

**ALASKA STATE LEGISLATURE**  
**HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS**

March 30, 2007

7:17 a.m.

**MEMBERS PRESENT**

Representative Mike Hawker, Chair  
Representative Anna Fairclough, Vice Chair  
Representative Bob Roses  
Representative Paul Seaton  
Representative Peggy Wilson  
Representative Sharon Cissna  
Representative Max Gruenberg

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 204

"An Act relating to the public employees' and teachers' defined benefit retirement plans; relating to the public employees' and teachers' defined contribution retirement plans; relating to the judicial retirement system; relating to the health reimbursement arrangement plan for certain teachers and public employees; relating to the supplemental employee benefit program; relating to the public employees' deferred compensation program; relating to group insurance for public employees and retirees; making conforming amendments; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 206

"An Act relating to the accounting and payment of contributions under the defined benefit plan of the Public Employees' Retirement System of Alaska, to calculations of contributions under that defined benefit plan, and to participation in, and termination of and amendments to participation in, that defined benefit plan; making conforming amendments; and providing for an effective date."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 204

SHORT TITLE: PUBLIC EMP./TEACHERS/JUDGES EMP. BENEFITS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

03/16/07 (H) READ THE FIRST TIME - REFERRALS  
03/16/07 (H) W&M, FIN  
03/28/07 (H) W&M AT 7:00 AM HOUSE FINANCE 519  
03/28/07 (H) Heard & Held  
03/28/07 (H) MINUTE(W&M)  
03/30/07 (H) W&M AT 7:00 AM HOUSE FINANCE 519

BILL: HB 206

SHORT TITLE: PERS CONTRIBUTIONS; UNFUNDED LIABILITY

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

03/16/07 (H) READ THE FIRST TIME - REFERRALS  
03/16/07 (H) W&M, FIN  
03/28/07 (H) W&M AT 7:00 AM HOUSE FINANCE 519  
03/28/07 (H) Scheduled But Not Heard  
03/30/07 (H) W&M AT 7:00 AM HOUSE FINANCE 519

**WITNESS REGISTER**

ANNETTE KREITZER, Commissioner Designee  
Department of Administration (DOA)  
Juneau, Alaska

POSITION STATEMENT: Provided information on aspects and HB 204 and answered questions pertaining to HB 204 and HB 206.

KATHLEEN LEA, Acting Director  
Retirement Manager  
Division of Retirement and Benefits (DRB)  
Department of Administration  
Juneau, Alaska

POSITION STATEMENT: Presented HB 204 on behalf of the Department of Administration and answered questions on HB 204 and HB 206.

CHRISTINA MAIQUIS, Acting Chief Financial Officer  
Division of Retirement and Benefits  
Department of Administration  
Juneau, Alaska

POSITION STATEMENT: Presented HB 206 on behalf of the Department of Administration and answered questions.

**ACTION NARRATIVE**

**CHAIR MIKE HAWKER** called the House Special Committee on Ways and Means meeting to order at [7:17:45 AM](#). Present at the call to order were Representatives Hawker, Fairclough, Seaton, Roses, Gruenberg, Cissna, and Wilson.

HB 204-PUBLIC EMP./TEACHERS/JUDGES EMP. BENEFITS

CHAIR HAWKER announced that the first order of business would be HOUSE BILL NO. 204, "An Act relating to the public employees' and teachers' defined benefit retirement plans; relating to the public employees' and teachers' defined contribution retirement plans; relating to the judicial retirement system; relating to the health reimbursement arrangement plan for certain teachers and public employees; relating to the supplemental employee benefit program; relating to the public employees' deferred compensation program; relating to group insurance for public employees and retirees; making conforming amendments; and providing for an effective date."

[7:19:37 AM](#)

ANNETTE KREITZER, Commissioner Designee, Department of Administration (DOA) addressed some prior questions by committee members. First, she noted DOA has requested the Department of Law (DOL) further review of the need for any retroactivity provisions in HB 204. Second, she confirmed that there are currently no statutory provisions that empower the state to intercept funds of employers who fail to contribute to the unfunded liabilities. Third, she provided the committee with a chart that compares HB 204 with House bill 475 [from the 24th Legislative session]. Last, she stated they have requested an opinion from tax counsel about when elected officials are considered employees of the governmental entity they are elected to serve.

[7:22:57 AM](#)

KATHLEEN LEA, Acting Director, Retirement Manager, Division of Retirement and Benefits (DRB), Department of Administration, responded to a query regarding the exclusion of National Education Association Alaska (NEA-Alaska) members from the state's retirement plans by confirming that the Internal Revenue Service (IRS) does not allow private non-profit entities to participate in a governmental retirement plan.

REPRESENTATIVE ROSES noted that it has been at least 25 years since the NEA-Alaska inclusion has been an issue.

[7:23:59 AM](#)

REPRESENTATIVE SEATON asked for clarification of the chart provided to the committee by DOA and titled "Comparison of Former HB 475 and HB 204."

MS. LEA explained that the intent of the chart was to set forth sections that are in HB 204 that were not in House bill 475.

[7:26:42 AM](#)

REPRESENTATIVE FAIRCLOUGH expressed concern that if the state switches to a cost share basis for retirement contributions, some communities will receive debt relief for their portions of the unfunded pension plan liabilities. She asked for further information regarding those employers that are in arrears in making their payments under the Public Employees' Retirement System (PERS) defined benefits (DB) plans.

COMMISSIONER DESIGNEE KREITZER noted that the issue of unfunded liabilities is not a new one. She acknowledged that some communities would benefit greatly should the state move to a cost share plan. She stated that DOA has offered some suggestions for how to help communities that would be adversely affected by a cost share plan. She recognized that some communities, such as Fairbanks, would essentially be relieved of a debt, but stated that "what we are trying to do is go forward." She explained that DOA has prepared a "heroes list" which sets forth communities that received rate relief, but applied it towards their unfunded liabilities. She offered that it is a policy call of the legislature how to treat communities that are differently affected by imposition of a cost share system.

The committee took an at ease from [7:29:59 AM](#) to [7:32:45 AM](#).

[7:33:41 AM](#)

COMMISSIONER DESIGNEE KREITZER said that when viewing the chart comparing HB 204 and House bill 475, it may be most useful to ignore the column to the far left and focus instead on the table that lists the new sections that were not in House bill 475.

MS. LEA confirmed that DOL advised that some sections listed in the chart were in House bill 475, but that they have been modified in HB 204.

REPRESENTATIVE ROSES requested details on which sections of HB 204 codify existing practices that are not in statute.

[7:39:16 AM](#)

CHAIR HAWKER asked about the practice of codifying an existing agency practice and the requirement, if any, that the codification be made retroactive.

COMMISSIONER DESIGNEE KREITZER opined that it is common to codify regulatory practices and opined that DOA has broad regulatory authority. She stated that it would provide clarity to include these provisions in statute.

REPRESENTATIVE GRUENBERG commented that it is riskier if the practice being codified is controversial, but cautioned that careful consideration will help avoid any legal issues.

COMMISSIONER DESIGNEE KREITZER emphasized that HB 204 was crafted by the DOL in accordance with independent tax counsel, and she said she does not believe there are any retroactivity provisions in this bill.

[7:42:51 AM](#)

CHAIR HAWKER said that while he is generally comfortable with the substance of the bill, he would like additional explanation of the reasons for exclusion of elected municipal officials.

COMMISSIONER DESIGNEE KREITZER noted there had been extensive discussion of the aforementioned issue, but that she would need to review this issue to provide the committee a more detailed explanation of the reasons for exclusion of municipal officials.

MS. LEA said that the section regarding which elected officials are included in the Defined Contribution Retirement (DCR) plan is contained in HB 204, section 110 under the definition of "employee."

REPRESENTATIVE CISSNA expressed concern that exclusion of other elected officials could have unintended consequences.

COMMISSIONER DESIGNEE KREITZER reiterated she will review her notes on this issue so she can recall the reasons for the policy choice to recommend exclusion of elected municipal officials.

CHAIR HAWKER requested that review consider whether it is feasible or appropriate to contemplate an opt-in provision for municipalities.

7:47:39 AM

REPRESENTATIVE SEATON noted there is a huge difference between a cost sharing plan and one where an employer has responsibility for only its own employees. He referenced that difficulties occur when persons are paid less than the average employee base, because that employee's liability can be substantial despite not contributing much to the wage base. The result can be that an elected public employee can accumulate a huge liability that must be paid by contributions from other employees. He said that in his district, many municipalities have opted out of including their elected officials in retirement plans due to the high cost. He explained that Senate bill 141 [from the 24th legislative session] disallowed new employees from participation in the defined benefit plans, but employees that had previously been elected to a city or state government position prior to Senate bill 141 would come under the provisions of the existing defined benefit plans. He expressed concern that a cost share system would allow municipalities to include their elected officials in the retirement plans, and that other employers would be responsible for payment of costs.

7:51:55 AM

REPRESENTATIVE WILSON asked about the prospective nature of HB 204 and whether it applies to persons who have already served as an elected official.

MS. LEA said that the bill's provisions would apply from the effective date of the bill forward.

7:52:48 AM

REPRESENTATIVE FAIRCLOUGH stated she would like further information regarding the possible liability that would result from inclusion of municipal elected officials.

MS. LEA stated that currently municipalities can choose whether to have their elected officials participate in defined benefit plans. However, there are concerns in the cost share bill [HB 206] about allowing municipalities to include elected officials in the defined benefits plans. She reminded the committee that

elected municipal officials are currently not allowed to participate in the defined contribution retirement plan.

REPRESENTATIVE FAIRCLOUGH predicted there may be financial reasons as to why municipal officials are excluded from participation in the DCR plan and that it would help her consideration of this issue to see the fiscal implications of this policy decision.

[HB 204 was held in committee.]

[7:59:37 AM](#)

HB 206-PERS CONTRIBUTIONS; UNFUNDED LIABILITY

CHAIR HAWKER announced that the next order of business would be HOUSE BILL NO. 206, "An Act relating to the accounting and payment of contributions under the defined benefit plan of the Public Employees' Retirement System of Alaska, to calculations of contributions under that defined benefit plan, and to participation in, and termination of and amendments to participation in, that defined benefit plan; making conforming amendments; and providing for an effective date."

[8:00:38 AM](#)

COMMISSIONER DESIGNEE KREITZER set forth that DOA would provide an overview of accounting issues in the defined benefit plans prior to a detailed analysis of HB 206, the cost share bill.

[8:00:57 AM](#)

CHRISTINA MAIQUIS, Acting Chief Financial Officer, Division of Retirement and Benefits, Department of Administration, referred to a PowerPoint presentation on the Public Employees' Retirement System (PERS) Defined Benefit (DB) Plan, which was sub-titled "Accounting Issues" and dated March 28, 2007. She stated that there are concerns about employer level accounting for the DB plan as the current accounting system results in employer contribution rates not being supported by employer level accounting records. The cost share legislation introduced by the governor presents a proposal whereby the administration and accounting of the PERS DB plan would mirror that of the Teachers' Retirement System (TRS) plan. Under HB 206, the state will assume 65 percent of the unfunded PERS' DB plan liability as of June 30, 2006. The unfunded liability is estimated to be \$5.5 billion; under HB 206 the state would assume \$3.6 billion

of that amount. She opined that the cost share legislature would result in simplified plan administration and eliminate employers' level accounting concerns. Furthermore, all employers would share in the cost of benefits, administration, and investment.

MS. MICAS reminded the committee that the PERS is a multi-employer, multi-agent system whereby assets are accounted for by employer as they come in. The assets are consolidated with those of other employers once transferred to the retirement account. She went on to say that part of the proposed solution to the unfunded pension fund liability is to possibly issue pension obligation bonds (POBs) to reduce the unfunded liability.

[8:00:12 AM](#)

MS. MICAS responded to a question by explaining that out of the 169 PERS employers, one is the state, while the rest are municipal and other governmental employers.

CHAIR HAWKER requested clarification as to whether the Elected Public Officials Retirement System (EPORS) is part of PERS Tiers I, II, or III.

MS. MICAS answered that the EPORS is a separate, stand alone plan and that the proposed changes to PERS would have no effect on that system.

REPRESENTATIVE FAIRCLOUGH queried who pays the costs of the 27 members of the EPORS and noted that a witness affirmatively nodded that the payment for this plan was from general funds.

[8:08:26 AM](#)

MS. MICAS explained that the proposed change to a cost share plan does not affect TRS, benefits paid to DB members, PERS DB plan level accounting as a whole, and the PERS DCR Plan (Tier IV). She explained that in a multiple employer plan, there are separate accounts for each employer and that the employer provides benefits only for its employees. However, there are pooled administrative and investment functions. She explained that AS 30.35.100(b) (3) requires that a separate account be maintained for each employer; this account is charged with the employer's actuarial charge for pension and other benefits. Furthermore, AS 39.35.250 requires amortization of an employer's

unfunded obligations in determining the past service contribution rate

MS. MICAS referred to slides 10-11 and explained that employer contributions are accounted for in two separate accounts. In the active employer asset accounts, one account is maintained for each individual employer. In the retiree reserve account, all payments are maintained in a consolidated account for all participating employers. She emphasized that it is the retiree reserve account that has raised concerns as it is not split out by employer. She said the retiree reserve account is funded by investment income and transfers from the active employer asset account. Once assets are transferred to the retiree reserve account, assets are no longer tracked by individual employer. In response to a question, she confirmed that once assets are in the retiree reserve account, payments to retirees are not tracked by employer.

[8:14:04 AM](#)

REPRESENTATIVE SEATON asked whether benefits are paid from the retiree reserve account. He further queried whether the DOA is aware of how much each employer contributed to the retiree reserve account, how much interest the account makes, and the amount being paid for each employer's liability to their employees.

MS. MICAS confirmed that retirement benefits are paid out of the retiree reserve account. As to the second part of his query, she responded that DOA is aware of which employer is responsible for payment, but that the amount of payment is not allocated to the responsible employer's assets once the money is in the retiree reserve account.

[8:15:33 AM](#)

MS. MICAS explained the allocation process used to calculate an employer's past service contribution rate, referring to slides 13 to 14. She responded to a question by explaining that the retiree reserve account does not separately track each employer's funds. She went on to explain that once an employer has retirees, a calculation is done to establish the amount of retiree reserve account assets that need to be transferred to the retiree reserve account, referring to slides 15 and 16.

[8:19:27 AM](#)

COMMISSIONER DESIGNEE KREITZER reminded the committee that this allocation process has been going on about 20 years. She assured the committee that her department has met with the Alaska Municipal League (AML) and considered this issue in deciding to put forward a cost share approach. She explained that it may be possible to determine the amounts that individual employers have contributed to the retiree reserve account, but cautioned that such an accounting would be expensive. She opined that as the committee reviews the allocation process, it will become clear why the suggestion has been made to move to a cost share system.

CHAIR HAWKER relayed that although the current allocation process was perhaps a valid policy process at time, now is an appropriate time to assess whether the current system is in the best interest of the state and other plan participants.

[8:21:04 AM](#)

REPRESENTATIVE SEATON expressed strong concern as to the accuracy of actuarial determinations of past employer service costs in light the fact that plan assets are not tracked by individual employer once they are transferred into the retiree reserve account. He indicated concern that determinations of an employer's unfunded liability and contribution rate must be accurate. He referenced some extensive actuarial calculations that were done in conjunction with House bill 238 [from the 24th legislative session].

COMMISSIONER DESIGNEE KREITZER replied that DOA is not necessarily unaware of individual employer liabilities, but she emphasized it would "not be cheap" to go back and determine these figures.

REPRESENTATIVE SEATON noted that part of the reason for some of the actuarial work last year was to determine the average cost per employer so as to lessen the possibility that some employers would be over-funded and others under-funded.

[8:24:57 AM](#)

CHAIR HAWKER offered that there has been a mechanism in place to assign assets to individual employers and to compare those assets to liabilities to determine the unfunded portion allocated to each employer. He opined that the issue before the committee was to review that mechanism and evaluate whether it is appropriate to change that approach.

REPRESENTATIVE SEATON reiterated his concern that the current approach may not result in an accurate determination of employer contributions and liabilities. He indicated that some employers have over-funded their share of the pension liabilities, while others have under-funded their share. He expressed unease as to whether these differences were being fairly accounted for in light of the fact that the retiree reserve account does not track individual employer contributions.

CHAIR HAWKER summarized that once funds are placed in the retiree reserve account, they become co-mingled with other assets.

[8:29:41 AM](#)

REPRESENTATIVE WILSON expressed concern that once funds are transferred to the retiree reserve account, there is no accounting to keep track of whether an employer's contributions are adequate to pay its retirees. She asked what happens if an employer is paying out more in retirement benefits than it has contributed.

COMMISSIONER DESIGNEE KREITZER answered that the aforementioned scenario is a concern, but that it is not necessarily occurring at present. She emphasized that the past accounting practice is not necessarily unfair and untrue, but the process could be better administered through a cost share plan. She emphasized that this process has been in place 20 years and that it is as accurate as possible, but that she believes a cost share plan provides a better method for administration of PERS.

CHAIR HAWKER relayed his understanding that the accounting mechanism has been used with integrity and as accurately as possible. He suggested that the committee consider whether the current system remains the best policy.

COMMISSIONER DESIGNEE KREITZER relayed she does not know why the past system was set up like it is. She conveyed that the administration has had discussions with AML, and that a result of those discussions, there was agreement that a cost share approach would be preferable to the present system.

[8:34:21 AM](#)

REPRESENTATIVE SEATON noted it is common for the state to have a single manager for funds. He charged that it is imperative to

accurately determine employer's unfunded liabilities to be able to assign employer contribution rates. He noted he is not adverse to a change for policy reasons, but sought assurance that the current system does not result in inaccurate determinations of employer contribution rates.

COMMISSIONER DESIGNEE KREITZER offered that persons may not agree with the current system, but that does not make the numbers wrong. She went on to say that because of issues with the current plan, it makes sense to change to a cost share.

[8:37:12 AM](#)

REPRESENTATIVE ROSES asked if part of the cost share plan is an attempt to get to one contribution rate for all employers. He suggested that it may be easier to allocate payments to reduce the system liabilities if a one-rate system is established for PERS.

COMMISSIONER DESIGNEE KREITZER answered that part of the change is designed to establish a one-rate system for all employees and that it may indeed be easier to use various payment methods to reduce the unfunded liabilities with a cost share system.

[8:37:57 AM](#)

REPRESENTATIVE ROSES asked how many of the PERS employers have no tax base, such as the university system or school systems. He expressed concern regarding how much of the suggested allocation results in a re-direction of state funds, since the state funds some employers that have no tax base. He stated he understands the risk of not enacting some measures to help fix the past pension fund problems. However, he expressed that he still has some discomfort with changes brought about by Senate bill 141, but ventured that he understands the political difficulties inherent in any attempt to change the provisions of Senate bill 141. He said he has concerns over attempts to fix a system that may not accomplish all it was intended to do. He noted that in some circumstances, it is important to fix problems in current system even if there is a possibility for change in the future.

[8:43:17 AM](#)

COMMISSIONER DESIGNEE KREITZER responded to a request for information by explaining that there is an exhibit titled "Cost Share Exhibits," which lists the effect on various employers

from a change to a cost share system. [A copy of this was provided to the committee and is on the DRB website]. She explained that the first pages of the exhibit explain what happens if the state changes to a cost share system. Under the first scenario, the state would save about \$36 million, but it would cost the communities about \$52 million. Therefore, she considered how to hold employers harmless from their fiscal year (FY) 2007 to FY 08 rate.

[8:44:31 AM](#)

REPRESENTATIVE FAIRCLOUGH asked about the situation of an employer that has overpaid into the system and opined that an employer that had overpaid into the system, such as Anchorage, would perhaps withdraw from the system if its contributions were not recognized.

COMMISSIONER DESIGNEE KREITZER replied that in the aforementioned scenario, termination costs for an employer the size of Anchorage would be fairly costly. She said that the cost share solution will require "some give and take." She said that she believes that Anchorage is a member of AML and is aware of AML's support of the cost share approach, yet she has not heard from Anchorage.

[8:45:36 AM](#)

REPRESENTATIVE SEATON expressed concern over the effect of calculating contribution rates across the entire wage base. He asked whether the calculations provided consider whether the changes in contribution rates are based on the effect of a cost sharing plan, or whether they are based on re-calculation against the entire wage base instead of just the DB wage base. He opined that inclusion of the DCR wage base would result in a lower contribution rate based on inclusion of that wage base rather than a change to a cost share approach.

COMMISSIONER DESIGNEE KREITZER noted she could address aforementioned issue at a later date.

[8:48:32 AM](#)

CHAIR HAWKER noted the amount allocated to an employer in the retiree reserve account does not represent contributions made by the employer, rather, it is a mechanism used to assign the account's assets. He suggested that mechanism is at issue in the cost sharing proposal.

[8:51:39 AM](#)

MS. MICAS explained the current allocation system from the time an employer has no retirees to the process whereby contributions are made to the retiree reserve when an employer has retirees.

[8:53:26 AM](#)

REPRESENTATIVE WILSON requested clarification as to when assets move from the active to the retiree account.

CHAIR HAWKER explained that before an employee retires, the funds attributable to that employee are placed in the active employer asset accounts. When an employee retires, the funds are transferred to the retiree reserve account.

[8:55:45 AM](#)

MS. LEA explained that an annual actuarial accounting of an employer's responsibilities under the active asset accounts determines the normal cost rate. There will also be a past service rate assigned if the prior year's funding was not adequate to cover the employer's responsibilities. It is this past service rate that creates the liabilities, she explained. When a member retires, an actuarial process determines the present value of the potential benefits the employee will accrue during his or her remaining lifetime. That amount is transferred to the retiree reserve account, and benefits are paid from that account, she explained. Benefits are first paid from the employee account, which allows time for the evaluation process to occur and for the funds to transfer to the retiree reserve account. She said that under a multi-employer plan, assets may be pooled for expenses and benefits are considered an expense. At that point, the funds are not accounted for separately, she indicated.

[8:58:00 AM](#)

REPRESENTATIVE WILSON clarified that there is no separate accounting in the retiree reserve account, and questioned what factors are considered to determine the retiree reserve account obligations.

MS. LEA agreed that when a member retires, a valuation is done to determine the costs associated with that retiring employee. Each employer the employee worked for then transfers the present

value of that employee's liability into the retiree reserve account. The goal is that the transfer results in full funding of the benefits due during the lifetime of the retiring employee, she said.

8:59:15 AM

REPRESENTATIVE WILSON surmised that the reason funds were not tracked in the retiree reserve account is because the payment was designed to fully fund the retiring employee's benefits for life.

MS. LEA agreed that explains why the funds are not tracked in the retiree reserve account - the calculations are done prior to the funds being transferred. In response to a question, she said that she believes that when the retiree reserve accounts fall short it becomes part of the unfunded liability.

9:00:47 AM

REPRESENTATIVE ROSES suggested that those in the retired pool are generating the unfunded liability due to increased life spans and health care costs. However, since the retirees do not pay into the system, the state has to look to active employees and employers for funds to pay the unfunded liability.

MS. LEA stated that in general, she agreed with the above statement. She explained that the presumption is that the retiree reserve account assets will be invested so as to pay benefits. She opined that unforeseen factors can escalate costs beyond what was predicted at the time of valuation.

9:02:22 AM

REPRESENTATIVE ROSES observed that an employer that has an unfunded liability is still liable for the costs attributable to its retired employees even if it has no active employees to contribute to the liabilities. He asked if part of the reason for proposing a level payment approach is to help pay for the unfunded liability of past employees even though the employer has no active employees.

MS. LEA explained the aforementioned situation occurs when a system has closed because at some point an employer will have no active employees. If the rate is calculated across both DB and DCR salaries, it will provide a mechanism for an employer to pay their liability for all their retirees.

[9:04:26 AM](#)

REPRESENTATIVE ROSES asked if employers must pay for the costs of their unfunded liabilities if they decide to opt out of the PERS so as that their liability is not passed on to other employees in the system.

MS. LEA replied that is how termination cost is calculated.

[9:06:20 AM](#)

MS. LEA responded to a question by explaining that the contribution rate may change when it is calculated on the entire salary base, but the amount the employer owes does not change.

REPRESENTATIVE SEATON noted that even without employees, employers have liability for their employee costs.

REPRESENTATIVE WILSON offered her belief that loss of revenue sharing funds has negatively effected the financial situation of many municipalities.

COMMISSIONER DESIGNEE KREITZER stated she is aware of municipality concerns and that is why this bill and the technical fix bill contain hold harmless provisions. She indicated her willingness to work towards resolving the varying issues of each employer without causing financial harm to the state or municipalities.

COMMISSIONER DESIGNEE KREITZER explained that an employer's retiree liabilities are calculated as a percent of total retiree liabilities.

REPRESENTATIVE WILSON asked about the situation where an employer's account is short when an employee retires.

[9:17:14 AM](#)

CHAIR HAWKER suggested that this complex subject may be better served with a more succinct presentation detailing the key points of this issue.

REPRESENTATIVE SEATON asked about potential state savings as set forth in the fiscal note to HB 206.

COMMISSIONER DESIGNEE KREITZER explained that Exhibit 5 of the Cost Share Exhibit addresses the issue of savings to the general fund.

[HB 206 was held in committee.]

**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at [9:23:56 AM](#).