

**ALASKA STATE LEGISLATURE**  
**SENATE JUDICIARY STANDING COMMITTEE**

March 30, 2015

2:46 p.m.

**MEMBERS PRESENT**

Senator Lesil McGuire, Chair  
Senator John Coghill, Vice Chair  
Senator Mia Costello  
Senator Bill Wielechowski

**MEMBERS ABSENT**

Senator Peter Micciche

**COMMITTEE CALENDAR**

CONFIRMATION HEARING

Board of Governors of the Alaska Bar  
William Gordon

- CONFIRMATION ADVANCED

SENATE BILL NO. 47

"An Act relating to exemptions for cash surrender values, accrued dividends, and loan values of life insurance and annuity contracts."

- MOVED SB 47 OUT OF COMMITTEE

CS FOR HOUSE CONCURRENT RESOLUTION NO. 3(RLS)

Urging the governor and the attorney general to pursue all legal and legislative options to open the coastal plain of the Arctic National Wildlife Refuge and areas of the Chukchi and Beaufort Seas to oil and gas exploration, development, and production.

- SCHEDULED BUT NOT HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 47

SHORT TITLE: LIFE INSURANCE/ANNUITY EXEMPTIONS

SPONSOR(s): SENATOR(s) COGHILL

02/11/15	(S)	READ THE FIRST TIME - REFERRALS
02/11/15	(S)	L&C, JUD
02/26/15	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/26/15	(S)	Heard & Held
02/26/15	(S)	MINUTE(L&C)
03/03/15	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/03/15	(S)	Moved SB 47 Out of Committee
03/03/15	(S)	MINUTE(L&C)
03/04/15	(S)	L&C RPT 3DP
03/04/15	(S)	DP: GIESSEL, MEYER, STEVENS
03/16/15	(S)	JUD AT 1:30 PM BELTZ 105 (TSBldg)
03/16/15	(S)	Heard & Held
03/16/15	(S)	MINUTE(JUD)
03/25/15	(S)	JUD AT 1:30 PM BUTROVICH 205
03/25/15	(S)	Bills Previously Heard/Scheduled:
03/30/15	(S)	JUD AT 1:30 PM BELTZ 105 (TSBldg)

**WITNESS REGISTER**

WILLIAM GORDON, Appointee  
Board of Governors of the Alaska Bar  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified as appointee to the Board of Governors of the Alaska Bar.

GERMAN BAQUERO, Intern  
Senator John Coghill  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided information related to SB 47 on behalf of the sponsor.

**ACTION NARRATIVE**

[2:46:32 PM](#)

**CHAIR LESIL MCGUIRE** called the Senate Judiciary Standing Committee meeting to order at 2:46 p.m. Present at the call to order were Senators Costello, Coghill, and Chair McGuire. Senator Wielechowski arrived during the course of the meeting.

**Confirmation Hearing**  
**Board of Governors of the Alaska Bar**

[2:47:03 PM](#)

CHAIR MCGUIRE announced the first order of business would be a confirmation hearing for William Gordon. She asked Mr. Gordon to tell the committee about himself and his interest in continuing to serve on the Board of Governors of the Alaska Bar.

[2:47:21 PM](#)

WILLIAM GORDON, Appointee, Board of Governors of the Alaska Bar, said this will be his second term on the Board of Governors of the Alaska Bar. He related that he tries to bring business practices to the budgetary process and has worked to have the offending party pay the discipline costs as opposed to the bar members paying. He also worked to open the bar convention to the public in an effort to present a better image of the bar. He expressed his belief that his resume speaks for itself.

CHAIR MCGUIRE expressed appreciation for receiving an invitation to the bar convention. She highlighted the lingering issue of high bar dues and asked if the board had revisited that matter.

MR. GORDON answered no, but he would bring it up at the next meeting. He explained that Alaska Bar dues are higher than other states because the membership pays the total cost of discipline, which is over one-third of the budget. In other states those costs are borne by the public.

CHAIR MCGUIRE offered suggestions for a sliding scale and expressed appreciation for considering the thought.

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SENATOR COSTELLO asked what challenges face the Alaska Bar.

MR. GORDON replied the many challenges include Internet growth and the falling number of lawyers in the state.

SENATOR COSTELLO asked to what he attributes the reduced number of lawyers.

MR. GORDON responded that he has found that many attorneys don't enjoy the practice of law and that compensation is often relatively low.

CHAIR MCGUIRE highlighted that less than 20 percent of her class is practicing law.

[2:56:11 PM](#)

SENATOR COGHILL mentioned the judicial ethics code and asked what barriers lawyers face when they're serving in the legislature.

MR. GORDON admitted he wasn't an expert in that area.

[2:58:04 PM](#)

SENATOR WIELECHOWSKI joined the committee.

SENATOR COGHILL asked him to comment on his membership in Justice Not Politics Alaska.

MR. GORDON explained that he's a member because he believes the current judicial selection and retention processes work well. It's a mistake to try to change the Alaska Constitution to correct a problem that doesn't exist.

SENATOR COGHILL thanked Mr. Gordon for being willing to serve.

CHAIR MCGUIRE motioned to forward the name William Gordon to the full body for consideration. Hearing and seeing no objection, she announced that the name would be forwarded.

#### **SB 47-LIFE INSURANCE/ANNUITY EXEMPTIONS**

[3:02:41 PM](#)

CHAIR MCGUIRE announced the consideration of SB 47. "An Act relating to exemptions for cash surrender values, accrued dividends, and loan values of life insurance and annuity contracts."

[3:03:00 PM](#)

SENATOR COGHILL, sponsor of SB 47, noted the additional information in the packets. Legislative counsel Dan Wayne issued a memorandum stating that retirement benefits of public employees and members of labor unions generally are protected from garnishment. Lauri Wing-Heier with the Department of Commerce, Community and Economic Development addressed the question about the availability of life insurance and the issue on the cap.

[3:03:34 PM](#)

GERMAN BAQUERO, Intern, Senator John Coghill, stated that the intent of SB 47 is to repeal the \$500,000 cap on the exemption of life insurance policies and make them fully exempt. The memorandum from Mr. Wayne thoroughly explains the exemptions set out in the Alaska Exemptions Act, AS 09.38.017. The legislation

was passed initially because life insurance policies were being used as a private investment tool to secure retirement benefits. It now seems prudent to treat life insurance the same as the other fully exempt retirement benefits in Title 9. Lori Wing-Heier, the Director of the Division of Insurance, advised that the bill will not provide an exemption for criminal acts but will for civil acts.

SENATOR COGHILL noted that the Legal Services memorandum says that AS 09.38.015(a)(6) exempts from debt collection in Alaska "compensation or benefits paid or payable and exempt under federal law." According to the U.S. Supreme Court, garnishment of retirement benefits is generally prohibited by ERISA, the Social Security Act, the Railroad Retirement Act, the Civil Service Retirement Act, and the Veterans' Benefits Act. SB 47 makes it more equitable for the people who are making their own retirement through life insurance or an annuities.

CHAIR MCGUIRE asked Senator Wielechowski if he was satisfied.

SENATOR WIELECHOWSKI questioned the wisdom of a total exemption and wondered whether it was better policy to place a \$5 million or \$10 million cap on the exemption.

SENATOR COGHILL responded that small business owners don't get the same protection that public employees receive. He opined that in many ways those are the people who are carrying the weight in society.

[3:12:01 PM](#)

SENATOR WIELECHOWSKI agreed that the limit should be increased, but argued against making it possible for someone to shield all their assets from potential garnishment.

SENATOR COGHILL talked about the business he grew up in and said that if it hadn't been for insurance policies, his father might have lost his retirement. He offered other examples and opined that small businesses should have the same protections as government employees.

SENATOR WIELECHOWSKI restated that he agrees that the limits should be increased. However, at some point it bumps against someone's constitutional right to file a lawsuit if all assets are shielded from garnishment. He said he's trying to find a balance.

[3:18:21 PM](#)

SENATOR COGHILL moved to report SB 47 from committee with individual recommendations and attached zero fiscal note.

3:18:36 PM

CHAIR MCGUIRE announced that without objection SB 47 is reported from the Senate Judiciary Standing Committee.

3:18:47 PM

There being no further business to come before the committee, Chair McGuire adjourned the Senate Judiciary Standing Committee meeting at 3:18 p.m.