

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

February 19, 2018

3:19 p.m.

MEMBERS PRESENT

Representative Sam Kito, Chair
Representative Adam Wool, Vice Chair
Representative Andy Josephson
Representative Louise Stutes
Representative Chris Birch
Representative Colleen Sullivan-Leonard

MEMBERS ABSENT

Representative Gary Knopp
Representative Mike Chenault (alternate)
Representative Bryce Edgmon (alternate)

COMMITTEE CALENDAR

HOUSE BILL NO. 346

"An Act relating to the licensure of dentists."

- HEARD & HELD

HOUSE BILL NO. 304

"An Act relating to the Alaska microloan revolving loan fund and loans from the fund."

- MOVED HB 304 OUT OF COMMITTEE

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."

- MOVED HB 83 OUT OF COMMITTEE

HOUSE BILL NO. 207

"An Act relating to the sale or other disposal, leasing, or encumbrance of Alaska Railroad Corporation land; and providing for an effective date."

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: HB 346

SHORT TITLE: DENTIST: TEMPORARY PERMIT

SPONSOR(S): LABOR & COMMERCE

02/14/18 (H) READ THE FIRST TIME - REFERRALS
02/14/18 (H) L&C, FIN
02/19/18 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 304

SHORT TITLE: MICROLOAN REVOLVING FUND & LOANS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/24/18 (H) READ THE FIRST TIME - REFERRALS
01/24/18 (H) L&C, FIN
02/12/18 (H) L&C AT 3:15 PM BARNES 124
02/12/18 (H) Heard & Held
02/12/18 (H) MINUTE(L&C)
02/19/18 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 83

SHORT TITLE: TEACHERS & PUB EMPLOYEE RETIREMENT PLANS

SPONSOR(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
02/17/18 (H) Heard & Held

02/17/18 (H) MINUTE (L&C)
02/19/18 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

CAITLYN ELLIS, Staff
Representative Sam Kito
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 346 on behalf of Representative Kito, prime sponsor.

JANEY McCULLOUGH, Division Director
Corporations, Business, & Professional Licensing (DCBPL)
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Answered questions in the hearing on HB 346.

DR. DAVID NIELSON
Alaska Dental Board
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 346.

DR. DAVID LOGAN
Alaska Dental Society
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 346.

BRITANY CIONI-HAYWOOD, Director
Division of Economic Development
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Introduced HB 304 on behalf of the House Rules chair by request of the governor.

EDRIC CARILLO, Staff
Representative Sam Kito
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 83 on behalf of Representative Kito, prime sponsor.

JESSI KIEHL, Staff
Senator Dennis Egan
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions in the hearing on HB 83.

ACTION NARRATIVE

[3:19:18 PM](#)

CHAIR SAM KITO called the House Labor and Commerce Standing Committee meeting to order at 3:19 p.m. Representatives Sullivan-Leonard, Stutes, Birch, Josephson and Kito were present at the call to order. Representative Wool arrived as the meeting was in progress.

HB 346-DENTIST: TEMPORARY PERMIT

[3:20:26 PM](#)

CHAIR KITO announced that the first order of business would be HOUSE BILL NO. 346, "An Act relating to the licensure of dentists."

[3:20:53 PM](#)

CAITLYN ELLIS, Staff, Representative Sam Kito, Alaska State Legislature, introduced HB 346 on behalf of Representative Kito, prime sponsor. She explained the hearing was on a bill drafted from a previous meeting. She paraphrased from the sponsor statement [including in committee packet] which reads as follows [original punctuation provided]:

House Bill 346 would allow the Alaska Board of Dental Examiners to grant temporary licenses when a dental specialist is suddenly incapacitated or when a small community does not have access to specialized care.

Alaska has a limited number of dental specialists, many of whom serve multiple small communities. There are nine dental specialties as defined by the American Dental Association: oral surgery, orthodontics, periodontics (gums), endodontics (root canals), pedodontics (kids), prosthodontics (replacing teeth), public health, , oral pathology (oral diseases), and oral radiology (x-rays); however, Alaska does not have a single specialist in oral radiology. Of the 647 licensed dentists in Alaska, 136 dentists are specialists.

Dental specialists in Alaska are limited in number and have full schedules. If a specialist is suddenly incapacitated, there is no reserve to draw from, and multiple small communities could be without specialist care for an extended period of time. Small communities have historically had a hard time recruiting healthcare practitioners and the trend seems to be worsening.

Temporary dental licenses would allow the Alaska Board of Dental Examiners to maintain dental care in these communities until a full-time dentist can be found. The board is ideally qualified to evaluate the need to circumvent transitional licensing procedures for dentists in exceptional circumstances.

[3:23:11 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD asked whether there are other medical professions that require temporary licensure.

JANEY McCULLOUGH, Division Director, Corporations, Business, & Professional Licensing (DCBPL), Department of Commerce, Community & Economic Development (DCCED), answered questions in the hearing on HB 346. She answered that most of the other professions have an avenue for temporary licensure.

REPRESENTATIVE SULLIVAN-LEONARD asked for confirmation that prior to the proposed legislation specialist dentists did not have the same tool.

MS. McCULLOUGH answered in the affirmative.

[3:24:19 PM](#)

DR. DAVID NIELSON, Alaska Dental Board, testified in support of HB 346. He said the creation of a streamlined, temporary license would solve the problem of incapacitated dental specialists who serve a patient base that cannot be absorbed by the existing licensees, either because they are a specialist or due to their remote location.

[3:25:57 PM](#)

DR. DAVID LOGAN, Alaska Dental Society, testified in support of HB 346. He said the rationale behind the legislation is that

communities risk being without specialist dental services should a specialist become incapacitated.

CHAIR KITO asked for any information on how the bill could be made better.

DR. LOGAN said the proposed bill would allow the board to shorten the process of emergency licensing for dentists.

CHAIR KITO surmised that was consistent with the intent of the bill.

[3:28:00 PM](#)

CHAIR KITO opened public testimony on HB 346. Upon ascertaining that no one was available to testify, he set the proposed bill aside.

CHAIR KITO announced the committee was working on a committee substitute.

[3:28:29 PM](#)

[HB 346 was held over.]

HB 304-MICROLOAN REVOLVING FUND & LOANS

[3:28:32 PM](#)

CHAIR KITO announced that the next order of business would be HOUSE BILL NO. 304, "An Act relating to the Alaska microloan revolving loan fund and loans from the fund."

[3:28:52 PM](#)

BRITANY CIONI-HAYWOOD, Director, Division of Economic Development, Department of Commerce, Community & Economic Development (DCCED), introduced HB 304 on behalf of the House Rules chair by request of the governor. She explained the changes to the [microloan revolving] fund in the legislation. She said one major change would be the extension of the term from 6 years to 15 years as well as a change in the interest rate from prime plus 1 percent to prime plus 2 percent. She added the change would align the program with other state programs.

[3:29:52 PM](#)

CHAIR KITO stated public testimony was still open from the previous hearing. Upon ascertaining that no one was available to testify, he closed public testimony on HB 304

[3:30:19 PM](#)

REPRESENTATIVE WOOL spoke to the program and said he hopes it gets more use.

CHAIR KITO said he would forward information to his constituents to get more interest in the program.

[3:30:59 PM](#)

REPRESENTATIVE WOOL moved to report HB 304 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, it was so ordered.

[3:31:19 PM](#)

The committee took an at-ease from 3:31 p.m. to 3:34 p.m.

HB 83-TEACHERS & PUB EMPLOYEE RETIREMENT PLANS

[3:34:39 PM](#)

CHAIR KITO announced that the final 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."

[3:35:09 PM](#)

EDRIC CARILLO, Staff, Representative Sam Kito, Alaska State Legislature, introduced HB 83 on behalf of Representative Kito, prime sponsor. He paraphrased the sponsor statement [included in committee packet], which reads as follows [original punctuation provided]:

House Bill 83 lets teachers, Troopers, firefighters and other public employees choose one of two state retirement systems: today's defined contribution

retirement account, or earning a new defined benefit pension. And it saves the state money in the process.

A defined benefit pension takes time to earn, but rewards public service by paying a guaranteed monthly benefit and, for long-term employees, health insurance. An individual defined contribution account is portable from one employer to another, and flexible in how it can be used, but makes no guarantees.

HB 83 lets newly hired public servants in Alaska choose the one that fits best. HB 83 creates a new more stable, more predictable defined benefit pension tier for teachers and public employees. A few years ago, Alaska beefed up oversight of the pension system to head off any new surprises. HB 83 keeps these smart reforms, making Alaska pensions stronger than ever.

And because the defined benefit pensions for new employees include sharing the risk of rising health costs, they will never cost employers more than the defined contribution system, saving money for schools, cities, and the State of Alaska. Fiscal notes prepared for prior versions of this bill show it save the state roughly \$70 million in the first 10 years.

Alaska teachers and public employees don't earn the private sector's defined benefit of Social Security, and many even lose Social Security benefits they earned in past jobs. So for most, a defined benefit pension makes sense. Other employees will choose individual defined contribution accounts because they prefer flexibility, portability, and control, or because their plans do not include long-term service in the public sector. HB 83 lets them choose an individual account.

The teachers who educate our children, the police and firefighters who protect our families, and the public employees who serve our state and cities will be able to choose the benefit that best fits their service.

Thank you for your support of House Bill 83.

[3:37:24 PM](#)

REPRESENTATIVE BIRCH stated that his biggest concern was the unconstrained cost downstream and asked about a fiscal note for the proposed bill.

MR. CARILLO deferred to Senator Dennis Egan's staff.

[3:38:13 PM](#)

JESSI KIEHL, Staff, Senator Dennis Egan, Alaska State Legislature, answered questions in the hearing on HB 83. He stated all bills that impact the retirement system of the state are required by statute to have an actuarial analysis before they are reported from the Rules Committee to the floor. He said the proposed bill maintains all the safeguards that had been put in place 10 or 12 years previously.

REPRESENTATIVE BIRCH asked about the current contribution rate for PERS/TERS between employee match and employer match.

MR. KIEHL said it's difficult to disaggregate by tier, but in the fiscal year 2018 [FY 18] budget all employers are charged 22 percent employer rate after the employee contribution rate, which is different for the defined contribution tiers than for prior defined benefit tiers. He added the state makes "on-behalf" payments for the legacy unfunded liability which was roughly 3 percent of payroll in the previous year. He remarked the Tier I system is much more expensive. He highlighted that under HB 83 with employee choice, all employees in the defined contribution plan or the new defined benefit system would pay in at 8 percent of payroll.

REPRESENTATIVE BIRCH asked for confirmation that the employee pays 8 percent and the employer matches that.

MR. KIEHL answered the employer rate would remain 22 percent, but the prefunding cost is different. He added the unfunded legacy issue is still being dealt with.

REPRESENTATIVE BIRCH surmised if an employee makes \$1,000 a month, 8 percent goes into an account with their own name, and the employer matches 22 percent.

MR. KIEHL answered in the defined contribution plan it goes into an account with the employee's name on it.

REPRESENTATIVE BIRCH suggested 30 percent of the employee's salary goes into the account.

CHAIR KITO said he thought the question was whether the state of Alaska's current plan is different from other 401K plans.

[3:42:55 PM](#)

MR. KIEHL answered the current defined contribution plan is similar to some major employers' plans in which the employee contributes to a personalized account and the employer has a partial match equivalent to a 401K. He added that the employer also puts money into the health benefits trust, the health reimbursement account, and the occupational death and disability account. He added that the new tier created in HB 83 would not cost more for the employer to prefund than the defined contribution tier. He said with the risk-sharing of employee health the new pension tier [in HB 83] would not cost employers more to prefund than the defined contribution tier.

CHAIR KITO said there is a percentage that an employee pays and a percentage the employer pays. He asked what those percentages are.

MR. KIEHL answered that in the defined contribution plan, the employee pays 8 percent into an individual account, the employer matches 5 percent into that individual account, roughly 1.2 percent goes into the health trust, 3 percent of payroll goes into a health reimbursement account with the employee's name on it, and the occupational death and disability is roughly 1.4 percent for police and fire employees, and about .75 percent for all other PERS.

[3:45:14 PM](#)

REPRESENTATIVE BIRCH asked whether the Supplemental Annuity Plan (SBS) comes into the equation.

MR. KIEHL answered that it would for those state employees that get SBS. He specified most teachers and municipal employees do not get SBS.

REPRESENTATIVE BIRCH asked what that amounts to.

MR. KIEHL answered the employees contribute roughly the same as social security, so just under 7 percent each.

[3:46:02 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD said it was not clear where the \$70 million in savings comes from.

MR. KIEHL answered that those numbers come from two groups of actuaries who did a series of long-term actuarial projections on the impacts of the proposed bill.

REPRESENTATIVE SULLIVAN-LEONARD suggested it was Conduit Group from the Alaska Retirement Management Board (ARMB).

MR. KIEHL said it was the Department of Administration (DOA) Division of Retirement and Benefits who hired the actuaries.

REPRESENTATIVE SULLIVAN-LEONARD shared her understanding that Conduit Group and Buck had done a study.

MR. KIEHL answered the numbers were generated by Buck and an actuary called Flick Fornia in 2013 and it was not an analysis of a new proposal. He added updated numbers would need to be analyzed.

REPRESENTATIVE SULLIVAN-LEONARD asked for a copy of the study.

MR. KIEHL said he would comply.

[3:48:58 PM](#)

REPRESENTATIVE BIRCH said he thought many current employees are largely in support. He brought up a concern from law enforcement employees who don't have health insurance for 20 years because they retire at age 45.

MR. KIEHL asked whether he was asking about the defined contribution plan or the new tier in HB 83.

REPRESENTATIVE BIRCH asked if there is a medical benefit afforded to law enforcement employees who have a different retirement age from other retirees.

MR. KIEHL stated that under the current defined contribution-only tier, a peace officer or firefighter who retires with 25 years of service will get access to medical coverage as long as they retire directly from the system. Under HB 83, that same 25 years of service applies for vesting in the retirement health benefit, unless the employee is over 65 years of age. He said they also will pay a percentage of the premium that may change over the course of one's career until retirement age, then the

percentage locks. He added the premiums do not lock, the percentage paid would lock.

[3:51:57 PM](#)

CHAIR KITO said public testimony was still open from the previous hearing. Upon ascertaining that no one was available to testify, he closed public testimony on HB 83.

[3:52:22 PM](#)

CHAIR KITO said the effective date had not been updated and would be addressed in Amendment 1.

[3:52:43 PM](#)

CHAIR KITO moved to adopt Amendment 1, which read as follows:

Page 18, line 7:
Delete "July 1, 2017"
Insert "January 1, 2019"

[3:53:02 PM](#)

There being no objection, Amendment number 1 was adopted.

CHAIR KITO advised that a committee substitute would be forthcoming.

REPRESENTATIVE STUTES expressed her full support for the proposed bill.

REPRESENTATIVE JOSEPHSON said he supports HB 83 and said he thinks it will assist with employee retention problems.

[3:54:08 PM](#)

REPRESENTATIVE BIRCH said he was a "no" vote because he had concerns regarding the mounting liability to the state and he did not know how the proposed bill would impact the budget.

REPRESENTATIVE SULLIVAN-LEONARD said she echoed Representative Birch's comments. She added she did not understand where the \$70 million savings would come from and that she felt that until the final actuarial report was issued, "it was pretty hard to say yes on this."

[3:55:40 PM](#)

REPRESENTATIVE WOOL said he thinks public employers are in support of this bill. He gave the example of firefighters who are trained in the state and leave the state after five years.

CHAIR KITO said he thought it was a good idea to have additional tools for employers to recruit and retain employees, especially as the generation of baby boomers enters retirement. He added that one of the biggest liabilities for the state is the liability of health care costs which no one can predict.

[3:57:49 PM](#)

REPRESENTATIVE WOOL moved to report HB 83 as amended out of committee with individual recommendations and the accompanying fiscal notes.

[3:58:03 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD objected.

[3:58:05 PM](#)

A roll call vote was taken. Representatives Stutes, Josephson, Kito, and Wool voted in favor of HB 83. Representatives Birch and Sullivan-Leonard voted against it. Therefore, HB 83 was reported out of the House Labor and Commerce Standing Committee by a vote of 4-2.

[3:59:56 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 3:59 p.m.