendations for legislative procedures regarding fiscal notes for new legislation affecting the retirement plans.

She said the report will provide a preliminary plan by mid-January. If the legislature is required to work with the board over a period of a year, then by the next year there would be active working toward the structure that is sought. The goal is to create short and long-term solutions without jeopardizing the implementation of a defined contribution plan.

[2:38:34 PM](#)

REPRESENTATIVE CRAWFORD said he thought throughout this process, the legislature has put the cart before the horse. The legislature's goal should be to attract and retain the best employees. To go down the defined contribution road instead of dealing with the current defined benefit plan will make it more difficult to attract and keep good employees. By starting a new defined contribution plan, the \$5.7 billion gap will grow

because no money will be in that pot to take advantage of future stock market growth. The beauty of a defined benefit plan is that it will continue to grow with level funding and time. He furthered, "If we don't put up our part in the go-go years, then it means we're going to have to put a lot more in in the down years and that's just what happened to us." He said the legislature needs to find a way to fund the \$5.7 billion problem without doing any harm. Tier I and Tier II are a problem, but Tier III is not.

2:41:32 PM

REPRESENTATIVE SEATON told members the House version has a September 2006 deadline, which he believes is unworkable. It also contained choice language. The proposed language from Representative Weyhrauch took that away so everyone will be in the defined contribution program and extend it to July 2007. He believes the legislature must get the report in January 2006 to provide enough time to work on a solution. He pointed out the language doesn't require the legislature to put all of the money into a separate account. It means the legislature has devised a fiscal plan to address the solution. He thought Representative Weyhrauch's amendment proposes a drastic shift from implementing immediate options to delaying implementation to 2007 if the fiscal plan is not addressed. He suggested viewing Representative Weyhrauch's amendment as a great amount of movement because it was offered in the House.

REPRESENTATIVE SEATON said he sees one additional problem with the solution offered, which is why he proposed section (c), which would read: if section (a) takes effect, employees hired between the effective date of this act and the effective date of section (a) may exercise the same option as contained in (a).

He said he sees multiple ways to address the problem.

CHAIR GREEN asked Representative Seaton his interpretation of addressing the problem.

REPRESENTATIVE SEATON said it would be to look at a mix of increasing employer contributions to provide some fiscal stimulus - whether that be from the CBR, the earnings reserve account, pension bonds, etcetera. The House was investigating some way to increase the investment return, such as the gas pipeline. He thought the legislature has come a long way in one year in changing the PERS and TRS, and he believes the problem can be addressed in two years. The House State Affairs Committee

addressed both the fiscal solution issue and the broad policy rewrite in SB 141.

[2:46:51 PM](#)

SENATOR SEEKINS said he is concerned that the solution may not be within a single document; it make come over time. The solution may begin next session by depositing additional money into the retirement funds. However, if the bill says if the legislature hasn't adopted measures to address the long-term unfunded liability, then this is what happens. The argument will be that the legislature has to address the problem in total, not with a fluid solution. He thought trying to find a single solution is not achievable, nor wise. He prefers recognizing the problem and progressing toward a solution. His concern is finding the right terminology that allows for future actions rather than forcing one solution at one place.

[2:50:34 PM](#)

REPRESENTATIVE CRAWFORD said when he first came to the legislature, the CBR was supposed to run out by a certain time and it hasn't yet. If the defined contribution plan begins on July 1, the state will not be putting any more money into the defined benefit plan, which will exacerbate the problem. That is why the House wanted to give people the option of either plan. Most people would want to continue the defined benefit plan, which would do more to attract and retain employees. He expressed concern that adopting the Senate's language will make the problem worse.

[2:52:24 PM](#)

SENATOR SEEKINS said that is not what the Senate language says. It says that after a certain date, new employees enroll in the new program. It does not say that once this bill is enacted, all contributions to the defined benefit program will stop because the people in there now would still be in that program. It is inaccurate to say that everyone will go into the new program.

[2:53:37 PM](#)

SENATOR SEEKINS moved to adopt conceptually the (b) section proposed by Representative Weyhrauch and to strengthen it to require the legislature to begin the process of addressing the short and long-term ramifications of under-funding the current system. That language, along with the language on page 118,

would be in lieu of items 37 and 38. He repeated he wants that language to be as compelling as possible, short of a sunset date.

REPRESENTATIVE WEYHRAUCH objected to rhw motion.

REPRESENTATIVE CRAWFORD said he does not object to the language in (b) but he does not agree with limiting it to those options.

SENATOR SEEKINS said he appreciates what Representative Weyhrauch is trying to do and he is attempting to do the same thing with a slightly different structure.

REPRESENTATIVE WEYHRAUCH said he believes members want section (b) to read:

The legislature shall adopt measures related to the short and long-term funding of the TRS and PERS systems based upon a report required by section 140 of this act.

He said he objects to using that language to substitute items 37 and 38 because the legislature will always have to adopt measures. He wanted to link it to the defined contribution plan to provide a hammer and wanted to start the debate of how to tie the two together.

[2:58:18 PM](#)

REPRESENTATIVE WEYHRAUCH said section (b) could theoretically start with replacing the sunset provision in line 37. That would not address the choice issue in section (a) or line 38, which Representative Seaton's amendment does.

[3:01:10 PM](#)

SENATOR SEEKINS said he agrees with the concept in line 37 but believes providing the option in line 38 is a sticking point for the Senate. He wants to provide a reasonable inducement to attract good employees to state service. He said as a private employer, he agrees employers need to help employees find a way to plan for their futures.

REPRESENTATIVE WEYHRAUCH suggested the following language:

The legislature shall adopt measures related to the short and long term funding of the PERS and TRS

systems based upon a report required by Section 140 of this act on or before July 1, 2006.

He indicated that says the legislature will implement laws that address the short and long-term funding.

SENATOR SEEKINS maintained that might only be an appropriation bill.

REPRESENTATIVE WEYHRAUCH said that could also be a constitutional amendment or a bonding bill.

SENATOR SEEKINS said he wouldn't object if the legislature was making progress.

REPRESENTATIVE WEYHRAUCH said the issue is between the sunset date and the choice. He continued:

If we really try and focus the debate and say we're going to adopt things, then maybe we can agree to replace substitute language for the sunset but we haven't addressed the choice issue. That's a serious link to hard acts by the legislature in this language I brought in. But it also relates significantly to what the House felt was important because of the dichotomy and goals of whether there's a problem or not. And so to bring the bill along through the House and bring it into a conference committee - that's what the House agreed to. So, I think I'm willing to go with some compromise language on the sunset to say we have to act and that - but we still have to focus in this conference committee - the choice issue on 38, the University on 30, and then we're done.

[3:02:24 PM](#)

SENATOR SEEKINS said he didn't have the power to speak to line 38 as is for the Senate, but he was willing to say that members need to find a way to compel action.

REPRESENTATIVE WEYHRAUCH suggested members keep that discussion open.

SENATOR SEEKINS agreed.

[3:03:27 PM](#)

REPRESENTATIVE SEATON said the two issues are linked. Representative Weyhrauch's proposal reverses the linkage so that if nothing happens by July 1, 2007, an option would be offered. That provides 2 years to find a solution and adopt a fiscal plan. He said he appreciates the distance Representative Weyhrauch has gone on this and doesn't know how much farther the committee can go.

SENATOR SEEKINS said the committee is at an impasse on that issue.

3:05:09 PM

REPRESENTATIVE CRAWFORD remarked he couldn't go along with the change as it is diametrically opposed to the House vote.

3:05:43 PM

REPRESENTATIVE SEATON suggested dealing with the full Weyhrauch amendment and the amendment to the amendment, and that members take it back to their bodies to see whether they concur.

CHAIR GREEN agreed members should take the language back to their respective bodies and have the discussion. She said the Senate's idea was to stop the current problem caused by the existing benefit plan that is sinking the state. It has become a huge financial burden. She stated, "If we continue to say oh but there might be a DB out there again, I think shame on us." The Senate is trying to move to a different approach that is funded differently, is more predictable, with a good medical plan, a health reimbursement account, and is portable. She said that approach is a common plan for younger people. She wants to move forward with the full realization of the scope of the problem.

3:08:43 PM

SENATOR SEEKINS said he wants this to be more than a token move. He said both GM and Ford Motor Company's bonds were downgraded to junk bonds because of their defined benefits programs. He said people are living much longer after retirement than in the past so retirement plan expenses are becoming a big liability.

3:09:54 PM

REPRESENTATIVE WEYHRAUCH asked for verification that items 30, 37, and 38 are open.

CHAIR GREEN said that's her understanding and announced a break until about 4:30 pm.

CHAIR GREEN reconvened the meeting at [4:55:01 PM](#) and noted she had a letter for members to sign and return to their respective bodies.

REPRESENTATIVE SEATON said he distributed an amendment that would replace items 37 and 38 if adopted. It reads:

The legislature shall adopt measures related to the short and long-term funding of TRS and PERS based on the report required by Section 140 of this Act. The solutions to the unfunded liability issue may include implementing debt or equity restructuring, increases in employer contributions, pension bonds, refined actuarial analyses, contributions from other state sources or appropriations.

(b) If the legislature has not adopted legislative measures that address the long-term unfunded liability of TRS and PERS on or before July 1, 2007, the retirement plan choice options set forth in Section 14.25.115 and Section 39.35.705 shall be enacted.

(c) Section (b) takes effect, employees hired between the effective date of this act and the effective date of section (b) may exercise the same option contained in (b).

He then moved to adopt the amendment.

CHAIR GREEN objected.

REPRESENTATIVE WEYHRAUCH said the alternative is "let's get some new eyes in here."

SENATOR SEEKINS said he appreciates members' efforts on this committee but his concern is saying that if legislative measures are not adopted, the court will interpret whether the measures are all inclusive. He agreed a fresh set of eyes may be necessary at this point.

[4:59:25 PM](#)

CHAIR GREEN asked for a roll call vote. The motion [to replace conference sections 37 and 38] failed 5-1 with Senator Olson,

Representative Weyhrauch, Senator Seekins, Representative Crawford, and Senator Green voting nay and Representative Seaton voting yea.

REPRESENTATIVE SEATON asked Chair Green if item 30 would remain open.

CHAIR GREEN replied yes.

[5:00:18 PM](#)

SENATOR SEEKINS moved to report back to the Senate and House that the committee wasn't able to reach agreement on all pending issues.

CHAIR GREEN ascertained there was no objection and said the letter was being passed for signatures.

REPRESENTATIVE SEATON expressed hope that a solution would be forthcoming.

CHAIR GREEN adjourned the SB 141 Conference Committee with limited powers of free conference at [5:00:35 PM](#).