

HOUSE FINANCE COMMITTEE
May 14, 2021
3:30 p.m.

3:30:15 PM

CALL TO ORDER

Co-Chair Merrick called the House Finance Committee meeting to order at 3:30 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Bryce Edgmon
Representative DeLena Johnson
Representative Andy Josephson
Representative Bart LeBon
Representative Steve Thompson
Representative Adam Wool

MEMBERS ABSENT

Representative Sara Rasmussen

ALSO PRESENT

Elise Sorum-Birk, Staff, Representative Josephson;
Representative Zack Fields, Sponsor.

PRESENT VIA TELECONFERENCE

Scott Young, Health Actuary, Buck Consulting.

SUMMARY

HB 55 PEACE OFFICER/FIREFIGHTER RETIRE BENEFITS

CSHB 55(FIN) was REPORTED out of committee with five "do pass" recommendations, one "do not pass" recommendation, and three "no recommendation" recommendations and with one new fiscal impact note from the Department of Administration.

HB 132 SCHOOL APPRENTICESHIP PROGS; TAX CREDITS

CSHB 132(FIN) was REPORTED out of committee with seven "do pass" recommendations, one "do not pass" recommendation, and two "no recommendation" recommendation; and with one new zero note from the Department of Labor and Workforce Development; one previously published indeterminate note: FN3 (REV); and two previously published zero notes: FN2 (LWF) and FN5 (EED).

Co-Chair Merrick reviewed the agenda for the meeting.

#hb55

HOUSE BILL NO. 55

"An Act relating to participation of certain peace officers and firefighters in the defined benefit and defined contribution plans of the Public Employees' Retirement System of Alaska; relating to eligibility of peace officers and firefighters for medical, disability, and death benefits; relating to liability of the Public Employees' Retirement System of Alaska; and providing for an effective date."

[3:30:48 PM](#)

Co-Chair Merrick indicated the committee would be taking up two amendments on HB 55.

Representative LeBon MOVED to ADOPT Amendment 1 (copy on file):

Page 10, line 2:
Delete "10"
Insert "12"

Co-Chair Merrick OBJECTED for discussion.

Representative LeBon explained that Amendment 1 increased the employee contribution rate ceiling by 2 percentage points. The new range for members of the public safety defined benefit tier would be 8 percent to 12 percent rather than 8 percent to 10 percent. It increased the ceiling from 10 percent to 12 percent. Raising the contribution rate ceiling provided an extra level of

adjustment to ensure the plan remained fully funded adequately spreading risks between employers and employees.

Representative LeBon continued that the current underfunded liability in Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) demonstrated the need for the type of headroom he was proposing. He wanted to protect the defined benefit program long into the future. He had received reports that the likelihood of solvency was very high. However, if he looked back over the history of PERS and TRS, it had not always been the case. The legislature was forced, two prior administrations ago, to fund an additional \$3 billion into PERS and TRS, and an effort was made in the current session to add \$1 billion to PERS to bring it into a funded condition. He hoped circumstances would never require asking employees to increase their contribution range. He thought by incorporating a 12 percent ceiling in the bill it would allow for flexibility. He encouraged members to consider Amendment 1.

Co-Chair Merrick WITHDREW the objection.

Representative Josephson OBJECTED.

Representative Josephson indicated that the data he had from two sources suggested that the amendment was unnecessary. His first source was Flick Forna who represented firefighters' interests. He talked about his credentials which were considerable. He showed Representative Josephson a PowerPoint slide which indicated in several different scenarios the plan was above 100 percent solvent. There was one scenario where it briefly dipped below 100 percent. However, he reminded members that 80 percent was regarded as a reasonably solvent plan, and 90 percent was regarded as superior. His second source, Mr. Kirshner, who represented the state's interest, had looked a similar bill, HB 79 [Legislation introduced by Representative Chuck Kopp in 2019], and reported that the bill was in the range of 97.9 percent solvent.

Representative Josephson continued that members had already made a concession to move from 8 percent to 10 percent in the event the Alaska Retirement Management Board (ARMB) called for it. The increments would be small - there would not be a sudden jump from 8 to 10. He thought it was already a concession of the participant code. He noted that employees' checks would be smaller because of an ARMB

decision. He asked the committee to respectfully reject the amendment.

Co-Chair Merrick noted Representative Edgmon had joined the meeting.

3:35:57 PM

Representative Wool questioned whether the amendment was necessary based on Representative Josephson's comments. He wondered if moving the percentage to 12 would pose any kind of threat. He also asked at what point the ceiling would need to go to 10 percent and 12 percent.

Co-Chair Merrick invited Mr. Young to comment.

3:37:07 PM

SCOTT YOUNG, HEALTH ACTUARY, BUCK CONSULTING (via teleconference), introduced himself and asked Representative Wool to repeat his question.

Representative Wool restated his question.

Mr. Young replied that as he understood the provisions, he would look at the fund position of the plan each year. If it fell below the threshold of 90 percent, the ARMB would determine whether to apply any of the triggers - to increase the 8 percent to some higher amount, eliminate a Cost of Living Adjustment (COLA), or any other impact. He did not think the percentage would jump from 8 to 10 or from 10 to 12 in one increment. It was his understanding that the ARMB would have the discretion, based on the current fund status and the amounts of the projected future contributions, to decide on what trigger should be initiated and how much to change.

Representative Wool reiterated his understanding of the amendment and asked if he was accurate.

Mr. Young responded he was correct. He indicated that every year he would do a reassessment of the funding status in the plan. If it was below 90 percent or some other threshold established by the ARMB, he would evaluate how much to change any of the triggers. An increase from 10 percent to 12 percent would simply provide additional flexibility if needed.

Representative Josephson thought another consideration was that the states that were mirroring the proposed plan did not have the same kind of percentage leap. He thought recruitment considerations might come into play. The state might have to tell a person being recruited that the percentage could go from 8 percent to 12 percent. He thought it would be hurtful to recruitment efforts.

Representative LeBon summarized that his motivation for the amendment was a result of the unfunded liability from the past. He wanted to create additional headroom to share the risk of underfunding or underperformance of the fund some day in the future. Once a defined benefits plan was put into place it would be generational.

[3:41:29 PM](#)

At EASE

[3:43:12 PM](#)

RECONVENED

Representative Josephson MAINTAINED the objection.

A roll call vote was taken on the motion.

IN FAVOR: Carpenter, LeBon, Thompson, Merrick, Wool

OPPOSED: Edgmon, Josephson, Ortiz, Foster

The MOTION PASSED (5/4).

Amendment 1 was ADOPTED.

Representative Josephson MOVED to ADOPT Amendment 2 (copy on file):

Page 12, line 7, following "service":
Insert "in the system"

Page 12, line 9, following "service":
Insert "in the system"

Page 20, line 26:
Delete "30"
Insert "60"

Page 20, line 30:

Delete "30-day"
Insert "60-day"

Co-Chair Merrick OBJECTED for discussion.

Representative Josephson asked his staff to review the amendment which was requested by the administration.

ELISE SORUM-BIRK, STAFF, REPRESENTATIVE JOSEPHSON, explained that the amendment came about after a couple of lengthy conversations with the staff at the Division of Retirement and Benefits regarding clarifications they wanted in the bill. She followed up with Legislative Legal Services about what was already taken care of in the bill's current draft. The amendment before the committee was a result of all of those conversations. The amendment did two things. First, on Page 7, line 12, it added the words "in the system" following "service." The change had to do with vesting. There was a concern on the part of the division that if someone was fully vested in the PERS system currently, worked for 5.2 years, but the actuarial analysis showed they could only purchase 4.5 years of service, they would lose their vested status. The request was to insert the language to indicate that vesting depended on years in the PERS System.

Ms. Sorum-Birk continued that the second portion of the amendment had to do with the timeframe the division had to transfer money over from Tier IV accounts to the new tier for individuals who choose to buy in. The division noted they were in the middle of an information technology (IT) modernization and their current workload was very heavy. They asked for 60 days rather than 30 days to complete that task.

Co-Chair Merrick WITHDREW the objection.

There being NO OBJECTION, it was so ordered.

Amendment 2 was ADOPTED.

Co-Chair Foster MOVED to report CSHB 55(FIN) out of Committee with individual recommendations and the accompanying fiscal notes.

Representative Carpenter OBJECTED and chose not to speak to his objection.

A roll call vote was taken on the motion.

IN FAVOR: Edgmon, Josephson, LeBon, Ortiz, Thompson, Wool,
Merrick, Foster
OPPOSED: Carpenter

The MOTION PASSED (8/1).

CSHB 55(FIN) was REPORTED out of committee with five "do pass" recommendations, one "do not pass" recommendation, and three "no recommendation" recommendations and with one new fiscal impact note from the Department of Administration.

[3:47:38 PM](#)

AT EASE

[3:50:13 PM](#)

RECONVENED

Co-Chair Merrick noted Representative Johnson had joined the meeting.

#hb132

HOUSE BILL NO. 132

"An Act relating to technical education and apprenticeships; relating to concurrent vocational education, training, and on-the-job trade experience programs for students enrolled in public secondary schools; relating to child labor; and providing for an effective date."

[3:50:28 PM](#)

Co-Chair Merrick indicated there were 3 amendments for HB 132.

[3:50:42 PM](#)

AT EASE

[3:51:15 PM](#)

RECONVENED

Representative Josephson MOVED to ADOPT Amendment 1 (copy on file):

Page 4, lines 30-31 :

Delete "end of the employment period described in
(c) of this section"

Insert "date the taxpayer hires the registered
apprentice"

Representative LeBon OBJECTED for discussion.

Representative Josephson explained that the amendment would make a correction. The bill, as currently written, referred to an end of employment period described in Section C. The amendment removed an end of employment period and was a technical fix.

Representative LeBon WITHDREW the objection.

There being NO OBJECTION, it was so ordered.

Amendment 1 was ADOPTED.

Representative LeBon MOVED to ADOPT Amendment 2 (copy on file):

Page 4, line 26, following "is":

Insert "\$1,250."

Page 4, lines 27 - 28:

Delete all material.

Page 5, lines 6 - 11:

Delete all material.

Co-Chair Merrick OBJECTED for discussion.

Representative LeBon explained that with his amendment he was trying to create parity between a possible beneficiary of the program. Currently, there was a division between students and veterans - there was a \$1000 potential tax credit for an employer to hire a student versus \$1500 for for that same employer to hire a veteran. He was suggesting the amount of \$1250 across the board to encourage an employer to hire students or veterans.

Representative Wool like the amendment. He suggested that if he was an employer looking at hiring a student or a veteran, the student would be at a disadvantage depending

on how many positions were open. He believed in parody as well.

Co-Chair Merrick invited the bill sponsor to comment on the amendment.

REPRESENTATIVE ZACK FIELDS, SPONSOR, supported the amendment.

Co-Chair Merrick WITHDREW the objection.

There being NO OBJECTION, it was so ordered.

Amendment 2 was ADOPTED.

Representative Thompson MOVED to ADOPT Amendment 3 (copy on file):

Page 5, line 8, following "States":
Insert "or the United States Coast Guard"

Page 5, line 9, following "States":
Insert "or the United States Coast Guard"

Co-Chair Merrick OBJECTED for discussion.

Representative Thompson explained that the amendment included the United States Coast Guard. There was a letter attached to his amendment from Legislative Legal Services confirming that the United States Coast Guard was part of the armed forces.

Co-Chair Merrick WITHDREW the objection.

There being NO OBJECTION, it was so ordered.

Amendment 3 was ADOPTED.

Co-Chair Foster MOVED to report CSHB 132(FIN) out of Committee with individual recommendations and the accompanying fiscal notes.

There being NO OBJECTION, it was so ordered.

CSHB 132(FIN) was REPORTED out of committee with seven "do pass" recommendations, one "do not pass" recommendation, and two "no recommendation" recommendation; and with one

new zero note from the Department of Labor and Workforce Development; one previously published indeterminate note: FN3 (REV); and two previously published zero notes: FN2 (LWF) and FN5 (EED).

Co-Chair Merrick reviewed the agenda for the following meeting.

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ADJOURNMENT

3:55:29 PM

The meeting was adjourned at 3:55 p.m.