

SENATE FINANCE COMMITTEE
April 18, 2010
5:16 p.m.

5:16:00 PM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 5:16 p.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Darwin Peterson, staff, Senator Burt Stedman; Miles Baker, Staff, Senator Bert Stedman; Sonia Christianson, Staff, Representative Kyle Johansen; Craig Campbell, Lieutenant Governor; Kevin Brooks, Deputy Commissioner, Department of Administration; Jerry Burnett, Deputy Commissioner, Division of Treasury, Department of Revenue; Pat Shier, Director, Division of Retirement and Benefits.

PRESENT VIA TELECONFERENCE

NONE

SUMMARY

HB 280 NATURAL GAS: STORAGE/ TAX CREDITS

CS HB 280 was REPORTED out of Committee with a "do pass" recommendation and with one new fiscal impact note from the Department of Natural

Resources and three previously published zero notes: FN 1 (ADM), FN 2 (CED), FN 5 (REV).

HB 424 G.O. BONDS:EDUC./LIBRARY/RESEARCH FACIL.

CS HB 424 was REPORTED out of Committee with a "do pass" recommendation and with one new fiscal impact note from the Department of Revenue.

HB 369 IN-STATE PIPELINE/ MANAGER/TEAM

CS HB 369 was REPORTED out of Committee with a "do pass" recommendation and with one previously published fiscal impact note: FN 4 (GOV) and one new fiscal impact note from the Department of Revenue.

HB 50 LIMIT OVERTIME FOR REGISTERED NURSES

HB 50 was REPORTED out of Committee with a "do pass" recommendation and with three previously published zero notes: FN 4 (DHS), FN 5 (DHS), FN 6 (DHS) and one previously published fiscal impact note: FN 7 (LWF).

HB 363 AIDEA MEMBERSHIP

HB 363 was REPORTED out of Committee with a "do pass" recommendation and with one previously published fiscal impact note: FN 2 (CED).

HB 345 SAM SCHUYLER MEMORIAL BRIDGE

HB 345 was REPORTED out of Committee with a "do pass" recommendation and with one previously published zero note: FN 1 (DOT).

HB 314 WORKERS' COMPENSATION

HB 314 was SCHEDULED but not HEARD.

HB 190 CHILDREN'S TRUST

CS HB 190 was REPORTED out of Committee with a "do pass" recommendation and with three previously published fiscal notes: FN 2 (CED), FN 3 (DHS), FN 4 (REV).

HB 36 INITIATIVES: CONTRIBUTIONS/ PROCEDURES

CS SS HB 36 was REPORTED out of Committee with no recommendation and with two previously published zero notes: FN 2 (GOV), FN 3 (GOV) and one previously published fiscal impact note: FN 5 (ADM).

HB 225 STATE PROCUREMENT CODE

HB 225 was SCHEDULED but not HEARD.

HB 326 SUPPLEMENTAL/OTHER APPROPRIATIONS

HB 326 was REPORTED out of Committee with a "do pass" recommendation.

#hb326

CS FOR HOUSE BILL NO. 326(FIN)

"An Act making supplemental appropriations and other appropriations; amending appropriations; repealing appropriations; making appropriations to capitalize funds; and providing for an effective date."

[5:16:23 PM](#)

Co-Chair Hoffman offered a forum for questions regarding HB 326.

Co-Chair Stedman MOVED to report HB 326 out of Committee with individual recommendations. There being NO OBJECTION, it was so ordered.

HB 326 was REPORTED out of Committee with a "do pass" recommendation.

#hb280

CS FOR HOUSE BILL NO. 280(FIN) am

"An Act relating to a gas storage facility; relating to the Regulatory Commission of Alaska; relating to the participation by the attorney general in a matter involving the approval of a rate or a gas supply contract; relating to an income tax credit for a gas storage facility; relating to oil and gas production

tax credits; relating to the powers and duties of the Alaska Oil and Gas Conservation Commission; relating to production tax credits for certain losses and expenditures, including exploration expenditures; relating to the powers and duties of the director of the division of lands and to lease fees for a gas storage facility on state land; and providing for an effective date."

[5:19:10 PM](#)

Senator Thomas MOVED AMENDMENT number 1. 26-LS1185\N.5, Bullock, 4/17/10.

Page 13, line 28:

Delete "Cook Inlet sedimentary basin"
Insert "state south of 68 degrees North latitude"

Page 13, lines 30-31:

Delete "outside of the Cook Inlet sedimentary basin"
Insert "in the state north of 68 degrees North latitude"

Page 15, lines 15-16:

Delete "Cook Inlet well lease expenditure incurred"
Insert "well lease expenditure incurred in the state south of 68 degrees North latitude"

Page 15, line 17:

Delete "Cook Inlet well lease expenditure"
Insert "well lease expenditure incurred in the state south of 68 degrees North latitude"

Page 15, line 21:

Delete "Cook Inlet well lease expenditure"
Insert "well lease expenditure in the state south of 68 degrees North latitude"

Page 15, lines 25-26:

Delete "Cook Inlet well lease expenditure incurred"
Insert "well lease expenditure incurred in the state south of 68 degrees North Latitude"

Page 16, line 1:

Delete "Cook Inlet sedimentary basin"
Insert "state south of 68 degrees North latitude"

Page 16, line 3:

Delete "Cook Inlet well lease expenditure"
Insert "well lease expenditure incurred in the state south of 68 degrees North latitude"

Page 16, line 7-8:

Delete "Cook Inlet well lease expenditure is a lease expenditure that is incurred in the Cook Inlet sedimentary basin"
Insert "well lease expenditure incurred in the state south of 68 degrees North latitude is a lease expenditure"

Page 16, line 11, following "disposal well":

Insert "located in the state south of 68 degrees North latitude,"

Senator Thomas explained that the amendment allows for an expansion of the Prudhoe Bay landmark.

Co-Chair Stedman Removed his Objection. There being NO OBJECTION, it was so ordered.

Co-Chair Stedman Moved to adopt Amendment 2, 26-LS1185\N.7, Bullock, 4/18/10.

Page 13, line 18, through page 14, line 30:

Delete all material.

Renumber the following bill sections accordingly.

Page 15, line 16:

Delete "December 31"
Insert "June 30"

Page 16, line 2:
Delete "December 31 "
Insert "June 30"

Page 16, line 4:
Delete "a transferable tax credit
certificate"
Insert "transferable tax credit
certificates"

Page 16, lines 5 -6:
Delete "is available for immediate use
and does"
Insert "certificates do"

DARWIN PETERSON, STAFF, SENATOR BURT STEDMAN, explained the changes proposed in the amendment. Co-Chair Stedman REMOVED his objection. There being NO OBJECTION, it was so ordered.

Co-Chair Stedman explained the fiscal notes.

Co-Chair Hoffman MOVED to report CS HB 280 out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CS HB 280 was REPORTED out of Committee with a "do pass" recommendation and with one new fiscal impact note from the Department of Natural Resources and three previously published zero notes: FN 1 (ADM), FN 2 (CED), FN 5 (REV).

#hb424

CS FOR HOUSE BILL NO. 424(FIN) am

"An Act providing for and relating to the issuance of general obligation bonds for the purpose of paying the cost of design and construction of library, education, and educational research facilities; and providing for an effective date."

[5:27:20 PM](#)

Co-Chair Hoffman MOVED to ADOPT proposed committee substitute, work draft #26-LS1649/C, Cook, 4/15/10. Co-Chair Stedman OBJECTED.

MILES BAKER, STAFF, SENATOR BERT STEDMAN, noted the changes in the Committee Substitute (CS). He explained that the original bill included the appropriation to the State Bond

Committee. He noted that the CS addresses the necessary funding for the State Bond Committee in this General Obligation (GO) bond bill. In order to take advantage of the federal rates, the CS exempts issuance from AS3715040 and authorizes the Department of Revenue (DOR) to use a negotiated sale for these bonds. The appropriation to the State Bond Committee was added to the capital budget currently on the House floor.

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Co-Chair Stedman WITHDREW his OBJECTION to the adoption of the CS. There being NO OBJECTION, it was so ordered.

Co-Chair Stedman described the one fiscal note from the Department of Revenue for \$10 thousand in general funds for FY11 to cover the cost of public notice requirements, debt repayment will begin again in FY12 at a cost of \$29,769,600.

Co-Chair Hoffman MOVED to report CS HB 424 out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CS HB 424 was REPORTED out of Committee with a "do pass" recommendation and with one new fiscal impact note from the Department of Revenue.

#hb369

CS FOR HOUSE BILL NO. 369(FIN) am

"An Act relating to an in-state natural gas pipeline, the office of in-state gasline project manager, and the Joint In-State Gasline Development Team; requiring the development of an in-state natural gas pipeline plan, to be delivered to the legislature by July 1, 2011, that provides for a gasline that is operational by December 31, 2015; directing the Joint In-State Gasline Development Team to assume responsibilities under sec. 19, ch. 14, SLA 2009; requiring expedited review and action by state agencies or entities relating to the in-state natural gas pipeline project; and providing for an effective date."

[5:34:19 PM](#)

Co-Chair Hoffman MOVED to ADOPT proposed committee substitute, work draft #26-LS152\K, Cook, 4/17/10.

DARWIN PETERSON, STAFF, BERT STEDMAN referred to Page 5, Line 8. He stated that the previous version allowed the Alaska Railroad chairman of the board to appoint a designee to the joint instate gas development team created in the legislation. The reference to the chair's designee has been deleted specifying that the board chairman is part of the team versus a designee. He continued that Page 7, Line 28 through Page 8, Line 7 includes the instate hire and job training language inserted at the request of Senator Thomas, which instructs the project developer to hire Alaskans and contract with Alaskan businesses and use job centers operated by the Department of Labor and Workforce Development. He described another change on Page 8, Lines 12 and 13 including new language regarding the confidentiality of proprietary information available to the joint instate gasline development team. The previous language was broad and caused concern among the industry that proprietary information not directly related to a gas pipeline would be available to the team. The new language states that the team can access information directly related to the planning design construction or operation of the instate natural gas pipeline. He explained that Page 9, Section 5 allows for the exemption of Enstar's Anchor Point pipeline from the right of way leasing act since it does not provide transportation services as defined in the act and is an expansion of Enstar's existing system and therefore exempt as it existed prior to 1972 when the act was adopted. Next change on page 11 and subsection 1 of the transitional provisions required the team to define the project parameters by February 15, 2011. Subsection 2 states that between November 15, 2010 and March 15, 2011 the team was required to seek letters of interest from private companies willing to develop the project. The dates were removed and the responsibilities of the team remain unchanged. Finally, section 11 in the previous version was deleted and would have provided legislative authority for the Alaska Natural Gas Development Authority to issue up to \$250 million in bonds for the project. The deletion of the section required a title change reflected on Page 1, Lines 10 and 11.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered.

Senator Thomas MOVED Amendment 1 26-LS1527\M.3, Chenoweth, 4/15/10.

Page 7, line 27:

Delete "and"

Following "state"

Insert", and facilitating the project developer's commitment to negotiate, to the maximum extent permitted by law, before construction of the project begins, a project labor agreement; if, in consideration of complying with the project labor agreement, the development team determines that the project may be constructed by a private pipeline construction company or companies, the development team shall direct that this requirement be incorporated into any construction contract agreement as a binding commitment applicable to the corporation's contractors; for this purpose, "project labor agreement" means a comprehensive collective bargaining agreement between the project developer or, if construction is to be undertaken by one or more private pipeline construction companies, the project developer's contractor or contractors and the appropriate labor representatives to ensure expedited construction with labor stability for the project by qualified residents of the state.

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Senator Ellis stated appreciation for the amendment and the expertise of Senator Thomas. He explained that local hire and state hire and project labor agreements are Senator Thomas' specialty. He commented that the subject of local hire and Alaska hire is a difficult legal area and the legislature has been disappointed and stymied by the courts in the past. He thought that serious consideration of the amendment would allow for the movement of this project without regret. He considered that the amendment would allow protection for Alaskan workers. He stressed support of the amendment.

Senator Olson asked how the amendment changes the bill. He supposed that the changes would necessitate further conference committee. Co-Chair Stedman responded that a

conference committee would be necessary if the other body was not supportive of the changes. Senator Thomas stated that he understood that the issue was difficult to understand and he hoped that consideration would be given to the changes.

Senator Thomas WITHDREW Amendment 1.

Co-Chair Stedman described the two fiscal notes.

[5:44:40 PM](#) AT EASE
[5:46:54 PM](#) RECONVENE

Co-Chair Stedman noted that a new fiscal note matches the \$15,640,000 in general funds.

Co-Chair Hoffman MOVED to report SCS CS HB 369 out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

SCS CS HB 369 was REPORTED out of Committee with a "do pass" recommendation and with one previously published fiscal impact note: FN 4 (GOV) and one new fiscal impact note from the Department of Revenue.

[5:47:29 PM](#)

#hb50
CS FOR HOUSE BILL NO. 50(FIN)

"An Act relating to limitations on mandatory overtime for registered nurses and licensed practical nurses in health care facilities; and providing for an effective date."

[5:48:07 PM](#)

Co-Chair Stedman noted that there were three zero fiscal note from the Department of Health and Social Services and one indeterminate fiscal note from the Department of Labor and Workforce Development.

Co-Chair Hoffman MOVED to report CS HB 50 out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

HB 50 was REPORTED out of Committee with a "do pass" recommendation and with three previously published zero notes: FN 4 (DHS), FN 5 (DHS), FN 6 (DHS) and one previously published fiscal impact note: FN 7 (LWF).

#hb363

CS FOR HOUSE BILL NO. 363(FIN)

"An Act relating to the membership of the Alaska Industrial Development and Export Authority."

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Co-Chair Stedman referred to the fiscal note from the Department of Commerce, Community and Economic Development for \$22,800,000 in Alaska Industrial Development and Export Authority (AIDEA) receipts.

Co-Chair Hoffman MOVED to report CS HB 363 out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

HB 363 was REPORTED out of Committee with a "do pass" recommendation and with one previously published fiscal impact note: FN 2 (CED).

#hb345

HOUSE BILL NO. 345

"An Act designating the bridge to be built on the Dalton Highway at approximately mile post 308 as the Sam Schuyler Memorial Bridge."

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Co-Chair Hoffman MOVED to report HB 345 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 345 was REPORTED out of Committee with a "do pass" recommendation and with one previously published zero note: FN 1 (DOT).

#hb36

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 36(FIN) am

"An Act relating to ballot initiative proposal applications, to ballot initiatives and to those who file or organize for the purpose of filing a ballot initiative proposal, and to election pamphlet information relating to certain propositions."

[5:53:46 PM](#)

SONIA CHRISTIANSON, STAFF, REPRESENTATIVE KYLE JOHANSEN explained that HB 36 is an attempt to bring additional information to the public prior to elections. She explained that HB 36 has provisions that require early financial disclosure for ballot measure campaigns. She stated that HB 36 delays the disclosure deadline requiring financial disclosures throughout the signature gathering portion of ballot measure campaigns. Currently, no disclosure exists for the process. Up to one year can pass before financial disclosures are required for ballot measure campaigns. She stated that the legislation also requires public hearings in four judicial districts of the state, with two judicial districts moderated by the lieutenant governor, which brings the initiatives closer to the people and allows Alaskans to meet with the sponsors and the opposition to ask questions and voice opinions.

Ms. Christianson continued that HB 36 requires a legislative hearing allowing affected state agencies to discuss a ballot measure with the legislature. She explained that the bill requires signature gatherers to carry a full copy of the initiative.

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Senator Olson asked if the administration was in favor of the changes.

CRAIG CAMPBELL, LIEUTENANT GOVERNOR stated that his office is responsible for initiatives in the state from the administration perspective and his office supports HB 36.

Senator Olson noted the initiative process in the past ten years has become more involved. He asked if HB 36 would further complicate the process.

Lt. Governor Campbell responded that the sponsor's intention is to create a more transparent process allowing for better understanding of the initiatives. He stated that

his office supports the public hearing process. He believed that the legislation would allow the citizens of Alaska to have greater understanding and vetting of the initiatives.

Senator Thomas asked about the concept of not allowing the use of per signature commission. Ms. Christianson responded that the mentioned provision was removed from the bill on the House floor and is no longer applicable.

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Senator Huggins asked how the provisions would have affected the Pebble Initiative. Ms. Christianson responded that the provisions in HB 36 would have required disclosure earlier in the process. Technically, if money is not transferred in the signature gathering phase to the campaign phase, there is no disclosure. The legislation would have allowed the public to witness the signature gathering phase which is an essential part of the initiative.

Co-Chair Stedman mentioned one fiscal note from the Department of Administration for \$60,200 in general funds for one permanent full time position and two zero fiscal notes from the Office of the Governor on behalf of the Lieutenant Governor's office and the Division of Elections.

Co-Chair Hoffman MOVED to report SCS CS SS HB 36 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS SS HB 36 was REPORTED out of Committee with no recommendation and with two previously published zero notes: FN 2 (GOV), FN 3 (GOV) and one previously published fiscal impact note: FN 5 (ADM).

#hb190

CS FOR HOUSE BILL NO. 190(FIN)

"An Act amending the Alaska children's trust and relating to the trust; establishing a children's trust grant account; relating to birth certificates and certificates of marriage; relating to special request Alaska children's trust license plates; and amending the State Procurement Code to exempt the Alaska

children's trust and the Alaska Children's Trust Board."

[6:01:10 PM](#)

Co-Chair Stedman addressed three zero fiscal notes from the Department of Health and Social Services, the Department of Revenue, and Department of Commerce, Community and Economic Development.

Co-Chair Hoffman MOVED to report CS HB 190 out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CS HB 190 was REPORTED out of Committee with a "do pass" recommendation and with three previously published fiscal notes: FN 2 (CED), FN 3 (DHS), FN 4 (REV).

^RECENT PERS-TRS TIMELINE

KEVIN BROOKS, DEPUTY COMMISSIONER, DEPARTMENT OF ADMINISTRATION began with a general discussion about the recent Public Employees Retirement System (PERS) and Teachers' Retirement System (TRS) timeline. He drew attention to the issue of unfunded liability and the significant impacts since 2002 when Mercer changed several actuarial assumptions following an audit by a separate firm, Milliman. The change resulted in a dramatic increase in unfunded liability and decrease in funding ratio, which continued in a general upward trend. The most recent evaluation of June 30, 2008 showed the unfunded liability equaled \$7.5 billion dollars. Since then, significant losses occurred in the market.

Mr. Brooks highlighted the passage of SB 141 which constructed the hybrid Defined Contribution Retirement (DCR) plan and passage of SB 125 which constructed the shared cost, blended rate system among public employers. He noted that SB 125 set the PERS contribution cap at 22 percent for employers and the TRS contribution cap at 12.56 percent for school districts. The state contributes the amount greater than these percentages by direct appropriation to the funds.

[6:06:36 PM](#)

JERRY BURNETT, DEPUTY COMMISSIONER, DIVISION OF TREASURY, DEPARTMENT OF REVENUE, referred to Slide 20: "Long-term return Relative to Target 7.33 percent versus 7.41 percent over 18 and 1/4 years". He explained that PERS and TRS have similar returns. He noted that the line in the graph's center exhibits the actuarial expected return at 8 and 1/4 percent. The purple and blue lines represent the actual returns. He pointed out the rise in returns in 2008 and the subsequent fall in 2009. As of February 28, 2010 PERS had a total cash asset value of \$9,554,000,000 and TRS had an asset value of 4,167,000,000. The 2009 calendar year earned 13.28 percent on PERS and TRS. Returns were 3.19 percent over the past five years. Returns were 6.65 percent for the past 7 years. The past 18 years showed returns of 7.33 percent.

Co-Chair Stedman asked about the liability spread for the end of June. Mr. Brooks responded that a draft report from the June 30, 2009 evaluation will be released to the Alaska Retirement Management (ARM) board in the near future. He stated that the draft exhibited an unfunded liability for TRS at \$3,370,000,000 and \$6,330,000,000 for PERS. He pointed out the rebound in the market during the last calendar year.

[6:10:07 PM](#) AT EASE
[6:11:17 PM](#) RECONVENE

Mr. Brooks continued that scenarios were run by Buck Consultants for the expected payroll assessment of PERS and TRS. He explained that the charts included in the packet exhibited "slow recovery". Some might argue that eight and one quarter is not necessarily a slow return. He explained that the charts reflect the cost to the state as a percentage and in dollars. The first chart includes PERS contribution rates with a thirty year horizon. The yellow bars reflect those appropriations required in excess of 22 percent for PERS. The actuarial determined rates rise to over 40 percent by 2016 and remain there until 2029.

[6:13:17 PM](#)

Mr. Brooks Slide 31: "PERS Contribution Amounts Slow Recovery" He explained that with TRS, the employer rate is set at 12.56 percent. The yellow bar represents the amount above 12.56 that the state contributes on behalf of school

districts and other public employers employing members of the TRS retirement system.

Mr. Brooks Slide: 37 "TRS" Contribution Rates Slow Recovery" exemplifies the dollar amounts connected to the prior slide's information. A requirement exists for significant appropriations to the PERS and TRS fund to pay down the liability.

Co-Chair Stedman requested an explanation of the acronyms listed on the bottom of the page. Mr. Brooks answered that DCR stands for Defined Contribution Retirement System and ER is Employer Contribution. He noted that DB ER contributions stand for Defined Benefit Employer Contributions.

Co-Chair Stedman asked if the coming report will be released in a few weeks. Mr. Brooks responded that the reports presented were generated last fall.

Co-Chair Stedman asked when the next actuarial check was scheduled.

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PAT SHIER, DIRECTOR, DIVISION OF RETIREMENT AND BENEFITS stated that the consulting firm conducted a thorough replication of the actuarial evaluation last year. He did not expect another evaluation for three years. Mr. Burnett added that a second actuary review is performed annually by Buck Consultants.

Mr. Brooks continued with an analysis for the deferred contribution plan.

Mr. Shrier pointed out that the comparison is made more useful by calculating the percentages in the column. He explained that 40 percent of individuals hired in FY03 for the DB plan continue to be active.

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Senator Ellis assumed that separation interviews were conducted to provide information regarding reasons for leaving state employment.

Mr. Burnett responded that anecdotal information suggests people are leaving because of the retirement system or because the pay is substandard. He opined that a comprehensive compensation package must be presented to remain competitive with wages and provide a well rounded benefit package. He stated that the numbers of retention have not changed much since the passage of the defined contribution plan. The plan is portable; allowing an employee to leave once vested and carry the plan with them. He explained that separation interviews are not conducted in standardized ways.

Co-Chair Stedman commented that the information could be presented with charts including data from 2010, which would allow the legislature to track the data.

Senator Thomas asked about the current balance of the PERS and TRS fund. Mr. Burnett responded that PERS was \$9,554,496 and TRS was \$4,167,254 as of February 28, 2010. He stressed that the numbers are not exactly the same as those seen later because real estate evaluations and other liquid assets lead to a delay in the evaluations.

Co-Chair Stedman asked for a liability estimate for PERS and TRS as of January 2010. Mr. Burnett replied that the draft evaluation is \$9.7 billion in unfunded liability. He estimated that the current estimation for the actuarial value represents a higher value than the actual value at the end of the last fiscal year. Co-Chair Stedman clarified that the deficit is \$9.7 billion. Mr. Burnett concurred. Co-Chair Stedman agreed that the gap must close.

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Senator Ellis that a brief online exit survey would prove helpful. Mr. Brooks concurred and offered to meet with the division of personnel to determine the outreach occurring with the hiring of managers and staff turnover.

Senator Ellis asked the status in the lawsuit against Mercer, the people responsible for the poor advice given. Mr. Burnett stated that the lawsuit is scheduled for a court date in Juneau later this year. He admitted attending confidential briefings. Co-Chair Stedman added that the trial will receive much attention.

Senator Thomas understood that employees hired in 2003 were studied through 2009 compiling the data for Defined Benefit Plan. He understood that the Defined Contribution Plan employees beginning in 2007 and ending in 2009 were also studied. Mr. Brooks agreed that all PERS and TRS employers were listed.

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Senator Thomas noted that in 2002, Mercer changed several actuarial assumptions after Milliman's audit. Buck Consultants replaced Mercer as the state's actuary in 2005. He asked to know the reason the actuarial assumptions were altered. Mr. Brooks responded that the audit in 2002 was not unusual. The changes made were significant. He understood the concern with Mercer and the contract. Ultimately the contract was not honored and a new actuary was hired.

Senator Thomas asked if a different arrangement with the current consultants includes a shorter time frame with "several actuarial assumptions." Mr. Brooks responded that the passage of SB 141 led to many of the current checks and balances. He noted that pension reform included an annual review resulting in the implementation of safeguard to ensure timely reaction.

[6:30:33 PM](#)

ADJOURNMENT

The meeting was adjourned at 12:40 AM.