

ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE

April 20, 2017
3:08 p.m.

MEMBERS PRESENT

Representative Jonathan Kreiss-Tomkins, Chair
Representative Chris Tuck
Representative Chris Birch
Representative Andy Josephson (alternate)

MEMBERS ABSENT

Representative Gabrielle LeDoux, Vice Chair
Representative Adam Wool
Representative DeLena Johnson
Representative Gary Knopp
Representative Chuck Kopp (alternate)

COMMITTEE CALENDAR

HOUSE BILL NO. 235
"An Act creating the North Star Medal."

- MOVED CSHB 235(STA) OUT OF COMMITTEE

HOUSE BILL NO. 11
"An Act relating to retirement incentives for members of the defined benefit retirement plan of the teachers' retirement system and the defined benefit retirement plan of the Public Employees' Retirement System of Alaska; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 125
"An Act relating to a veteran's designation on an identification card or a driver's license for Hmong veterans and Lao veterans."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 235
SHORT TITLE: NORTH STAR MEDAL
SPONSOR(S): REPRESENTATIVE(S) KREISS-TOMKINS

04/16/17 (H) READ THE FIRST TIME - REFERRALS
04/16/17 (H) STA
04/18/17 (H) STA AT 3:00 PM GRUENBERG 120
04/18/17 (H) Heard & Held
04/18/17 (H) MINUTE(STA)
04/20/17 (H) STA AT 3:00 PM GRUENBERG 120

BILL: HB 11

SHORT TITLE: RIP FOR PUBLIC EMPLOYEES/TEACHERS

SPONSOR(S): REPRESENTATIVE(S) KAWASAKI

01/18/17 (H) PREFILE RELEASED 1/9/17
01/18/17 (H) READ THE FIRST TIME - REFERRALS
01/18/17 (H) STA, FIN
04/20/17 (H) STA AT 3:00 PM GRUENBERG 120

WITNESS REGISTER

JAKE METCALFE, Executive Director
Public Safety Employees Association (PSEA) Local 803
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 235.

BRANDY JOHNSON
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 235.

STEPHANIE GILARDI, Staff
Representative Jonathan Kreiss-Tomkins
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented Amendment 1, on behalf of Representative Kreiss-Tomkins, prime sponsor of HB 235.

REPRESENTATIVE SCOTT KOWASAKI
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 11, as prime sponsor.

MERCEDES COLBERT, Staff
Representative Scott Kawasaki
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 11 on behalf of Representative Kawasaki, prime sponsor.

KELI MCGEE, Chief Human Resources Officer
University of Alaska (UA)
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 11.

ERIKA VAN FLEIN, Director of Benefits
University of Alaska (UA)
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 11.

NANCY MEADE, General Counsel
Central Office
Office of the Administrative Director
Alaska Court System (ACS)
Anchorage, Alaska

POSITION STATEMENT: Provided information during the hearing on
HB 11.

ACTION NARRATIVE

[3:08:00 PM](#)

CHAIR JONATHAN KREISS-TOMKINS called the House State Affairs Standing Committee meeting to order at 3:08 p.m. Representatives Josephson, Birch, Tuck, and Kreiss-Tomkins were present at the call to order.

HB 235-NORTH STAR MEDAL

[3:09:58 PM](#)

CHAIR KREISS-TOMKINS announced that the first order of business would be HOUSE BILL NO. 235 "An Act creating the North Star Medal."

[3:10:26 PM](#)

JAKE METCALFE, Executive Director, Public Safety Employees Association (PSEA) Local 803, testified that PSEA Local 803 represents 800 state municipal police department employees working throughout Alaska; membership includes the Alaska State Troopers (AST), Anchorage and Fairbanks airport police officers and firefighters, Alaska Court System (ACS) officers, Alaska deputy fire marshals, and Ketchikan, Sitka, Juneau, Fairbanks, Soldotna, Dillingham, and Unalaska police department employees. He mentioned that many PSEA members are trained as Search and Rescue (SAR) professionals.

MR. METCALFE relayed that in the past four years, PSEA tragically lost four members in acts of valor and heroism: trooper Tage Toll died in a helicopter accident in March 2013 rescuing a stranded snowmobiler; long time AST troopers Scott Johnson and Gabe Rich were murdered in May 2014 protecting the people of Tanana, Alaska; and Sergeant Allen Brandt of the Fairbanks Police Department (FPD) lost his life in October 2016 protecting the people of Fairbanks. He stated that prior to 2013, PSEA lost other members in similar tragic situations. He said that over time, Alaska has lost many police and fire first responder heroes.

MR. METCALFE offered his support for recognizing the bravery and valor of Alaska's lost heroes through the proposed legislation. He asserted that all four officers he mentioned had in common the fact that they ran toward danger to help and protect Alaskans. He maintained that other Alaska peace officers, firefighters, emergency medical technicians (EMTs), and SAR professionals demonstrate the same duty and responsibility every day. Their acts of bravery, valor, and service for their fellow citizens deserve recognition and honor. He expressed his belief that the proposed legislation would convey that honor to the surviving spouse, the survivors, coworkers, and citizens of Alaska.

[3:13:57 PM](#)

BRANDY JOHNSON testified that her husband, Scott Johnson, was murdered on May 1, 2014, while in the performance of his job as Sergeant with AST. She shared that after Scott's death, she received many great gifts but was perplexed about how each gift was to help her with her grief. She offered that she came to realize that most of these gifts brought comfort to the givers and some brought comfort to her family; and she became more accepting of the gifts and glad that she was helping other people with their grief. She stated that on the urn with her husband's ashes, sits the Alaska state flag. She said, "These are some of the most cherished items nobody wants to have." She maintained that over time one realizes the thoughtfulness that went into the gifts and honors.

MS. JOHNSON stated that the most important action by the state is to take care of the officer's surviving family; it is the fiduciary duty of the state after the ultimate sacrifice. She maintained that if providing the surviving family and/or officer with a medal to recognize that officer's oath and extraordinary

efforts on behalf of the State of Alaska brings one small measure of comfort, then she supports the idea. Ms. Johnson offered to recommend a process to the committee and the Commissioner of the Department of Public Safety (DPS) on proper presentation of the North Star Medal to next of kin if HB 235 becomes law.

[3:16:40 PM](#)

CHAIR KREISS-TOMKINS, after ascertaining that there was no one else who wished to testify, closed public testimony on HB 235.

[3:17:09 PM](#)

STEPHANIE GILARDI, Staff, Representative Jonathan Kreiss-Tomkins, Alaska State Legislature, presented Amendment 1, which read:

Page 1, line 5, following "officer,":
Insert "correctional officer,"

MS. GILARDI stated that Amendment 1 is a technical amendment being offered by the bill's sponsor upon advice of Legislative Legal and Research Services. She relayed that the intent is to include correctional officers in the group eligible for the North Star Medal. Because correctional officers are included only in the Title 39 definition of peace officers and not in the Title 1 definition of peace officers, the forthcoming amendment would clear up any confusion by listing correctional officers in HB 235, thereby making their inclusion explicit.

[3:17:55 PM](#)

REPRESENTATIVE JOSEPHSON moved to adopt Amendment 1, labeled 30-LS0816\D.1, Martin, 4/18/17. There being no objection, Amendment 1 was adopted.

[3:18:45 PM](#)

REPRESENTATIVE TUCK relayed that through contact with the Department of Military & Veterans' Affairs (DMVA) he learned that DMVA has 15 different ways of honoring members of the organized militia of the State of Alaska. He maintained that the proposed legislation would create a "Purple Heart" for state rescuers and first responders. He asked if there was any limitation on the definition of "first responder."

[3:20:02 PM](#)

MS. GILARDI replied that she understood this group to include law enforcement, SAR, and EMTs but does not know if it includes any individual who might respond.

REPRESENTATIVE TUCK referred to the Automatic Identification System (AIS) tracking system described during a [Marine Exchange of Alaska (MXAK)] presentation in the House Special Committee On Arctic Policy (4/20/17). Using this system, a vessel in the vicinity could be notified and come to the rescue of a vessel in distress, even though the rescuing vessel is not the U.S. Coast Guard (USCG) or AST. He asked if the committee wanted to put limitations on the definition of a first responder, or if someone coming to the rescue of another ship might be considered a first responder under HB 235.

[3:21:00 PM](#)

CHAIR KREISS-TOMKINS suggested that the definition of "first responder" gives the commissioner of DPS "wiggle room" to include individuals as needed. He pointed out that the Alaska Medal of Heroism has traditionally been awarded to ordinary Alaskans who insert themselves into a situation in which someone is in need; in the past, that has been the appropriate award in such a scenario; however, the commissioner may use his discretion under the proposed legislation.

REPRESENTATIVE TUCK relayed a scenario: a car hits a powerline; first responders cannot remove the person from the car until the linemen show up to safely remove the energized line. He expressed his hope that the proposed legislation would include the linemen in the definition of first responders; they are not acting as "Good Samaritans" but it is their job.

[3:22:57 PM](#)

REPRESENTATIVE BIRCH stated that he supports HB 235. He said his inclination is that the medal would be more directed toward the traditional first responders - firefighters and EMTs - but agrees there should be flexibility for the commissioner of DPS and the governor to use their discretion in choosing the recipient.

[3:23:53 PM](#)

REPRESENTATIVE JOSEPHSON moved to report HB 235, as amended, out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, CSHB 235(STA) was reported out of the House State Affairs Standing Committee.

HB 11-RIP FOR PUBLIC EMPLOYEES/TEACHERS

[3:24:17 PM](#)

CHAIR KREISS-TOMKINS announced that the final order of business would be HB 11, HOUSE BILL NO. 11, "An Act relating to retirement incentives for members of the defined benefit retirement plan of the teachers' retirement system and the defined benefit retirement plan of the Public Employees' Retirement System of Alaska; and providing for an effective date."

[3:24:41 PM](#)

REPRESENTATIVE SCOTT KOWASAKI, Alaska State Legislature, as prime sponsor of HB 11, stated that HB 11 would implement an early Retirement Incentive Program (RIP) for employees in the defined benefit plans of the Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS). The RIP would be temporary and voluntary. He maintained that the state needs to find ways to alleviate the budget concerns. He relayed that the early retirement program is a simple concept used in both the public and private sector around the world; it currently is being considered in 22 other states.

REPRESENTATIVE KAWASAKI explained the typical early RIP. As an employee accrues more working years, he/she earns a higher salary through wage, step, and merit increases. He said that people who are near or beyond retirement age are considered "expensive" employees. If the person at the top of the wage scale can be encouraged to retire, a younger person can assume the position at a lower salary range.

REPRESENTATIVE KAWASAKI relayed that in 1986, it was estimated that the state could save an estimated \$25 million through a RIP. A legislative audit of the 1989 RIP demonstrated a savings of over \$23 million with nearly 1,764 individual participants. In 1996, former Representative Lesil McGuire introduced a RIP which could have saved the state over \$41 million.

REPRESENTATIVE KAWASAKI mentioned that the court system, which is not subject to the [Alaska] Executive Branch Ethics Act or the legislative body, implemented its own early RIP: [28] employees were eligible for the program; 14 employees did use the program; and the net savings for fiscal year 2018 (FY 18) will be approximately \$680,000.

[3:28:28 PM](#)

REPRESENTATIVE JOSEPHSON asked if the court system has the authority to implement a RIP administratively.

REPRESENTATIVE KAWASAKI answered yes. He related that the court system may do that because it is an autonomous agency. The University of Alaska (UA) is under the Executive Branch Ethics Act and would need enabling legislation to accomplish that; therefore, it has been included in the proposed legislation.

REPRESENTATIVE JOSEPHSON asked if persons interested in the RIP are counseled about the pros and cons of participation, since they would receive less of a defined benefit throughout the span of their lives.

REPRESENTATIVE KAWASAKI opined that people near retirement age "know exactly what they are doing" regarding retirement. He maintained that there are Division of Retirement and Benefits (DRB) [Department of Administration (DOA)] staff who can help people nearing the age of retirement with their decisions. He said that he doesn't foresee a problem of people signing up for this voluntary program and not understanding its full effect on their retirement.

REPRESENTATIVE JOSEPHSON suggested that it would be difficult to measure the impact to the state of losing so many talented people and gaining another group of people who are "moving up the totem pole."

REPRESENTATIVE KAWASAKI conceded that was a valid point; there is a considerable group of senior level employees that would be missed. He maintained that under the proposed legislation, there are structures in place to prevent an entire division from retiring en masse. He offered that there are many who are ready to retire; and others who are young, ambitious, and eager to become supervisors and managers. He asserted that the issue is very complex; other states have considered various iterations of early RIPs; and he offered that examining the issue and options in a subcommittee would be welcome by many legislators.

3:32:31 PM

REPRESENTATIVE BIRCH referred to the sponsor statement, which read, "A Legislative Audit of the 1989 Retirement Incentive Program demonstrated a savings of \$22.9 million with nearly 1,764 individual participants." He pointed out that it calculates to about \$13,000 per person. He asked if the \$22.9 million is per year or a one-time net present value of the change in cost over time.

3:33:18 PM

MERCEDES COLBERT, Staff, Representative Scott Kawasaki, Alaska State Legislature, responded that the amounts mentioned in the sponsor statement are net savings after accounting for administrative costs and which have not been adjusted for inflation.

REPRESENTATIVE BIRCH asked for confirmation that it is a one-time net present value discounted rate over time.

MS. COLBERT responded that her understanding is that it represents the savings throughout the course of the program being in place.

REPRESENTATIVE BIRCH asked about the potential or the merits of vacating a position once the employee retires and transitioning to a contract position or otherwise. He gave as example the Alyeska Pipeline Service Company (APSC): there is a declining throughput; at one time APSC had 2,200 employees and 800 contractors; and now the numbers are "flipped" with about 800 direct employees and 2,200 contractors. He offered that contractors provide significant latitude. He asked if there are RIPS with an inducement to not "backfill" a position that is unnecessary.

MS. COLBERT answered that there are provisions in the proposed legislation that address reemployment and that offer limitations to reemployment. She asked for clarification of Representative Birch's question: Is it concerning the risk of a retiree being rehired on contract or is it concerning backfilling the position with another known person?

REPRESENTATIVE BIRCH gave an example: The Anchorage School District (ASD) could probably save \$10-15 million per year by contracting for custodial building maintenance, food service,

security, and other services, but it is challenging to do so with employees occupying those positions. If a person were to retire under a RIP, that position could be filled by someone costing ASD 70 percent of the cost of maintaining an employee. He asked if the proposed legislation recognizes that option or offers an inducement to fill a position with a less costly alternative for entities that are financially challenged such as ASD.

MS. COLBERT replied that the proposed legislation is not quite that specific, but there are some similar provisions.

[3:36:54 PM](#)

KELI MCGEE, Chief Human Resources Officer, University of Alaska (UA), testified that there are long time loyal employees [with UA] that are very eager to retire and have offered to retire a few years early and make room for someone less costly. She maintained that UA is unable to accommodate them without legislation. She maintained that UA is experiencing financially difficult times, and the proposed legislation would give it flexibility to fill the positions while allowing employees to move on to retirement.

[3:38:37 PM](#)

ERIKA VAN FLEIN, Director of Benefits, University of Alaska (UA), testified that she appreciates the intent of the proposed legislation. She expressed her belief that UA would benefit by having a tool to accommodate employees who are ready to retire but not ready to do so under the current retirement plan. She maintained that some are ready to move on to something else, and others wish to leave because their positions are being restructured or eliminated.

MS. VAN FLEIN pointed out changes that UA would like to see in the proposed legislation. She suggested that UA be added to the intent language in HB 11. She requested that Section 7 be amended to reflect that the UA optional retirement plan is a defined contribution plan, not a defined benefit plan. She added that the effectiveness of HB 11 for UA may be limited, because so many employees are in the defined contribution plan.

MS. VAN FLEIN pointed out that the intent language in Section 1 states that the positions affected by the RIP would be eliminated or not filled. She asked that the proposed legislation reflect that some of the positions for which the

program would be offered are critical and would need to be refilled.

MS. VAN FLEIN also pointed out that under HB 11, the administrator of the program would be the only person who can approve or deny applications for RIP. She maintained that UA experienced a severe loss of key talent in its faculty ranks during the most recent RIP, which was in 1999. This loss left UA in rebuild mode for many years and led to the rehiring of many of these faculty on a temporary or adjunct basis to keep the programs moving forward. She suggested that HB 11 include an administrative authority at the UA level to approve or deny applications.

MS. VAN FLEIN stated that for positions vacated, a salary survey may show that the salaries for those positions are under market value. If it is determined that the positions need to be refilled, UA could be faced with refilling them at a higher rate.

MS. VAN FLEIN referred to AS 39.35.255 to point out the effect that reducing UA's PERS population would have on the PERS 2008 Salary Floor requirement, as follows: The UA would be required to pay the PERS employer contribution of 22 percent on the salary base in effect at the end of FY 08. Currently UA is \$18.9 million under that level, requiring an additional payment of \$4.1 million for the FY 16 plan year. She conceded that while the RIP is an alternative to layoff if some of the university departments had to be restructured or eliminated, the understanding is that UA's PERS base could decrease in either case. She maintained that through a RIP, which is intended to replace higher paid employees with lower paid employees, the legislature would be "feeding into the shortfall from FY 08."

[3:43:55 PM](#)

NANCY MEADE, General Counsel, Central Office, Office of the Administrative Director, Alaska Court System (ACS), testified that ACS implemented a RIP that was very effective. She relayed that the RIP did not involve early retirement but was only an incentive program for retirement. She stated that ACS employees are non-covered employees [for PERS, health insurance, and other fringe benefits], and ACS is much smaller than the executive branch; therefore, the process was streamlined and easier. She said that ACS identified employees for the RIP who were already eligible to retire and had been eligible for at least three years; therefore, had at least 33 years of PERS service; were

age 58 and in the TIER I retirement system; or were age 63 and in the TIER II-IV retirement system. She added that the employees eligible for RIP had to have worked for ACS for ten years. She maintained that these individuals were hesitant to participate; therefore, ASC offered them incentive pay, which was three months' salary. She stated that the RIP was independent of PERS; no PERS credit was earned; and there was no "buying in" or bonding thereafter. The employees taking advantage of the RIP had to agree to do so in 2016, because 2016 funds were being used, and they had to retire by the end of August 2016.

MS. MEADE offered that the intent was to save money because the employees that retired were higher paid through years of service; the counter was that these employees are often extremely valuable employees because of their experience. She stated that there were 28 individuals who were eligible under the conditions of the RIP; of them 14 decided to take advantage of the RIP; and ACS saved \$680,000 per year, which is an ongoing savings. She asserted that ACS did not have any restrictions on the disposition of the positions; some became vacant and remained vacant with the work being absorbed by other employees; for some, the person came back at reduced hours; and for others, ACS was able to hire someone at an entry level salary. She stated that it was a success in reducing operating costs, and it was a one-time only plan.

[3:48:02 PM](#)

REPRESENTATIVE JOSEPHSON referred to the State of the Judiciary speech by Chief Justice [Craig] Stowers of the Alaska Supreme Court [2/8/17] and asked if the ASC RIP was one of the means of achieving the 4 percent cut that he mentioned.

MS. MEADE responded that the ACS budget has decreased 3.5 percent each year for the last 3 years. One way ACS achieved the overall budget cut was through the RIP; the other way was through a 4 percent pay cut to all ACS employees except judges. The pay cut was accomplished by closing the courts Friday afternoon and increasing hours by one half hour the other four days of the week, which resulted in a loss of 2.5 hours of work per employee per week, or a 4 percent cut in employee pay.

CHAIR KREISS-TOMKINS announced that HB 11 would be held over.

[3:50:26 PM](#)

ADJOURNMENT

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 3:50 p.m.