

HB

335

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/19/00

REPORTED OUT OF
SFC 4/20/00

FURTHER:

DATE TURNED
IN TO OFFICE: 20 April 00

Finance Committee considered

CS FOR HOUSE BILL NO. 335(FIN)

STATE RETIREMENT SYSTEMS AND BENEFITS

and recommends:

- be replaced with S CS HB 335 (FIN)
- adopt previous _____ CS CS
- attached amendment(s) forthcoming
- adopt Letter of Intent by _____
- further referral to the _____ Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical title
 - new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Bill El...</i>	✓	<i>Bill Adams</i>	X		
<i>Lynne Gregory</i>	✓	<i>Don...</i>	X		
<i>Walt Kelly</i>	✓				
<i>Lawrence...</i>	✓				
<i>Gary White</i>	✓				
Co-Chair: <i>[Signature]</i>	✓	Co-Chair:			
Co-Chair:		Co-Chair:			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
forth coming			
Admin.			

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
Admin	7/5/00		29.2

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

Bill Version: CSHB 335 (STA)

(H) Publish Date: 2/23/00

STATE OF ALASKA
2000 LEGISLATIVE SESSION

Revision Date 2/14/00 Dept. Affected Administration
 Title An Act relating to information contained in BRU Centralized Administrative Services
retirement systems... Component Retirement and Benefits
 Sponsor Representative Hudson
 Requester (H) State Affairs Component No. 64

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel	29.2	29.2	29.2	29.2	29.2	29.2
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	29.2	29.2	29.2	29.2	29.2	29.2

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (PERS/TRS)	29.2	29.2	29.2	29.2	29.2	29.2
TOTAL	29.2	29.2	29.2	29.2	29.2	29.2

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached

Prepared by: Guy Bell Phone 465-4471
 Division Retirement and Benefits Date/Time 2/14/00 8:42 AM
 Approved by Commissioner Robert Poe Jr. Date 2/14/00 2/15/00
 Agency Department of Administration

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HB335 Fiscal Note Analysis

Section 3 (Teachers' Retirement System) and Section 29 (Public Employees' Retirement System) are the only sections in this bill which have any fiscal impact on the retirement funds. These sections would provide an honorarium payment to board members consistent with that paid to members of the Alaska State Pension Investment Board (currently \$150 per day).

For the purposes of this fiscal note we have assumed that the PERS Board will meet 25 days per year and the TRS Board 14 days per year. Each board has five members. Therefore the fiscal impact is calculated as follows:

PERS Board:	25 days x \$150/day x 5 members =	\$ 18.750
TRS Board:	14 days x \$150/day x 5 members =	<u>10.500</u>
Total Cost:		\$ 29.250

Adams COMMITTEE
2000 COMMITTEE ACTION

Bill Number	HB 335		
Amendment	#2B		
Motion	adopt		
<u>Motion by</u>	L (divide question)		
<u>Objection by</u>			
Removed			
<u>Second Objection by</u>			
<u>Committee Member</u>	<u>Y</u>	<u>Vote</u>	<u>N</u>
Senator Al Adams			
Senator Gary Wilken			
Senator Pete Kelly			
Senator Lyda Green			
Senator Randy Phillips			
Senator Dave Donley			
Senator Loren Leman			
Co-Chair Sean Parnell			
Co-Chair John Torgerson			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Withdrawn		

~~Section~~ 2B

Delete section 59 entirely

Donley COMMITTEE
2000 COMMITTEE ACTION

Bill Number	HB 335		
Amendment	#2		
Motion	adopt		
<u>Motion by</u>	Ph		
<u>Objection by</u>	A		
Removed			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	Vote	N
Senator Dave Donley	✓		
Senator Loren Leman	✓		
Senator Al Adams			✓
Senator Gary Wilken			✓
Senator Pete Kelly			✓
Senator Lyda Green		Abstain	
Senator Randy Phillips	✓		
Co-Chair Sean Parnell		—	
Co-Chair John Torgerson	✓		
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>			

VOIDED

Delete sections 58 & 59
entirely

(Will probably require title change)

Amendment #27

CS HB 335 (STF)

1-LS1217\ ~~3~~

ERROR
S/B "M"
Version

Delete Section 5B
entirely

~~Pg 29 line 27
through
Pg 30 line 20~~

Page 29 lines 14-26

~~Will probably require title change~~



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 20 April 00 TIME: 10:10 am

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 3

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: HB 335 1-LS12.17 M

plus attached amendments

final please

Thx
Mindy

corrected
by Tam

CS HB335 (FIN)

SENATE FINANCE
COMMITTEE
Amendment Number: # Amended
Bill Number: HB 335
Sponsor: Wilken date: 4/20/07
Logged In By: Mindy

Amend Section 29, lines 18 and 19 as follows:

Sponsor:
Sen. Wilken

The governor shall fill a [A] vacancy in an unexpired elective term [SHALL BE FILLED] by [ELECTION FOR A NEW SIX-YEAR] appointment for the remainder of the [term.]

until the next regularly scheduled election.

CS HB335 (FIN)

SENATE FINANCE
COMMITTEE #1
Amendment Number: #1
Bill Number: HB 335
Sponsor: Wilken date: 4/20/00
Logged In By: Mindy

Amend Section 29, lines 18 and 19 as follows:

Sponsor:
Sen. Wilken

The governor shall fill a [A] vacancy in an unexpired elective term [SHALL BE FILLED] by [ELECTION FOR A NEW SIX-YEAR] appointment for the remainder of the term.

Leman COMMITTEE
2000 COMMITTEE ACTION

Bill Number	-HB 335		
Amendment	#1 amended		
Motion	adopt		
<u>Motion by</u>	W		
<u>Objection by</u>	T none		
Removed	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Loren Leman			
Senator Al Adams			
Senator Gary Wilken			
Senator Pete Kelly			
Senator Lyda Green			
Senator Randy Phillips			
Senator Dave Donley			
Co-Chair Sean Parnell			
Co-Chair John Torgerson			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u> Pass			

Kelly COMMITTEE
2000 COMMITTEE ACTION

Bill Number	HB 335		
Amendment	# 1		
Motion	amend		
<u>Motion by</u>	W		
<u>Objection by</u>	none		
Removed			
Second Objection by			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Pete Kelly			
Senator Lyda Green			
Senator Randy Phillips			
Senator Dave Donley			
Senator Loren Leman			
Senator Al Adams			
Senator Gary Wilken			
Co-Chair Sean Parnell			
Co-Chair John Torgerson			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>			
Pass			

Wilken COMMITTEE
2000 COMMITTEE ACTION

Bill Number	HB 335		
Amendment	# 2A		
Motion	adopt		
<u>Motion by</u>	Ph		
<u>Objection by</u>	A		
Removed			
Second Objection by			
<u>Committee Member</u>	Y	Vote	N
Senator Gary Wilken			✓
Senator Pete Kelly	✓		
Senator Lyda Green	✓		
Senator Randy Phillips	✓		
Senator Dave Donley	✓		
Senator Loren Leman	✓		
Senator Al Adams			✓
Co-Chair Sean Parnell		—	
Co-Chair John Torgerson	✓		
Tally			
Yea	6		
Nay	2		
Absent	1		
MOTION Pass			

Delete sections 58 & 59 entirely
 pg 29 line 27 through pg 30 line 21
 divided: # 2A section 58
 # 2B section 59
 Will probably require title change



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

MEMORANDUM

TO: Tam Cook, Director
Legal Services
Legislative Affairs Agency

FROM: Darwin Peterson
Senate Finance Committee Staff

A handwritten signature in cursive script that reads "Darwin R. Peterson".

RE: HB 335

Please make the following changes to the Senate Finance Committee version of HB 335 to reflect the actions and intent of the Committee.

- Insert language contained in Section 56 of the State Affairs Committee version (1-LS1217\M) relating to AS 39.50.200(a)(8)
- Delete language contained in Section 58 of the State Affairs Committee version relating to uncodified law Elected Public Officers Retirement System Provisions

Thank you for your attention to this matter.



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 20 April 00 TIME: 6:20 pm

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 2

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: _____

Notes on bills in Sen Fin this morning:

HB 325 -

Amendment #2 adopted unanimously - amendment allows a compromise for all parties involved - allows for hospitals and doctors and nurses to stay first in line for a lien position when the states files a lien against a person who has received medial assistance under state law.

Reminder: don't forget to introduce and pass Amend #1 (attached)
Bill moved from committee.

HB 372 - Cows

No amends.

Moved from committee.

HB 335 - EPORS

Amendment #2A - deleted Section 58 which allows EPORS employees to buy back their retirement if they are elected - passed.

Amendment #1 - passed
(failed #2B)

New fiscal note ordered.

Moved from committee.

HB 324 - Motor vehicle records - '64 GTO

No amends.

Moved from committee.

HB 432

Amendment #1 adopted.

Moved from committee.

Held:

HB 206

HB 419



Alaska State Legislature

Please enter into the record my testimony to the _____ SKIN

committee name

Committee on _____ HB 335 _____, dated _____ 4/30/00

bill # / subject

Please accept the following as written testimony.

Signed:

Mrs. Anita G. Byers

Testifier

Representing (optional)

P.O. Box 865

Address

2626188

Phone number

Name: _____
Address: _____

Thank you for the opportunity to speak to you on this very important bill. This bill contains many changes to the retirement system I am only speaking to sections 37, 38, 39, and 40 of this bill; others can speak to other sections of the bill. I am speaking on behalf of the Support Employees in Kenai. These sections of the bill will allow support employees whose job status changes at some time in the future to make a different decision when and if that happens. If you don't pass this bill these employees will be paying for a benefit and not receiving any additional service. Under the current law a person must guess what their job status will be in the future as they make their choice. House Bill 335 is that clarifies some of the issues in SB 9. This is an oversight that occurred in SB 9 and HB 335 will fix the oversight. This will allow for members who are paying for this service to revoke their choice under some very strict guidelines if their job status changes in the future. Please move HB 335 from your Committee so that these lowest paid school employees could afford to make an informed decision on this issue.

Thank you for the opportunity to testify on this bill.

(This is found on page 20, 21 and 22 of the bill)



Alaska State Legislature

Representative Bill Hudson

State Capitol
Juneau, Alaska
99801-1182
Phone: (907) 465-3744
Fax: (907) 465-2273

Committees:
Chair
Fisheries
Utilities Restructuring
Member
Transportation
State Affairs

SPONSOR STATEMENT

HB 335, Retirement and Benefits Clean-up Legislation

HB 335 has been introduced at the request of the Division of Retirement and Benefits, and is essentially a cleanup bill. According to the department, there are federal laws, court settlements and other technical issues that need to be addressed in an updated state law. Also addressed in this legislation are some efficiency measures requested by the various retirement boards. There has not been a cleanup bill in many years and many of the issues addressed in HB 335 are longstanding ones.

This legislation is aimed at addressing issues involving clarification of current practices and law, compliance with new federal laws, compliance with various settlements, and board efficiencies. We have made every effort to stay away from policy changes and just address the cleanup issues.

There is nothing in this legislation that enhances or diminishes any retirement benefit for active employees or retirees in any public retirement system, and no section in this bill will increase the employers costs.

Thank you for your consideration.

**CS House Bill 335 (Finance)
Sectional Analysis**

Section	System	Explanation
1	All	This section exempts member records, including retiree records, under the Public Records Act, thereby making member name, address, and other information confidential. The Division of Retirement and Benefits' regulations 02 AAC 35.860 and 02 AAC 36.820 making member records confidential was struck down by the Alaska Superior Court (on the grounds that we needed a specific exemption under the Public Records Act). This change would, once again, protect member records. In addition, this section limits release of member records only under specific, authorized circumstances.
2, 30	TRS/PERS	This change would simplify the appointment process by requiring the Governor to appoint two physicians and two alternate physicians to serve on the TRS and PERS Board. This amendment also provides that when two physicians are not available, one physician may satisfy the quorum rules for a medical disability case. There is difficulty in appointing physician members and scheduling meetings to mesh with the schedules of those who have been appointed. Efficiencies and cost savings would follow if but one physician member would satisfy the statute, provided there is a need.
3, 31	TRS/PERS	This amendment would provide for an honorarium payment to TRS/PERS Board members consistent with that paid to members of the Alaska State Pension Investment Board (currently \$150/day) recognizing the significant workload and responsibility entrusted to board members. This provision requires no general fund money. It is financed by the TRS and PERS funds.
4,32	TRS/PERS	This allows each board to adopt regulations defining a quorum for the conduct of its business.
5, 33	TRS/PERS	This section makes the hearing process consistent for all hearings and between PERS and TRS. In addition, the board would be allowed to appoint hearing officers to hear and decide appeals. This provision would allow (but not necessarily require) the board to appoint hearing officers for these situations. By regulation, the Board could identify the types of appeals it might hear itself and set qualifications for hearing officers. Appellants would always have the option to appeal to the Board, even if a hearing officer has considered their cases. Subsection (c) adds that if the board's vote on an appeal under this section is a tie vote, the administrator's decision is affirmed; the board, by regulation, shall provide for a method for it to reconsider a decision it has reached. This codifies the current practice of the board. Subsection (d) allows any person to appeal a final administrative decision to the superior court.
6, 35	TRS/PERS	This section eliminates an inequity in current law. Under the current law, a TRS/PERS member who retires early (not under the RIP) and returns to work receives a penalty for their early retirement. On returning to work, the member's early retirement benefit stops. When the member subsequently retires, their early retirement benefit resumes and they receive a second benefit based on their reemployment service. There is no adjustment for the early retirement benefits foregone. This section will authorize the division to make an actuarial adjustment to make the member whole. This section will not affect employer rates.

**CS House Bill 335 (Finance)
Sectional Analysis**

Section	System	Explanation
7	TRS	This section is amended based on the long-standing policy that the eight year vesting requirement in TRS must be met with at least five years of membership service with the balance made up of Alaska BIA service. The current statute requires a person to have at least three years of BIA service for that service to apply to vesting.
8	TRS	The TRS statute allows a disabilitant to receive an additional 10 percent for each dependent child. It does not clearly state 10 percent of what. This section clarifies the division's long-standing interpretation that the dependent child benefit is 10 percent of the member's base salary immediately before becoming disabled.
9, 41, 42	TRS/PERS	This adds a section to the TRS/PERS statute requiring, unless there are extraordinary circumstances, a member to file a disability application within six months of the date the member's disability began or 90 days after the member terminated employment (whichever is later). The change will make the PERS and TRS filing requirements the same.
10, 24, 49	TRS/PERS/JRS	Adds language authorizing the division's long-standing practice of deducting retiree insurance premiums (medical, dental, vision, audio, and long-term care) from retirement checks.
11, 12, 46, 47, 48, 57	TRS/PERS	This repeals language no longer needed with the additions to in Sections 5 and 33. Makes the hearing process consistent for all types of hearing.
13, 18, 23, 25, 26, 44, 55, 59	All	Amends language to clarify that an alternate payee has a right to the contribution account of a member, not just any benefit payment. This will add significant convenience and protection to members and alternate payees.
14, 23, 26, 45, 59	All	Adds language that allows the retirement system to pay a lump sum distribution directly to another plan or to an Individual Retirement Account - IRA. Without this, division must pay the contribution account balance to the former member, who must then write a check to the IRA custodian.
15, 16, 51	TRS/PERS	Update statutes relating to fraud, making such actions class A misdemeanors.
17, 21, 53	TRS/PERS/JRS	Adds language that sets an upper compensation limit for pension plan purposes for all members first hired on or after July 1, 1996. For this purpose, pension plan employee contributions cannot exceed the limits set out in federal regulations. All members hired after that date must follow the limitations set by Section 401(a)(17) of the IRS code (initially set at \$150,000). This section is necessary for the system to comply with federal law.
19, 54	TRS/PERS	Clarifies that the income and interest earned by the retirement fund belong to the fund. Codifies the practice in place since these funds were established and the trust requirements of the retirement funds.
20	TRS	This section changes the definition to make any Department of Education member subject to the same definition as all other member, namely, certification and being in a position requiring a teaching or administrator's certificate as a condition of employment.

**CS House Bill 335 (Finance)
Sectional Analysis**

Section	System	Explanation
22, 58	JRS/EPORS	Adds language to allow JRS and EPORS members to receive a refund of any principle and interest paid on prior indebtedness. Removes the one-year limitation to repay any prior refunds and allows member to make any repayments up to the time of retirement. Makes JRS and EPORS consistent with PERS and TRS.
27	All	Adds language specifically authorizing self-insurance of retiree medical, dental, vision, audio, and long-term care plans. This authorization applies to PERS, TRS, JRS and EPORS.
28	PERS	This section makes PERS board membership separate from the Personnel Board. Currently the three appointed members on the PERS Board serve by virtue of their appointment to the Personnel Board. This would make PERS Board appointment separate. Rationale: the PERS Board meets almost monthly to hear disability appeals and has other broad responsibilities. The level of activity has risen to the point where separate appointment is appropriate.
29	PERS	Adds language to change how the winner in a PERS board election is determined. Current language uses the term "majority." A majority of votes cast means the winner must receive greater than 50% of the cast votes. This is virtually impossible since a PERS board election usually draws ten or more candidates. The use of the term "majority" virtually assures a runoff election, therefore doubling the cost of the election process. With this change the winner is the person who receives the most votes.
32	PERS	Gives the PERS Board authority over setting the contribution surcharge for noncertificated school district employees who elect to have their service calculated using the TRS schedule. This provision was added through Senate Bill 9, which passed last session. This section brings the setting of the contribution surcharge into an open forum.
34	PERS	This amendment clarifies a conflict that existed in statute. This clarification places retirement system eligibility of employees, including compensated elected officials, in the control of the employer (i.e. city council).
36, 37, 38, 39, 40	PERS	This amendment removes the irrevocability of an election by a noncertificated school district employee under authority of SB 9, which passed last legislative session. Revocation would only be allowed when a person changes their work status from seasonal to full year employment (and vice versa).
43	PERS	Clarifies language regarding the "level income option" that was repealed effective July 1, 1996. This section simply recognizes that people hired before that date have a right to the level income option.
50	PERS	This amendment protects PERS employers from costs arising from requests by employee groups to change their retirement system coverage.
52	PERS	This section clarifies the purposes of Senate Bill 9, enacted during the 1999 legislative session. Under SB9, a person can elect to receive a year of service credit for working at least 172 days in a school year. This amendment clarifies calculation of average monthly compensation for this group.

CS House Bill 335 (Finance)

Sectional Analysis

56	TRS/PERS	Both the PERS and the TRS statutes require appointment of physician board members to hear disability appeals. Due to the disclosure requirements of AS 39.50 (especially disclosure of individual patients), the division and the Governor's Office have had great difficulty recruiting physicians to board appointment. This would amend the law to remove physicians appointed to the PERS and TRS boards from the definition of public official under AS 39.50.
60	PERS	Parallels Section 28, which separates the PERS Board from the Personnel Board. Addresses length of initial appointment of PERS Board appointees.

March 1, 2000

CS HOUSE BILL NO. 335 (FIN)

SECTIONAL ANALYSIS

BY REPRESENTATIVE HUDSON

“An Act relating to...”

* **Section 1.** This section exempts member records, including retiree records, under the Public Records Act, thereby making member name, address, and other information confidential. The Division of Retirement and Benefits' regulations 02 AAC 35.860 and 02 AAC 36.820 making member records confidential was struck down by the Alaska Superior Court (on the grounds that we needed a specific exemption under the Public Records Act). This change would, once again, protect member records. In addition, this section limits release of member records only under specific, authorized circumstances.

Reason: Necessary due to Court action.

* **Section 2.** Two physicians sit on the TRS and PERS boards when medical disability appeals are heard. The current statute requires the Governor to appoint two physicians from each of the four judicial districts in the state. The statute goes on to require that the physicians residing in the locality of the appeal hearing are first to be called to serve. Practically speaking, the Governor has had a very difficult time recruiting physician board members. This change would simplify the appointment process by requiring the Governor to appoint two physicians and two alternate physicians to serve on the TRS Board. This amendment also provides that when two physicians are not available, one physician may satisfy the quorum rules for a medical disability case. There is difficulty in appointing physician members and scheduling meetings to mesh with the schedules of those who have been appointed. Efficiencies and cost savings would follow if but one physician member would satisfy the statute, provided there is a need. The PERS parallel is section 30.

Reason: Board recommendation for efficiency.

* **Section 3.** This amendment would provide for an honorarium payment to TRS Board members consistent with that paid to members of the Alaska State Pension Investment Board (currently \$150/day) recognizing the significant workload and responsibility entrusted to board members. This provision requires no general fund money. It is financed by the TRS fund. The PERS parallel is section 31.

Reason: Board request.

* **Section 4.** This allows the TRS board to adopt regulations defining a quorum for the conduct of its business. The PERS parallel is section 32.

Reason: Board efficiency.

* **Section 5.** The first part of this section clarifies that the TRS board has the authority to adopt regulations for the conduct of hearings. The second part addresses an inconsistency in statute relating to the issuance of subpoenas, administration of oaths, depositions and affidavits. The board already has similar authority to that addressed in this subsection, but curiously only for hearings concerning waivers of adjustments under AS 14.25.175. This new subsection extends that authority to all board hearings. However, the scope of the authority is limited to the hearing proceedings themselves, and by its terms does not extend to prehearing discovery. The goal is to ensure that appropriate evidence may be presented at a hearing without complicating proceedings by broadening the scope to prehearing discovery. In addition, the board would be allowed to appoint hearing officers to hear and decide appeals. This provision would allow (but not necessarily require) the board to appoint hearing officers for these situations. By regulation, the Board could identify the types of appeals it might hear itself and set qualifications for hearing officers. Appellants would always have the option to appeal to the Board, even if a hearing officer has considered their cases.

Subsection (c) adds that if the board's vote on an appeal under this section is a tie vote, the administrator's decision is affirmed; the board, by regulation, shall provide for a method for it to reconsider a decision it has reached. This codifies the current practice of the board.

Subsection (d) allows an aggrieved person to appeal a final administrative decision of the TRS board to the superior court. This provision restates rights that exist as a matter of case law, and also amplifies that a "final" decision by the board is a precondition to further appeal. The PERS parallel is section 33.

Reason: Board recommendation for efficiency and to reduce costs associated with appeals. This provision tracks a sensible provision now applicable only to waivers of adjustment. It clarifies what has been practice and policy.

* **Section 6.** This section eliminates an inequity in current law. Under the current law, a TRS member who retires early (not under the RIP) and returns to work receives a penalty for their early retirement. On returning to work, the member's early retirement benefit stops. When the member subsequently retires, their early retirement benefit resumes and they receive a second benefit based on their reemployment service. There is no adjustment for the early retirement benefits foregone. This section will authorize the division to make an actuarial adjustment to make the member whole. It is anticipated that this section will have no financial impact to the TRS fund. The PERS parallel is section 35.

Reason: Member request to address inequity.

* **Section 7.** This section is amended based on the long-standing policy that the eight year vesting requirement in TRS must be met with at least five years of membership service with the balance made up of Alaska BIA service. The current statute requires a person to have at least three years of BIA service for that service to apply to vesting.

Reason: Clarifies existing practice.

* **Section 8.** The TRS statute allows a disabilitant to receive an additional 10 percent for each dependent child. It does not clearly state 10 percent of what. This section clarifies the division's long-standing interpretation that the dependent child benefit is 10 percent of the member's base salary immediately before becoming disabled.

Reason: Clarifies existing practice

* **Section 9.** This adds a section to the TRS statute requiring, unless there are extraordinary circumstances, a member to file a disability application within six months of the date the member's disability began or 90 days after the member terminated employment (whichever is later). The change will make the PERS and TRS filing requirements the same. The PERS parallels are sections 41 and 42.

Reason: Creates consistency between PERS and TRS systems.

* **Section 10.** This section adds language authorizing the division's long-standing practice of deducting retiree insurance premiums (medical, dental, vision, audio, and long-term care) from retirement checks. The JRS parallel is Section 24 and the PERS parallel is Section 49.

Reason: Not addressed in current statute.

* **Section 11.** Removes requirement that the TRS board must rule on a waiver of adjustment appeal within 120 days of its receipt. The purpose is to have a consistent process for all appeals. PERS parallel is Section 46.

Reason: Board request to increase flexibility to appellants and the TRS.

* **Section 12.** This repeals language no longer needed with the additions to AS 14.25.037 in Section 5. Makes the hearing process consistent for all types of hearing. PERS parallel is Section 48.

Reason: The purpose is to have a consistent process for all appeals.

* **Section 13.** Amends language to clarify that an alternate payee has a right to the contribution account of a member, not just any benefit payment. This will add significant convenience and protection to members and alternate payees. The parallels are sections 23 and 25 (JRS), 44 and 55 (PERS).

Reason: Efficiency and member request.

* **Section 14.** Adds language that allows the retirement system to pay a lump sum distribution directly to another plan or to an Individual Retirement Account - IRA. Without this, TRS must pay the contribution account balance to the former member, who must then write a check to the IRA custodian. The parallels are sections 23 (JRS), 26(NGNMRS), 45 (PERS) and 59 (EPORS).

Reason: Efficiency and member request.

* **Section 15 and 16.** This section updates TRS statutes relating to fraud, making such actions class A misdemeanors. PERS parallel is Section 51.

Reason: Clarification of the law.

* **Section 17.** Adds language that sets an upper compensation limit for pension plan purposes for all members first hired on or after July 1, 1996. For this purpose, pension plan employee contributions cannot exceed the limits set out in federal regulations. All members hired after that date must follow the limitations set by Section 401(a)(17) of the IRS code (initially set at \$150,000). This section is necessary for the system to comply with federal law. The parallels are sections 21 (JRS) and 53 (PERS).

Reason: Required to comply with federal law.

* **Section 18.** Companion to Section 13. Amends the TRS Qualified Domestic Relations Order (QDRO) definition to clarify that a former spouse has a right to the contribution account of a member. Current language limits the former spouse to the benefits payable. The parallels are sections 23 and 25 (JRS), 55 and 59 (PERS).

Reason: Efficiency and member request.

* **Section 19.** Clarifies that the income and interest earned by the TRS fund belong to the fund. Codifies the practice in place since TRS was established in the 1950s and the trust requirements of the retirement fund. The PERS parallel is section 54.

Reason: Codifies practice.

* **Section 20.** The current definition of teacher in TRS is very broad in that it includes the "commissioner of education and all supervisory employees in the Department of Education." This section changes the definition to make any Department of Education member subject to the same definition as all other members; namely, certification and being in a position requiring a teaching or administrator's certificate as a condition of employment.

Reason: Codifies practice.

* **Section 21.** Adds language that defines a compensation limit for pension plan purposes for all Judicial Retirement System (JRS) members first hired on or after July 1, 1996. For this purpose, pension plan employee contributions cannot exceed the limits set out in federal regulations. All justices and judges hired after that date must follow the limitations set by Section 401(a)(17) of the IRS code (initially set at \$150,000). The parallels are sections 17 (TRS) and 53 (PERS).

Reason: Required to comply with federal law

* **Section 22.** Adds language to allow judges to receive a refund of any principle and interest paid on prior indebtedness. Removes the one-year limitation to repay any prior refunds and allows the judge to make any repayments up to the time of retirement. The parallel is section 58 (EPORS).

Reason: Consistency with PERS and TRS.

* **Section 23.** Adds language paralleling that in the other retirement systems defining the rights of justices and judges to a refund when a qualified domestic relations order (QDRO) has been filed. Adds language that protects JRS benefits from any voluntary

or involuntary garnishment or assignment, with the exception of a Qualified Domestic Relations Order (QDRO) or a Medicaid trust. It also allows the retirement system to make payments to Individual Retirement Accounts. Federal law now requires that the retirement system make direct distributions to the former spouse and to other qualified plans. This change will bring the JRS into compliance with federal law. The parallels are sections 13 and 18 (TRS), 44 and 45 (PERS) and 59 (EPORS).

Reason: Consistency with PERS and TRS.

* **Section 24.** This section adds language authorizing the division's long-standing practice of deducting retiree insurance premiums (medical, dental, vision, audio, and long-term care) from JRS retirement checks. The parallels are sections 10 (TRS) and 49 (PERS).

Reason: Codifies existing practice.

* **Section 25.** Amends JRS language to clarify that a former spouse under a Qualified Domestic Relations Order (QDRO) has the right to the contribution and interest account of a justice or judge. Current language limits the former spouse to the benefits payable. The parallels are sections 13 and 18 (TRS), 26 (NGNMRS), 44 and 55 (PERS), 59 (EPORS).

Reason: Consistency with PERS and TRS.

* **Section 26.** Adds language paralleling that in the other retirement systems defining the rights of National Guard Naval Militia Retirement System (NGNMRS) members to a refund when a Qualified Domestic Relations Order (QDRO) has been filed. Adds language that protects NGNMRS benefits from any voluntary or involuntary garnishment or assignment, with the exception of a (QDRO) or a Medicaid trust. It also allows the retirement system to make payments to Individual Retirement Accounts. Federal law now requires that the retirement system make direct distributions to a former spouse and to other qualified plans. This change will bring the NGNMRS into compliance with federal law. The EPORS parallel is section 59.

Reason: Consistency with PERS and TRS.

* **Section 27.** Adds language specifically authorizing self-insurance of retiree medical, dental, vision, audio, and long-term care plans. This authorization applies to PERS, TRS, JRS and EPORS.

Reason: Codifies practice and clarifies current statute.

* **Section 28.** This section makes PERS board membership separate from the Personnel Board. Currently the three appointed members on the PERS Board serve by virtue of their appointment to the Personnel Board. This would make PERS Board appointment separate. Rationale: the PERS Board meets almost monthly to hear disability appeals and has other broad responsibilities. The level of activity has risen to the point where separate appointment is appropriate.

Reason: Board request.

* **Section 29.** Adds language to change how the winner in a PERS board election is determined. Current language uses the term "majority." A majority of votes cast means the winner must receive greater than 50% of the cast votes. This is virtually impossible since a PERS board election usually draws ten or more candidates. The use of the term "majority" virtually assures a runoff election, therefore doubling the cost of the election process. With this change the winner is the person who receives the most votes. If two seats are open, then the top two vote getters are elected.

Reason: Board request and efficiency measure.

* **Section 30.** Two physicians sit on the TRS and PERS boards when medical disability appeals are heard. The current statute requires the Governor to appoint two physicians from each of the four judicial districts in the state. The statute goes on to require that the physicians residing in the locality of the appeal hearing are first to be called to serve. Practically speaking, the Governor has had a very difficult time recruiting physician board members. This change would simplify the appointment

process by requiring the Governor to appoint two physicians and two alternate physicians to serve on the PERS Board. This amendment also provides that when two physicians are not available, one physician may satisfy the quorum rules for a medical disability case. There is difficulty in appointing physician members and scheduling meetings to mesh with the schedules of those who have been appointed. Efficiencies and cost savings would follow if but one physician member would satisfy the statute, provided there is a need. The TRS parallel is section 2.

Reason: Board request and efficiency measure.

* **Section 31.** This amendment provides for an honorarium payment to PERS board members consistent with that paid to members of the Alaska State Pension Investment Board (currently \$150/day) and recognizes the significant workload entrusted to board members. This provision requires no general fund money. It is financed by the PERS fund. The TRS parallel is section 3.

Reason: Board request.

* **Section 32.** This section allows the PERS Board to adopt regulations defining a quorum for the conduct of its business. Subsection 12 is added giving the PERS Board authority over setting the contribution surcharge for noncertificated school district employees who elect to have their service calculated using the TRS schedule. This provision was added through Senate Bill 9, which passed last session. This section brings the setting of the contribution surcharge into an open forum. The TRS parallel is section 4.

Reason: Board request/clarification of legal authority.

* **Section 33.** The first part of this section clarifies that the PERS board has the authority to adopt regulations for the conduct of hearings. The second part addresses an inconsistency in statute relating to the issuance of subpoenas, administration of oaths, depositions and affidavits. The board already has similar authority to that addressed in this subsection, but curiously only for hearings concerning waivers of

adjustments under AS 39.35.522. This new subsection extends that authority to all board hearings. However, the scope of the authority is limited to the hearing proceedings themselves, and by its terms does not extend to prehearing discovery. The goal is to ensure that appropriate evidence may be presented at a hearing without complicating proceedings by broadening the scope to prehearing discovery. In addition, this is added to allow the board to appoint hearing officers to hear and decide appeals. This provision would allow (but not necessarily require) the board to appoint hearing officers for these situations. By regulation, the Board could identify the types of appeals it might hear itself and set qualifications for hearing officers. Appellants would always have the option to appeal to the Board, even if a hearing officer has considered their cases.

If the board's vote on an appeal is a tie vote of those members present and voting, the administrator's decision is affirmed; the board, by regulation, shall provide for a method for it to reconsider a decision it has reached. This codifies the current and past practice of the board. Finally, this section adds final decisions of the board may be appealed by an aggrieved party to the superior court. The TRS parallel is section 5.

Reason: Board request. This provision restates rights that exist as a matter of case law, and also amplifies that a "final" decision by the board is a precondition to further appeal.

* **Section 34.** This amendment clarifies a conflict that existed in statute. This clarification places retirement system eligibility of employees, including compensated elected officials, in the control of the employer.

Reason: Addresses conflict in statute.

* **Section 35.** This section eliminates an inequity in current law. Currently, a PERS member who retires early (not under the RIP) and returns to work receives a penalty for their early retirement. On returning to work, the member's early retirement benefit stops. When the member subsequently retires, their early retirement benefit resumes

and they receive a second benefit based on their reemployment service. There is no adjustment for the early retirement benefits foregone. This section will authorize the division to make an actuarial adjustment to make the member whole. This same inequity would be corrected for level income option benefit recipients who return to work before age 65. It is anticipated that this section will have no financial impact to the TRS fund. The TRS parallel is section 6.

Reason: Addresses inequity in current law and member request.

* **Section 36.** This amendment removes the irrevocability of election by a noncertificated school district employee under authority of SB 9, which passed last legislative session.

Reason: Clarification of SB 9, which passed the last legislative session.

* **Section 37.** This amendment removes the irrevocability of an election by a noncertificated school district employee under authority of SB 9, which passed last legislative session. Revocation would only be allowed when a person changes their work status from seasonal to full year employment (and vice versa).

Reason: Clarification of SB 9, which passed the last legislative session.

* **Section 38.** Adds a new section that sets out the conditions under which a qualified employee of the State of Alaska may make an election once they have passed the initial opportunity at hiring.

Reason: Clarification of SB 9, which passed the last legislative session.

* **Section 39.** This amended to remove the irrevocability of election as this does not consider those instances when a qualified employee of a school district, regional educational attendance area or other qualified employer may change their work status from seasonal to full year employment.

Reason: Clarification of SB 9, which passed the last legislative session.

* **Section 40.** Adds a new section that sets out the conditions under which a qualified employee of a school district, regional educational attendance area or other qualified employer may make an election once they have passed the initial opportunity at hiring.

Reason: Clarification of SB 9, which passed the last legislative session.

* **Section 41.** This amends a section of the PERS statute requiring, unless there are extraordinary circumstances, a member to file a nonoccupational disability application within 90 days after the member terminated employment. The TRS parallel is section 9.

Reason: Establishes consistency between PERS and TRS disability requirements.

* **Section 42.** This adds a subsection to the PERS statute requiring, unless there are extraordinary circumstances, a member must file an occupational disability application within six months of the date the member's disability began or 90 days after the member terminated employment (whichever is later). The TRS parallel is section 9.

Reason: Establishes consistency between PERS and TRS disability requirements.

* **Section 43.** Clarifies language regarding the "level income option" that was repealed effective July 1, 1996. This section simply recognizes that people hired before that date have a right to the level income option.

Reason: State Constitution requirement.

* **Section 44.** Amends PERS language to clarify that an alternate payee under a qualified domestic relations order (QDRO) has a right to the contribution account of a member, not just any benefit payment. TRS parallel is Section 13.

Reason: This clarifies and simplifies QDRO procedures.

* **Section 45.** Adds language that allows the PERS to pay a lump sum distribution directly to an Individual Retirement Account - IRA. The parallels are sections 14 (TRS), 23 (JRS), 26 (NGNMRS) and 59 (EPORS).

Reason: Simplifies procedures for members.

* **Section 46.** Removes requirement that the PERS board must rule on a waiver of adjustment appeal within 120 days of its receipt. The purpose is to have a consistent process for all appeals. TRS parallel is Section 11.

Reason: Board request to increase flexibility to appellants and the PERS.

* **Section 47.** This repeals language no longer needed with the additions to AS 39.35.077. Makes the hearing process consistent for all types of hearing. This supports section 33.

Reason: The purpose is to have a consistent process for all appeals.

* **Section 48.** This repeals language no longer needed with the additions to AS 39 35.077. Makes the hearing process consistent for all types of hearing. This supports section 33.

Reason: The purpose is to have a consistent process for all appeals.

* **Section 49.** This section adds language in PERS authorizing the division's long-standing practice of deducting retiree insurance premiums (medical, dental, vision, audio, and long-term care) from retirement checks. The parallels are sections 10 (TRS) and 24 (JRS).

Reason: Codifies practice.

***Section 50.** This amendment protects PERS employers from costs arising from requests by employee groups to change their retirement system coverage.

Reason: System efficiency.

***Section 51.** This section updates PERS statutes relating to fraud, making such actions class A misdemeanors. TRS parallel is in Sections 15 and 16.

Reason: Clarification of the law.

***Section 52.** This section clarifies the purposes of Senate Bill 9, enacted during the 1999 legislative session. Under SB9, a person can elect to receive a year of service credit for working at least 172 days in a school year. This amendment clarifies calculation of average monthly compensation for this group.

Reason: Legal clarification.

*** Section 53.** Adds language in PERS that defines a compensation limit for pension plan purposes for all members first hired on or after July 1, 1996. All members hired after that date must follow the limitations set by Section 401(a)(17) of the IRS code (initially set at \$150,000). The parallels are sections 17 (TRS) and 21 (JRS).

Reason: Compliance with federal law.

*** Section 54.** Clarifies that the income and interest earned by the PERS fund belong to the fund. Codifies the practice in place since PERS was established in the 1960s and the trust requirements of the retirement fund. The TRS parallel is section 19.

Reason: Codifies practice.

*** Section 55.** Companion to Section 44. Amends the PERS definition of QDRO to clarify that a former spouse has a right to the contribution account of a member. Current language limits the former spouse to the benefit payable. The parallels are sections 13 (TRS), 25 (JRS), 26 (NGNMRS) and 59 (EPORS).

Reason: Addresses legal inconsistency.

*** Section 56.** Both the PERS and the TRS statutes require appointment of physician board members to hear disability appeals. Due to the disclosure requirements of AS 39.50 (especially disclosure of individual patients), the division and the Governor's Office have had great difficulty recruiting physicians to board appointment. This would amend the law to remove physicians appointed to the PERS and TRS boards from the definition of public official under AS 39.50.

Reason: Conflict with patient confidentiality.

* **Section 57.** Repeals sections relating to PERS board hearings that are no longer necessary with the addition of AS 39.35.077 in Section 33.

Reason: Addresses statutory consistency.

***Section 58.** Allows an EPORS member to receive a refund of any principle or interest paid on prior indebtedness. Also grants EPORS members the right to repay an indebtedness at any time up to the time of retirement. This language makes EPORS rules consistent with other state retirement systems. Parallels section 22 (JRS).

Reason: Makes EPORS statute consistent with PERS and TRS.

***Section 59.** Places qualified domestic relations order (QDRO) language in EPORS which is equivalent to that contained in PERS and TRS statutes. Also creates the mechanism for members to transfer their contribution account to another qualified plan or IRA. The parallels are sections 13 and 18 (TRS), 25 (JRS), 26 (NGNMRS), 44 and 55 (PERS).

Reason: Makes EPORS statute consistent with PERS and TRS.

* **Section 60.** Parallels Section 28, which separates the PERS Board from the Personnel Board. Addresses length of initial appointment of PERS Board appointees.

Reason: Ensures continuity of membership on the PERS Board.

Anch School District Supports -

Support the K version of CSMB 277 (FIN)

Over the next 8-10 yrs., ^{our} the Nation's Schools will have to hire more than 2 million teachers.

Experts say this crunch has many causes:

DELETED
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TIME

- 1) The graying of today's teaching corps
- 2) high rates of attrition among young teachers
- 3) nationally - a looming enrollment
- 4) and increased popularity of class size reductions

A particular concern in Alaska and Nation wide is the scarcity of special education related services personnel; speech therapists, audiologists, psychologists and others

CSMB 277 (FIN) will ^{provide} be a needed tool to help school districts in Alaska fill these required positions.

Many other states, notably South Carolina, California and Texas have adopted similar measures.

We encourage you to pass CSMB 277 (FIN) today to help us fill the gap.



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Bill: HB 335: STATE RETIREMENT SYSTEMS AND BENEFITS

SENATE FINANCE COMMITTEE

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HB 335-STATE RETIREMENT SYSTEMS AND BENEFITS

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