

SENATE FINANCE COMMITTEE
ANCHORAGE LEGISLATIVE INFORMATION OFFICE
October 19, 2016
8:08 a.m.

Note: The following meeting convened in the Anchorage Legislative Information Office and was teleconferenced and recorded in Juneau.

[8:08:27 AM](#)

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 8:08 a.m.

MEMBERS PRESENT

Senator Anna MacKinnon, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Peter Micciche, Vice-Chair (via teleconference)
Senator Mike Dunleavy (via teleconference)
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

Senator Click Bishop

ALSO PRESENT

Laura Cramer, Staff, Senator Anna MacKinnon; Suzanne Cunningham, Staff, Senator Kevin Meyer; Senator Cathy Giessel; Senator Kevin Meyer.

PRESENT VIA TELECONFERENCE

David Teal, Director, Legislative Finance Division; Rob Carpenter, Fiscal Analyst, Legislative Finance Division; Megan Wallace, Attorney, Legislative Legal Services.

SUMMARY

^EXECUTIVE SESSION: PENSION OBLIGATION BONDS

[8:09:30 AM](#)

Co-Chair Kelly MOVED to CONVENE an executive session under Uniform Rule 22 (b)(1) for discussion of matters, the immediate knowledge of which would adversely affect the finances of a government unit.

Co-Chair Kelly MOVED that the following individuals will be allowed to attend the executive session:

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION
(via teleconference)

ROB CARPENTER, FISCAL ANALYST, LEGISLATIVE FINANCE
DIVISION (via teleconference)

MEGAN WALLACE, ATTORNEY, LEGISLATIVE LEGAL SERVICES
(via teleconference)

LAURA CRAMER, STAFF, SENATOR ANNA MACKINNON

SUZANNE CUNNINGHAM, STAFF, SENATOR KEVIN MEYER

There being NO OBJECTION, it was so ordered.

[8:10:18 AM](#)

EXECUTIVE SESSION

[10:45:34 AM](#)

RECONVENED

Co-Chair MacKinnon stated that the executive session related to the pension obligation bonds. She stressed that there was a problem in Alaska's pension system. She announced that there was a \$6.1 billion unfunded liability, and the liquidity in the system was in jeopardy. She stressed that the legislature wanted to ensure that there was a healthy pension system. She shared that the governor had proposed to solve the problem by issuing up to \$3.3 billion of pension obligation bonds. She felt that it may be irresponsible to borrow against equity, when there was no immediate revenue to pay the bills. She explained that the governor proposed issuing the bonds, if there could be a borrowing rate of under 4 percent. She stated that there was a resolution from the Pension Obligation Board which had a borrowing rate of up to 4.25 percent.

Co-Chair Kelly remarked that the governor had a legal right to propose the issuance of pension obligation bonds. The

governor was given that authority in a 2008 statute, which allowed the governor to bypass the preparation process set in law. He stressed that the governor was not outside the bounds of legal authority. He pointed out that the state was much different than it was in 2008, and felt that the proposal may not be the best route. He remarked that the Senate Finance Committee did not represent the entire legislature, but communicated that there was some resistance to the governor's proposal.

Senator Hoffman felt that the pension obligation bonds issuance was not unreasonable. He remarked that the governor had the option to sell the bonds, should a better situation occur.

Vice-Chair Micciche agreed with the recent comments of the other members.

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ADJOURNMENT

10:51:18 AM

The meeting was adjourned at 10:51 a.m.