

**ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

February 17, 2018

1:02 p.m.

MEMBERS PRESENT

Representative Sam Kito, Chair
Representative Andy Josephson
Representative Louise Stutes
Representative Mike Chenault (alternate)

MEMBERS ABSENT

Representative Adam Wool, Vice Chair
Representative Chris Birch
Representative Gary Knopp
Representative Colleen Sullivan-Leonard
Representative Bryce Edgmon (alternate)

OTHER LEGISLATORS PRESENT

Representative Justin Parish

COMMITTEE CALENDAR

HOUSE BILL NO. 83

"An Act relating to new defined benefit tiers in the public employees' retirement system and the teachers' retirement system; providing certain employees an opportunity to choose between the defined benefit and defined contribution plans of the public employees' retirement system and the teachers' retirement system; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 83

SHORT TITLE: TEACHERS & PUB EMPLOYEE RETIREMENT PLANS

SPONSOR(S): REPRESENTATIVE(S) KITO

01/27/17	(H)	READ THE FIRST TIME - REFERRALS
01/27/17	(H)	L&C, STA, FIN
03/25/17	(H)	L&C AT 1:00 PM BARNES 124
03/25/17	(H)	Heard & Held

03/25/17	(H)	MINUTE (L&C)
04/12/17	(H)	L&C AT 3:15 PM BARNES 124
04/12/17	(H)	Scheduled but Not Heard
04/14/17	(H)	L&C AT 3:15 PM BARNES 124
04/14/17	(H)	Scheduled but Not Heard
04/19/17	(H)	L&C AT 3:15 PM BARNES 124
04/19/17	(H)	<Bill Hearing Canceled>
02/16/18	(H)	L&C AT 3:15 PM BARNES 124
02/16/18	(H)	Heard & Held
02/16/18	(H)	MINUTE (L&C)
02/17/18	(H)	L&C AT 1:00 PM BARNES 124

WITNESS REGISTER

TIM PARKER

National Education Association (NEA) Alaska
Fairbanks, Alaska

POSITION STATEMENT: Testified in the hearing on HB 83.

JAKE METCALFE, Executive Director

Alaska State Employees Association (ASEA) Local 52
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 83.

SCOTT EICKHOLT

Laborers Local 942
Fairbanks, Alaska

POSITION STATEMENT: Testified in the support of HB 83.

JANICE BAPTISTE, Driver

Local 942 Transit
Fairbanks, Alaska

POSITION STATEMENT: Testified in the support of HB 83.

ROBERT GROVE, Director

Retired Public Employees of Alaska
Fairbanks, Alaska

POSITION STATEMENT: Testified in the hearing on HB 83.

LEON KOTSCH

Local 942 Transit
Fairbanks, Alaska

POSITION STATEMENT: Testified in the hearing on HB 83.

SANDY GUY

Local 942 Transit
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 83.

BOB MURPHY
Kodiak, Alaska

POSITION STATEMENT: Testified in support of HB 83.

VALERIE BROOKS, Teacher
Ketchikan, Alaska

POSITION STATEMENT: Testified in support of HB 83.

RICHARD SEWELL
Anchorage, Alaska

POSITION STATEMENT: Testified in the hearing on HB 83.

EDWARD GRAFF
Laborers Local 942
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 83.

TAMMY SMITH
Fairbanks, Alaska

POSITION STATEMENT: Testified in the hearing on HB 83.

PAUL KELLY, Analyst Programmer II
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 83.

ALICIA HUGHES-SKANDJIS
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 83.

KENNETH SOUTHERLAND
Tlingit-Haida Regional Housing Authority
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 83.

TOM BRICE
Alaska Laborers
Juneau, Alaska

POSITION STATEMENT: Testified in the hearing on HB 83.

NANCY PETERSEN
Local 942 Transit
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 83.

RACHEL ALINSUNURN
Dutch Harbor, Alaska

POSITION STATEMENT: Testified in support of HB 83.

MIRANDA WESTFALL
Dutch Harbor, Alaska

POSITION STATEMENT: Testified in support of HB 83.

BRIANNA MCDRATH
Dutch Harbor, Alaska

POSITION STATEMENT: Testified in support of HB 83.

MICHAEL RISINGER
Anchorage School District
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 83.

DANIEL TUTTLE
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 83.

NADINE LEFEBVRE
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 83.

ERIC HOFFMAN
Juneau, Alaska

POSITION STATEMENT: Testified in the hearing on HB 83.

TENNETH KRAMER
Eagle River, Alaska

POSITION STATEMENT: Testified in support of HB 83.

ACTION NARRATIVE

[1:02:57 PM](#)

CHAIR SAM KITO called the House Labor and Commerce Standing Committee meeting to order at 1:02 p.m. Representatives Stutes, Josephson, Chenault (alternate), and Kito were present at the call to order. Representative Parish was also in attendance.

HB 83-TEACHERS & PUB EMPLOYEE RETIREMENT PLANS

[1:03:46 PM](#)

CHAIR KITO announced that the only order of business would be HOUSE BILL NO. 83, "An Act relating to new defined benefit tiers in the public employees' retirement system and the teachers' retirement system; providing certain employees an opportunity to choose between the defined benefit and defined contribution plans of the public employees' retirement system and the teachers' retirement system; and providing for an effective date."

[1:04:20 PM](#)

CHAIR KITO opened public testimony on HB 83.

[1:04:53 PM](#)

TIM PARKER, National Education Association (NEA) Alaska, testified in the hearing on HB 83. He stated the teacher retirement plan was the worst in the country. He gave some history of the plan. He stated most financial advisors recommend budgeting for 70 percent of income for retirement, but Alaska public education employees are making half of that amount. He added large numbers [of teachers] are leaving the state. He underlined 50 percent or more of Teachers Retirement System (TRS) educators hired after 2006 will outlive their retirement savings.

[1:10:56 PM](#)

JAKE METCALFE, Executive Director, Alaska State Employees Association (ASEA) Local 52, testified in support of HB83. He said the three reasons ASEA supports HB 83 are that it provides security and dignity in retirement; helps recruit the best and brightest of employees; and lessens Alaska "brain drain." He mentioned testimony from the Department of Public Safety (DPS) regarding difficulty in recruiting. He said those people who Alaska needs to provide services, such as nurses, engineers, and teachers are not staying. He gave some family background to illustrate the difficulty of working in later life without a pension.

[1:16:54 PM](#)

SCOTT EICKHOLT, Laborers Local 942, testified in support of HB 83. He spoke to defined benefits plans and said his organization urged the state to ensure that their members could retire at a reasonable age and not have to come back into the

workforce. He highlighted that the older age group staying in work longer prevents younger folks from getting a start.

[1:19:21 PM](#)

JANICE BAPTISTE, Driver, Local 942 Transit, testified in support of HB 83. She said she is 66 and still working and that she is hoping to have a decent retirement. She added that many of her colleagues have left the state. She said younger drivers know they may not have social security. She underlined that many could not afford to stay in the state on the current retirement plan.

[1:21:37 PM](#)

ROBERT GROVE, Director, Retired Public Employees of Alaska, testified in the hearing on HB 83. He said he had formerly been involved in similar hearings on Senate Bill 88 He referred to a state wildlife trooper who had been offered a job in North Dakota making \$30,000 more per year, not including the benefit package. He spoke to the difficulty in Fairbanks, Alaska, in retaining firefighters and state troopers. He said if he weren't a Tier I employee, he would have to leave the state, and the reality is that people are making that choice. There is a feeling among some retirees that the state is "waiting for Tier I retirees to die off," and the legislature will be dealing with the problem in 10 or 20 years, he opined.

[1:26:28 PM](#)

LEON KOTSCH, 942 Transit, testified in the hearing on HB 83. He said he thought it was discriminatory to offer different types of retirement benefits to different groups of public employees. He said he thought the state would retain employees if a planned benefit program was offered. He stated he contributes to a Roth IRA 457 deferred compensation plan in addition to his state retirement. He said that managing his retirement funds on his own was difficult.

[1:29:02 PM](#)

SANDY GUY, Local 942 Transit, testified in support of HB 83. She said she is a lifelong Alaska resident and would not want to be forced to leave the state because she cannot afford to stay.

[1:30:09 PM](#)

BOB MURPHY testified in support of HB 83. He stated he is a Tier II employee with 28 years of service. He expressed his concern that many hired under TRS III or PERS IV in the last ten years have no reason to work for the state until retirement. He added turnover is difficult and costly to the state. He stated defined contribution employees do not have the same incentive to stay in the state that defined benefit employees did.

[1:31:45 PM](#)

VALERIE BROOKS, Teacher, testified in support of HB 83. She said the pension option addresses the fact that public employees do not earn social security benefits. She added that many public education employees have not been working beyond the five-year vested service point.

[1:34:12 PM](#)

RICHARD SEWELL testified in the hearing on HB 83. He said he has an MBA and works for the Department of Transportation (DOT) in statewide aviation. He said he is a Tier I employee and he came back to work for a PERS participating organization even though he will have social security benefit penalized. He said he wonders why participating in social security isn't a choice for employees. He stated the turnover rate of state employees is about 25 percent each year, which results in a workforce of "newbies" that have on-the-job training and after 5 years they leave. He wonders if there any people left in his building who know where the light switches are. He stated DOT needs experienced and well-trained people to deal with the state capital budget of \$800 million per year, which is "a big nut to crack to deliver every year." He referenced a legislative research study comparing Tier III and Tier IV costs to the state. He said the study found that long-term costs for the state are nearly equal, but to get a true fiscal impact statement, the state must consider the high cost of recruitment and training. He said those ancillary costs are significant and must be considered.

[1:37:38 PM](#)

MR. SEWELL gave the example of a University of Alaska graduate who taught for three years and then who had to move to Iowa because the retirement plan was more beneficial. He pointed out that a "difficult-to-recruit, Alaska-trained teacher is gone forever."

[1:38:53 PM](#)

EDWARD GRAFF, Laborers Local 942, testified in support of HB 83. He said the proposed bill would help his group with the high turnover rate.

[1:39:25 PM](#)

TAMMY SMITH testified in the hearing on HB 83. She said she is a teacher and officer with NEA Alaska but was testifying as an individual. She gave some family background to illustrate the difference between Tier I and more recent retirement offerings for state employees. She said her daughter does not have the same secure retirement as a state employee, and that her daughter would find comparable retirement security outside of Alaska.

[1:43:01 PM](#)

PAUL KELLY, Analyst Programmer II, testified in support of HB 83. He indicated he was secretary to the Alaska State Employee Association (ASEA) but was testifying as an individual. He said he had graduated from the University of Alaska and had decided to stay in the state. He said he feels it is important to attract and retain the best employees, so he asked the committee to pass HB 83 as is.

[1:45:33 PM](#)

ALICIA HUGHES-SKANDJIS testified in support of HB 83. She said she is Tier IV grants administrator for Department of Health and Social Services (DHSS) and serves on the board as treasurer for ASEA/AFSCME Local 52 but was testifying as an individual. She highlighted the importance of security for state employees and retirees. She gave the example of West Virginia which had switched away from defined benefit to defined contribution retirement plan and said that the state had returned to a defined benefit retirement system. She described the high turnover in her state office.

[1:49:28 PM](#)

KENNETH SOUTHERLAND, Tlingit-Haida Regional Housing Authority, testified in support of HB 83. He stated he has 50 employees in the PERS system, of which 14 are in Tiers I through III, and 36 are Tier IV employees. He said the company was paying about \$733 thousand per year in PERS costs, of which \$450,000 was for

Tier IV employees, meaning 22 percent of Tier IV employees' salaries was for them to participate in the state's DCR plan. He said the organization could do a matching plan and employees could participate in social security and the company would save \$136 thousand per year. He said \$360,000 could pay for a few houses in each of the small communities. He spoke of a letter he had sent to the Southeast legislators requesting some relief for Tier IV employees. He stated he would rather see a defined benefit plan than a deferred compensation plan.

[1:52:38 PM](#)

TOM BRICE, Alaska Laborers, testified in the hearing on HB 83. He said he had been involved in the original debate on defined benefits and said he feels there needs to be a choice of plan. He described his membership and explained they were not making the highest salaries. He said they are making \$25,000 to \$30,000. He said retirement experts advised 70 percent of income for retirement and added that "70 percent of \$30,000 is not a lot."

[1:55:17 PM](#)

MR. BRICE related a story of a 55-year-old man newly hired at in a maintenance position at Mr. Edgcombe. He said the employee had no idea how to work with deferred compensation retirement. He said he feels that the level of attention that employees have to pay to investments and options created difficulty, and that at least with defined benefits people can make elections and not have to review it every few months.

[1:58:03 PM](#)

NANCY PETERSEN, Local 942 Transit, testified in support of HB 83. She said she was in her sixth year with Van Tran paratransit service in the Fairbanks North Star Borough as driver. She stated she is a lifelong Alaskan and hopes to be able to stay in the state, but that it is difficult not to have retirement to look forward to.

[1:59:14 PM](#)

RACHEL ALINSUNURN stated she was representing herself and a group of Tier III and Tier IV employees testified in support of HB 83. She stated she works for Alaska Department of Fish and Game (DF&G) as a Tier III fisheries biologist. She said she was testifying on behalf of herself and MEGAN FANEUF, ERIKA AYES,

MYRA SCHOLZE, and ASIA BECER, who were Tier IV employees. She said HB 83 help with recruitment and retainment of trained employees and would give stability and continuity to the workforce.

[2:00:48 PM](#)

MIRANDA WESTFALL testified in support of HB 83. She stated she was a Tier IV employee for DF&G and that she had started her state service in her mid-30s. She said that coming in later made her worry about her retirement.

[2:01:34 PM](#)

BRIANNA MCDRATH testified in support of HB 83. She said she was a new Tier IV state employee and was surprised by high employee turnover. She spoke to the effects on the economy of the lack of security in retirement.

[2:02:47 PM](#)

MICHAEL RISINGER, Anchorage School District, testified in support of HB 83. He said he is a member of the Anchorage Education Association and a Tier III teacher for the Anchorage, Alaska, school district. He said he is in support of HB 83 but that it was just a first step. He stated that without paying into social security at 6.2 percent, teachers in Tier III are receiving 7 percent, so just 0.8 percent above social security. He said it seems to be better to have social security where "you do have that flexibility to walk away." He said Alaska, especially given education funding cuts, was starting to be seen as an unstable place to work. He said he hasn't seen a year yet without cuts at his workplace.

[2:05:03 PM](#)

DANIEL TUTTLE testified in support of HB 83. He said he works for the Anchorage, Alaska, school district. He spoke to the brain drain in the schools and the need for defined benefits for workers who wish to remain in the state.

[2:07:16 PM](#)

The committee took an at-ease from 2:07 p.m. to 2:26 p.m.

[2:26:53 PM](#)

NADINE LEFEBVRE testified in support of HB 83. She spoke to recruitment and retention in the state troopers, police, and fire fighters, engineers, and bridge and ferry operators. She stated her view that the difficulty was due to those employees not having a future to look forward to. She said the state needs to be competitive to avoid losing well-trained employees to other states or private industry. She shared her concern that Tier IV folks are trained and then lost within five years.

[2:30:13 PM](#)

ERIC HOFFMAN testified in the hearing on HB 83. He said he was born in Alaska, has strong ties with the state, and wants to remain in the state. He said Alaska is experiencing a public safety staffing crisis. He spoke to a Palm Beach, Florida, case study showing that the city did away with pensions in favor of 401K plans and returned to pensions after four years. He said it was not uncommon for state troopers to be trained and then leave after two or three years. He said he hopes the legislature sees that drastic action needs to be taken.

[2:34:11 PM](#)

REPRESENTATIVE PARISH asked about vacancies in the Juneau Police Department.

MR. HOFFMAN answered that there are vacancies in every department in Alaska.

REPRESENTATIVE PARISH asked how much Mr. Hoffman attributed the vacancies to the lack of a defined benefits option.

MR. HOFFMAN referred to a study that found that 96 percent of public employees remain in their jobs in large part for the pension plan. He said he has recently become a five-year vested employee and there was nothing keeping him except that he loves his job. He said he was questioning if it is worth the risk; friends had been murdered on the job and crime was increasing.

[2:36:51 PM](#)

The committee took an at-ease from 2:36 p.m. to 2:51 p.m.

[2:51:18 PM](#)

TENNETH KRAMER testified in support of HB 83. He said he has been a state employee for 17 years and that he arrived [in

Alaska] with the United States Air Force in 1991. He stated that his military experience taught him the importance of training and retaining people. There is an enormous expense in training. He said he is Tier III and on his "downhill slope." He shared his concern about those in lower tiers. He stated that he thought the most important expense saved is having people stick around.

[2:55:45 PM](#)

The committee took an at-ease from 2:55 p.m. to 2:59 p.m.

[2:59:24 PM](#)

CHAIR KITO announced that HB 83 was held over.

[2:59:33 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 3:00 p.m.