

SB

141

(FILE 2)

SFIN

FILE

Senate Finance Committee
SB 141 - PERS/TRS
AMENDMENTS

AMEND #	SPONSOR	TOPIC	MOVED	OBJECT	AMEND	VOTE	ADOPT
1	Olson	G.I Board	Olson	Green		2-5 Failed	
2	Green	tech. commissions Pg 4 lines 22-31 ...	Green	Stedman/ removed			✓
3	Green	COLA	Green	Green/ removed			✓
4	Green	Rest by pol. subv. + Pub. Organization for Resolution	Green	Stedman/ removed			✓
5	Stedman	recognized competence	Stedman	Green/ removed	*		✓
6	Green	"the same" "participating"	Green	Bundel/ removed			✓
7	Green	non-vested TRS	Green	Green/ removed	*		✓
8	Green	list of members	Green	Green/ removed			✓
9	Stedman	fiscal note	Stedman	Green	Withdrawn		
10	Wilken	contract annual review	Wilken	Green	Withdrawn		
11	Stedman	financial condition	Stedman	none			✓
12	Stedman	intent language	Stedman	Green/ removed	*		✓
13	Stedman	contribute	Stedman	Green/ removed			✓
14	Hoffman + Olson	delete "three" insert "two" re. amend. #1	Olson	Green		3-5 Failed	
10A	Wilken		Wilken	none			✓
15	Hoffman	conceptual	Hoffman	Green		2-4-1 Failed	✓
16	Green		Green	none			✓
17	Green	"new paragraphs"	Green	Green/ removed			✓
18	Green	Pg 92 22-25	Green	Green/ removed			✓
19	Green	Pg 11 Ins	Green	Green/ removed			✓
20	Green	University	Green	Green/ removed			✓
X							

SENATE FINANCE
COMMITTEE

Amendment Number: #1
Bill Number: SB 141
Sponsor: Olson Date: 4/3/05
Logged In By: Mindy

24-LS0637/G.1
Craver
4/1/05

AMENDMENT

Conform. to
Version "F"

OFFERED IN THE SENATE

BY SENATOR OLSON

TO: SB 141

1 Page 36, line 27, through page 38, line 6:

2 Delete all material and insert:

3 "(b) The Alaska Retirement Management Board consists of nine trustees. The
4 commissioner of administration and the commissioner of revenue shall serve on the
5 board. Four trustees shall be appointed by the governor and three shall be elected
6 from the membership of state retirement systems.

7 (c) The governor shall appoint four trustees who meet the eligibility
8 requirements for an Alaska permanent fund dividend and who are professionally
9 credentialed or have recognized competence in investment management, finance,
10 banking, economics, accounting, pension administration, or actuarial analysis as
11 follows:

12 (1) two trustees shall be appointed from the general public; a trustee
13 appointed under this paragraph may not hold another state office, position, or
14 employment and may not be a member or beneficiary of a retirement system managed
15 by the board;

16 (2) one trustee shall be employed as a finance officer for a political
17 subdivision participating in the public employees' retirement system;

18 (3) one trustee shall be employed as a finance officer for a political
19 subdivision participating in the teachers' retirement system.

20 (d) Two trustees shall be members of the public employees' retirement system
21 elected by members of the public employees' retirement system. One trustee shall be a
22 member of the teachers' retirement system elected by members of the teachers'
23 retirement system. Elections shall be conducted by the board. The candidate who

1 receives the most votes cast in the election is elected to the seat. If two seats are to be
2 filled at the election, the candidate who receives the highest number of votes cast and
3 the candidate who receives the second highest number of votes cast are elected to the
4 seats. The term of office of an elected member is three years. The governor shall fill
5 a vacancy in an unexpired elective term by appointment for the period remaining
6 before the next regularly scheduled election held under this subsection. The term
7 limitations of (e)(1) of this section do not apply to trustees elected under this
8 subsection.

9 (e) The trustees appointed under (c) of this section

10 (1) shall serve for staggered terms of three years and may be
11 reappointed to the board for a total of three consecutive terms, a person who has
12 served three consecutive terms may not be reappointed to the board for at least one
13 year;

14 (2) may be removed by the governor for cause by written notice, after
15 a trustee receives written notice of removal, the trustee may not participate in board
16 business and may not be counted for purposes of establishing a quorum.

17 (f) A vacancy on the board of trustees appointed to the board under (e)(2) of
18 this section shall be promptly filled. A person filling a vacancy holds office for the
19 balance of the unexpired term of the person's predecessor, and the balance of the
20 unexpired term served is not included in the three-term limitation under (e)(1) of this
21 section. A vacancy on the board does not impair the authority of a quorum of the
22 board to exercise all the powers and perform all the duties of the board.

23 (g) Five trustees constitute a quorum for the transaction of business and the
24 exercise of the powers and duties of the board.

25 (h) A trustee may not designate another person to serve on the board in the
26 absence of the trustee.

27 (i) The board shall provide annual training to its members on the duties and
28 powers of a fiduciary of a state fund and other training as necessary to keep the
29 members of the board educated about pension management and investment.

30 (j) The board shall elect a trustee to serve as chair and a trustee to serve as
31 vice-chair for one-year terms. A trustee may be reelected to serve additional terms as

1 chair or vice-chair."

2

3 Page 90, lines 19 - 26:

4 Delete all material and insert:

5 "** Sec. 112. The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 TRANSITION: INITIAL STAGGERED TERMS OF TRUSTEES OF THE
8 ALASKA RETIREMENT SECURITY AND PORTABILITY BOARD. (a) Notwithstanding
9 AS 37.10.210(e), as repealed and reenacted by sec. 40 of this Act, in making the initial
10 appointments under AS 37.10.210(c), as repealed and reenacted by sec. 40 of this Act, the
11 governor shall appoint one member for one year, one member for two years and two members
12 for three years.

13 (b) Notwithstanding AS 37.10.210(d), as repealed and reenacted by sec. 40 of this
14 Act, the initial term of the candidate who receives the highest number of votes cast in a two-
15 seat election shall be elected to a three-year term, and the candidate in a two-seat election who
16 receives the second highest number of votes cast shall be elected to a one-year term. The
17 initial term of a candidate who receives the highest number of votes cast in a one seat election
18 shall be two years."

OLSON AMENDMENT TO SB 141

RATIONALE

I offer my amendment to SB 141 for two purposes.

The first would adjust the membership on the new Alaska Retirement Management Board to increase number of trustees who are simply members of the PERS from one to two (page 37, line 11) and correspondingly decrease the number of general public trustees from three to two (page 37, line 3). This part of the amendment, I believe, brings more balance to the board. Furthermore, the relative numbers in the attached tabulation of the current membership in the PERS and TRS systems more than justifies an additional PERS trustee.

The second part of the amendment would continue the practice of active and retired employees selecting their own representation on retirement boards. The election process has worked well in the past in finding people who have the interest, ability and experience to serve on this type of board.

I believe the adoption of this amendment will greatly improve the management and labor partnership that is absolutely necessary for the successful operation of our public employees' retirement systems.

PUBLIC EMPLOYEES' / TEACHERS' RETIREMENT SYSTEM INFORMATION BRIEFING

SUBJECT: PERS / TRS Tier Classification Medical Benefits

DATE: JANUARY 10, 2005

NOTE: AS OF DECEMBER 2004 THERE ARE 27,095 PERS/TRS MEMBERS RECEIVING A RETIREMENT AND MEDICAL BENEFIT. IN ADDITION, THERE ARE 24,947 COVERED DEPENDENTS FOR A TOTAL OF 52,042 MEMBERS AND DEPENDENTS WITH MEDICAL COVERAGE.

PERS	Tier 1	Tier 2	Tier 3	Total
Active	7,916	9,086	16,878	33,880
Deferred Vested	2,864	2,785	393	6,042
Deferred	1,871	3,079	7,188	12,138
Retired	17,352	2,041	101	19,494
Total	30,003	16,991	24,560	71,554
Medical Benefits	System paid medical benefits for all benefit recipients and their eligible dependents. Eligible after vesting and normal retirement age of 55 or early retirement at age 50.	System paid medical benefits for Police / Firefighters after 25 years or "all others" at 30 years of service. Eligible after vesting and age 60. Under 60 must pay premium. Disabilitants, regardless of age receive medical coverage.	System paid medical benefits for Police and Firefighters after 25 years or "all others" at 30 years of service. Eligible at age 60 after vesting; 10 years of credited service to qualify. Under age 60 must pay premium. Disabilitants, regardless of age receive medical coverage.	

TRS	Tier 1	Tier 2	Total
Active	3,204	7,037	10,241
Deferred Vested	404	259	663
Deferred	601	1,947	2,548
Retired	8,462	184	8,646
Total	12,671	9,427	22,098
Medical Benefits	System paid Medical benefits for all benefit recipients and their eligible dependents. Eligible after vesting and normal retirement age of 55 or early retirement at age 50.	System paid medical benefits for teachers after 25 years of service. Eligible after vesting and age 60. Under 60 must pay premium. Disabilitants, regardless of age receive medical coverage.	

(Above member counts for both systems are as of October 11, 2004)

Note: Medical benefits account for a significant portion of the Systems liabilities.

PERS: 40% of accrued liability and 28% of accrued liability for TRS.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

April 1, 2005

SUBJECT: Amendment G.1 to SB 141 (Work Order No. 24-LS0637\G.1)

TO: Senator Donny Olson
Attn: David Gray

FROM: Barbara R. Craver *BRC*
Legislative Counsel

Enclosed is the amendment to SB 141 you requested. Please be aware that the "public employees' retirement system" (PERS) under this bill will consist of members in two distinctly different retirement plans: the defined benefits plan and the defined contribution plan. This is also true of the members of the teachers' retirement system (TRS). Under this amendment the membership of PERS and TRS will each elect two and one trustee respectively. If you felt that the interests of members of defined benefit and defined contribution plans were different enough to require separate representation, the PERS trustees could be elected by members of each plan separately. With only one TRS representative, this solution would not work. Also, the transition under sec. 112 has been modified; please let me know if you would prefer different transition provisions.

If I may be of further assistance, please advise.

BRC:med
05-227.med

Enclosure

SENATE FINANCE COMMITTEE
4 / 3 / 2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	# 1		
Motion	adopt		
<u>Motion by</u>	Olson		
<u>Objection by</u>	Green		
Removed			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Bunde			✓
Senator Dyson			✓
Senator Hoffman	✓		
Senator Olson	✓		
Senator Stedman			✓
Co-Chair Wilken			✓
Co-Chair Green			✓
<u>Tally</u>			
Yea		2	
Nay		5	
Absent		1	
MOTION			Fail

AMENDMENT

OFFERED IN THE SENATE
TO: CSSB 141(FIN) WORK DRAFT VERSION "F"

BY SENATOR GREEN

Page 14, lines 22-31:

Delete all material.

Page 16, line 28, following "a":

Delete: "contribution to a member's individual account"

Insert: "member's defined contribution plan contributions"

Page 21, line 11, following "AS":

Delete: "14.25.410"

Insert: "14.25.430"

Page 31, line 26, following "14.25.490,":

Delete: "determined on the basis of actuarial value;

Page 33, line 28, following "AS 14.25.150(b),":

Delete: "14.25.390"

Insert: "14.25.360"

Page 46, line 8, following "AS 37.10.210":

Insert: "AS 37.10.220"

Page 49, line 11, following "before":

Delete: "application and eligibility for normal retirement"

Insert: "meeting the eligibility requirements of AS 14.25.470 or AS 39.35.870"

Page 49, following line 20:

Insert: "Dependent children of an eligible member, until such time as those persons no longer meet the definition of a dependent child, are eligible for reimbursements if the eligible member and surviving spouse have both died."

Page 70, line 23, following "account":

Delete: "in"

Page 71, following line 22:

Insert: "entering the plan"

Page 77, line 20, following "AS":

Delete: "39.35.830"

Insert: "39.35.810"

Page 83:

Re-letter subsections (i), (j), (k), and (l) to (h), (i), (j), and (k).

Page 85, line 26, following "AS":

Delete: "39.30.730"

Insert: "39.35.730"

Page 92, line 25, following "Administration":

Insert: "and the Department of Revenue"

Page 92, line 27, following "Administration":

Insert: "and the Department of Revenue"

SENATE FINANCE COMMITTEE
4 / 3 / 2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment:	#2		
Motion	adopt		
<u>Motion by</u>	Green		
<u>Objection by</u>	Stedman		
Removed	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Co-Chair Wilkerson			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION	Pass		

Amendment Number: #3
Bill Number: SB 141
Sponsor: Green Date: 4/3/08
Logged In By: Mindy

AMENDMENT

adopted

OFFERED IN THE SENATE

BY SENATOR GREEN

TO: CSSB 141(FIN), Draft Version "F"

Cost of Living Adjustment

References to AS 14.25.142 and AS 39.35.480 should be removed from the Repealer Instruction in Sec. 112. The Reviser of Statutes is instructed to make conforming amendments in order to continue COLA payments.

SENATE FINANCE COMMITTEE
4 / 3 / 2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	# 3		
Motion	adopt		
<u>Motion by</u>	Green		
<u>Objection by</u>	Green		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION	Pass		

SENATE FINANCE
COMMITTEE
Amendment Number: #4
Bill Number: SB 141
Sponsor: Green Date: 4/3/05
Logged In By: Mindy

24-LS0637/F.1
Craver
4/2/05

adopted

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR GREEN

TO: CSSB 141(FIN), Draft Version "F"

1 Page 1, line 8, following "hearings;":

2 Insert "providing for political subdivisions and public organizations to request to
3 participate in the public employees' defined contribution retirement plan;"
4

5 Page 85, following line 5:

6 Insert new sections to read:

7 "Sec. 39.35.940. Request by political subdivision to participate and
8 adoption of resolution. A municipality or other political subdivision of the state may
9 request to become an employer in this plan. The request shall be made after adoption
10 of a resolution by the legislative body of the political subdivision and after approval of
11 the resolution by the person required by law to approve the resolution. A certified
12 copy of the resolution shall be filed with the administrator. If the administrator
13 approves the request for participation, the political subdivision is an employer of the
14 plan.

15 Sec. 39.35.945. Request by public organization to participate and
16 adoption of resolution. A public organization may request to become an employer in
17 this plan. The request shall be made after adoption of a resolution by the governing
18 body of the public organization. A certified copy of the resolution shall be filed with
19 the administrator. If the administrator approves the request for participation, the
20 public organization is an employer of the plan."

SENATE FINANCE COMMITTEE
4/13/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#4		
Motion	adopt		
<u>Motion by</u>	Green		
<u>Objection by</u>	Stedman		
Removed	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION	Pass		

Amended
AMENDMENT

SENATE FINANCE
COMMITTEE
Amendment Number: #5
Bill Number: SB 141
Sponsor: Stedman Date: 4/3/05
Logged In By: Minda
adopted
BY SENATOR STEDMAN

OFFERED IN THE SENATE FINANCE COMMITTEE

TO: CS SB 141 (FIN) (Version F)

Page 42 following Line 6, insert new subsection to read:

(3) "recognized competence" means a minimum of ten years professional experience in the fields of investment management, finance, banking, economics, accounting, pension administration or actuarial analysis.

insert "Working or teaching"

SENATE FINANCE
COMMITTEE

Amendment Number: #5
Bill Number: SB 141
Sponsor: Stedman Date: 4/3/05
Logged In By: Mindy

AMENDMENT

OFFERED IN THE SENATE FINANCE COMMITTEE

BY SENATOR STEDMAN

TO: CS SB 141 (FIN) (Version F)

Page 42 following Line 6, insert new subsection to read:

(3) "recognized competence" means a minimum of ten years professional experience in the fields of investment management, finance, banking, economics, accounting, pension administration or actuarial analysis.

SENATE FINANCE COMMITTEE
4 / 3 / 2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	# 5		
Motion	adopt		
<u>Motion by</u>	Stedman		
<u>Objection by</u>	Green		
Removed	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Stedman			
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Senator Olson			
Co-Chair Wilken			
Co-Chair Green			
<u>Ta..y</u>			
Yea			
Nay			
Absent			
MOTION			

SENATE FINANCE COMMITTEE
4/3/2005 COMMITTEE ACTION

Bill Number	SB KI		
Amendment	#5		
Motion	amend		
<u>Motion by</u>	Stedman		
<u>Objection by</u>			
Removed			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Stedman			
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Senator Olson			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		

SENATE FINANCE
COMMITTEE

Amendment Number: #6
Bill Number: SB 141
Sponsor: Green Date: 4/3/05
Logged In By: Mindy

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR GREEN

TO: CSSB 141(FIN) WORK DRAFT VERSION "F"

Page 49, line 14, following "with":

Delete: "the same"

Insert: "a participating"

Page 49, following line 15:

Delete: "and if the employer is still a participating employer."

SENATE FINANCE COMMITTEE
4/3/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#6		
Motion	adopt		
<u>Motion by</u>	Green		
<u>Objection by</u>	Bunde		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stedman			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION	Pass		

SENATE FINANCE
COMMITTEE #7
Amendment Number:
Bill Number: SB 141
Sponsor: Green Date: 4/3/05
Logged In By: Mindy

24-LS0637\F.2*
Craver
4/2/05

AMENDMENT

*adopted
as amended**

OFFERED IN THE SENATE

BY SENATOR GREEN

TO: CSHB 141(FIN), Draft Version "F"

1 Page 1, line 8, following "hearings;":

2 Insert "providing for non-vested members of the teachers' retirement system
3 defined benefit plans to transfer into the teachers' retirement system defined
4 contribution plan; and for non-vested members of the public employees' retirement
5 system defined benefit plans to transfer into the public employees' retirement system
6 defined contribution plan;"

7

8 Page 13, line 11, following "July 1, 2005":

9 Insert ", or to members who transfer into the defined contribution plan under
10 AS 14.25.540"

11

12 Page 28, following line 26:

13 Insert a new section to read:

14 "Sec. 14.25.540. Transfer into defined contribution plan by non-vested
15 members of defined benefit plan. (a) An active member of the defined benefits
16 retirement plan of the teachers' retirement system is eligible to participate in the
17 defined contribution retirement plan established under AS 14.25.310 - 14.25.590, if
18 that member has not vested. Participation in the defined contribution retirement plan
19 is in lieu of participation in the defined benefits plan established under AS 14.25.009 -
20 14.25.220.

21 (b) A member who has vested in a defined benefits retirement plan is not
22 eligible to transfer under this section.

23 (c) Each eligible member who elects to participate in the defined contribution

* NOTE: amendment submitted with handwritten changes
also: ¹ conceptual changes made on the record

1 retirement plan shall have transferred to a new account the present value of the
2 member contribution account balance held in trust for the member under the defined
3 benefits retirement plan of the teachers' retirement system. A matching employer
4 contribution shall be made on behalf of that employee to the new account. Upon
5 transfer of the member contribution account balance, all service credit previously
6 earned under the defined benefits plan shall be nullified for purposes of entitlement to
7 a future benefit under the defined benefits plan, but shall be credited for purposes of
8 eligibility to elect medical benefits under AS 14.25.470. An eligible member whose
9 accounts are subject to a qualified domestic relations order may not make an election
10 to participate in the defined contribution retirement plan under this section unless the
11 qualified domestic relations order is amended or vacated and court-certified copies of
12 the order are received by the administrator.

13 (d) As directed by the participant, the board shall transfer or cause to be
14 transferred the appropriate amounts to the designated account. The board shall
15 establish transfer procedures by regulation, but the actual transfer may not be later
16 than 30 days after the effective date of the member's participation in the defined
17 contribution retirement plan unless the major financial markets for securities available
18 for a transfer are seriously disrupted by an unforeseen event that also causes the
19 suspension of trading on any national securities exchange in the country where the
20 securities were issued. In that event, the 30-day period of time may be extended by a
21 resolution of the board of trustees. Transfers are not commissionable or subject to
22 other fees and may be in the form of securities or cash as determined by the board.
23 Securities shall be valued as of the date of receipt in the participant's account.

24 (e) If the board or the administrator receives notification from the United
25 States Department of the Treasury, Internal Revenue Service, that this section or a
26 portion of this section will cause the retirement system, or a portion of the retirement
27 system, to be disqualified for tax purposes under the Internal Revenue Code, the
28 portion that will cause the disqualification does not apply and the board and the
29 administrator shall notify the presiding officers of the legislature.

30 (f) The election to participate in the defined contribution retirement plan must
31 be made in writing on forms and in the manner prescribed by the administrator.

1 Before accepting an election to participate in the defined contribution plan, the
 2 administrator must provide the employee planning on making an election to participate
 3 in the defined contribution plan with information including calculations to illustrate
 4 the effect of moving the employee's retirement plan from the defined benefit plan to
 5 the defined contribution plan as well as other information to clearly inform the
 6 employee of the potential consequences of the employee's election. An election made
 7 under this section to participate in the defined contribution retirement plan is
 8 irrevocable. Upon making the election, the participant shall be enrolled as a member
 9 of the defined contribution retirement plan, the member's participation in the plan shall
 10 be governed by the provisions of AS 14.25.310 - 14.25.590 and the member's
 11 participation in the defined benefits retirement plan under AS 14.25.009 - 14.25.220
 12 shall terminate. The participant's enrollment in the defined ~~retirement~~^{contribution} ~~contribution~~
 13 plan shall be effective the first day of the month after the administrator receives the
 14 completed enrollment forms. An election made by an eligible member who is married
 15 is not effective unless the election is signed by the individual's spouse.

16 (g) In this section,

17 (1) "defined benefits retirement plan" means the retirement plan
 18 established in AS 14.25.009 - 14.25.220;

19 (2) "defined contribution retirement plan" means the retirement plan
 20 established in AS 14.25.310 - 14.25.590."

21
 22 Page 70, line 2 following "July 1, 2005":

23 Insert ", or to members who transfer into the defined contribution plan under
 24 AS 39.35.940"

25
 26 Page 85, following line 5:

27 Insert a new section to read:

28 "Sec. 39.35.940. Transfer into defined contribution plan by non-vested
 29 members of defined benefit plan. (a) Subject to (g) of this section, an active
 30 member of the defined benefits retirement plan of the public employees' retirement
 31 system is eligible to participate in the defined contribution retirement plan established

1 under AS 39.35.700 - 39.35.990, if that member has not vested. Participation in the
2 defined contribution retirement plan is in lieu of participation in the defined benefits
3 plan established under AS 39.35.095 - 39.35.680.

4 (b) A member who has vested in a defined benefits retirement plan is not
5 eligible to transfer under this section.

6 (c) Each eligible member who elects to participate in the defined contribution
7 retirement plan shall have transferred to a new account the present value of the
8 member contribution account balance held in trust for the member under the defined
9 benefits retirement plan of the public employees' retirement system. A matching
10 employer contribution shall be made on behalf of that employee to the new account.
11 Upon transfer of the member contribution account balance, all service credit
12 previously earned under the defined benefits plan shall be nullified for purposes of
13 entitlement to a future benefit under the defined benefits plan, but shall be credited for
14 purposes of eligibility to elect medical benefits under AS 39.35.870. An eligible
15 member whose accounts are subject to a qualified domestic relations order may not
16 make an election to participate in the defined contribution retirement plan under this
17 section unless the qualified domestic relations order is amended or vacated and court-
18 certified copies of the order are received by the administrator.

19 (d) As directed by the participant, the board shall transfer or cause to be
20 transferred the appropriate amounts to the designated account. The board shall
21 establish transfer procedures by regulation, but the actual transfer may not be later
22 than 30 days after the effective date of the member's participation in the defined
23 contribution retirement plan unless the major financial markets for securities available
24 for a transfer are seriously disrupted by an unforeseen event that also causes the
25 suspension of trading on any national securities exchange in the country where the
26 securities were issued. In that event, the 30-day period of time may be extended by a
27 resolution of the board of trustees. Transfers are not commissionable or subject to
28 other fees and may be in the form of securities or cash as determined by the board.
29 Securities shall be valued as of the date of receipt in the participant's account.

30 (e) If the board or the administrator receives notification from the United
31 States Department of the Treasury, Internal Revenue Service, that this section or a

1 portion of this section will cause the retirement system, or a portion of the retirement
2 system, to be disqualified for tax purposes under the Internal Revenue Code, the
3 portion that will cause the disqualification does not apply, and, the board and the
4 administrator shall notify the presiding officers of the legislature.

5 (f) The election to participate in the defined contribution retirement plan must
6 be made in writing on forms and in the manner prescribed by the administrator.
7 Before accepting an election to participate in the defined contribution plan, the
8 administrator must provide the employee planning on making an election to participate
9 in the defined contribution plan with information including calculations to illustrate
10 the effect of moving the employee's retirement plan from the defined benefit plan to
11 the defined contribution plan as well as other information to clearly inform the
12 employee of the potential consequences of the employee's election. An election made
13 under this section to participate in the defined contribution retirement plan is
14 irrevocable. Upon making the election, the participant shall be enrolled as a member
15 of the defined contribution retirement plan, the member's participation in the plan shall
16 be governed by the provisions of AS 39.35.700 - 39.35.990, and the member's
17 participation in the defined benefits retirement plan under AS 39.35.095 - 39.35.680
18 shall terminate. The participant's enrollment in the defined retirement contribution
19 plan shall be effective the first day of the month after the administrator receives the
20 completed enrollment forms. An election made by an eligible member who is married
21 is not effective unless the election is signed by the individual's spouse.

22 (g) A member may make an election under this section only if the member's
23 employer participates in both the defined benefits retirement plan and the defined
24 contribution retirement plan and consents to transfers under this section. The
25 employer shall notify the administrator if the employer consents to allowing the
26 employer's members to chose to transfer from the defined benefits retirement plan to
27 the defined contribution retirement plan under this section. An employer's notice to
28 allow transfers is irrevocable and applicable to all eligible employees of the employer.

29 (h) In this section,

30 (1) "defined benefits retirement plan" means the retirement plan
31 established in AS 39.35.095 - 39.35.680;

1 (2) "defined contribution retirement plan" means the retirement plan
2 established in AS 39.35.700 - 39.35.990."

SENATE FINANCE COMMITTEE
4/3/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#7		
Motion	adopt - as amended		
	partially conceptual		
<u>Motion by</u>	Green		
<u>Objection by</u>	Green		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		

AMENDMENT

OFFERED IN THE SENATE

adopted
BY SENATOR GREEN

TO: CSSB 141(FIN) WORK DRAFT VERSION "F"

Instruct the legislative drafter to duplicate the following sections of AS 14.25 and AS 39.35 specific to the existing retirement tiers that should also be applied to the new tier:

- AS 14.25.040(b) and (c). Legislators who were teachers.
- AS 14.25.045. Participation by National Education Association employees.
- AS 14.25.047. Participation by Special Education Service Agency employees.
- AS 39.35.131. Membership in teachers' and public employees' retirement systems.
- AS 39.35.153. Army and air national guard employees.
- AS 39.35.154. North Pacific Fishery Management Council employees.
- AS 39.35.158. Administrative director of courts.

The legislative drafter is granted the discretion to make these sections conform to the concept of the defined contribution retirement plan and to make any other changes necessary as a result of adding these new sections.

Sec. 14.25.040. Membership.

(b) A state legislator who was an active member of this system under other sections of this chapter within the 12 months immediately preceding election to office may elect to be an active member of this system for as long as the state legislator serves continuously as a state legislator subject to the requirements of (c) of this section, if, within 90 days after taking the oath of office,

(1) the state legislator directs the employer in writing to

(A) pay into this system the employer contributions required for a member under this chapter; and

(B) deduct from the state legislator's salary and pay into this system

(i) the employee contributions required for a member under this chapter; and

(ii) an amount equal to the difference between the total employer and state contributions required for a member under this chapter and the employer contributions which would be required under the public employees' retirement system (AS 39.35) if the legislator were covered under that system; and

(2) notice is given the administrator in writing.

(c) A state legislator is not entitled to elect membership under (b) of this section if the state legislator is covered for the same period of service under the public employees' retirement system (AS 39.35). An election of membership under (b) of this section is retroactive to the date the state legislator took the oath of office. A state legislator may not receive membership credit under (b) of this section for legislative service performed before the legislative session during which the state legislator elected membership under (b) of this section. In order to continue in membership service under (b) of this section, the state legislator must earn at least 0.3 years of membership service under other sections of this chapter during each five-year period.

Sec. 14.25.045. Participation by National Education Association employees.

(a) An employee or former employee of the National Education Association of Alaska may participate in the system under this chapter if

(1) the employee or former employee possesses or is eligible to possess a teacher certificate under AS 14.20.020; and

(2) the employee or former employee of the National Education Association of Alaska pays all retroactive contributions required to be made under this chapter.

(b) For purposes of computing the period of time for which retroactive contributions may be due, an employee or former employee may count employment with the National Education Association of Alaska since July 1, 1956.

Sec. 14.25.047. Participation by Special Education Service Agency employees.

An employee of the Special Education Service Agency may participate in the system under this chapter if

(1) the employee possesses or is eligible to possess a teacher certificate under AS 14.20.020; and

(2) the employee pays all retroactive contributions required to be made under this chapter.

Sec. 39.35.131. Membership in teachers' and public employees' retirement systems.

(a) A person who is employed at least half-time in the system during the same period that the person is employed at least half-time in a position in the teachers' retirement system under AS 14.25 shall receive credited service under each system for half-time employment. However, the amount of credited service a person receives under the system during a school year may not exceed the amount necessary, when added to the amount of credited service earned during the school year under the teachers' retirement system, to equal one year of credited service.

(b) A person who was employed at least half-time in a position in the teachers' retirement system under AS 14.25 in the same period that the person was employed at least half-time in a position in this system may claim credited service in both systems for employment before May 31, 1989. To obtain this credited service, the person shall claim the service and verify the period of half-time employment. When eligibility for half-time service credit has been established, an indebtedness shall be determined to the retirement system in which the person did not participate. The amount of the indebtedness is the full actuarial cost of providing benefits for the credited service claimed. Interest prescribed by regulation accrues on that indebtedness beginning on the later of July 1, 1989, or the date on which the member is first eligible to claim the service. Any outstanding indebtedness existing at the time the person retires will require an actuarial adjustment to the benefits payable based on that service.

Sec. 39.35.153. Army and air national guard employees.

A regular full-time civilian employee of the Alaska Army National Guard and Air National Guard, whose entire salary is paid from allotted federal funds, is included in this system, if the federal or state government pays the employer's contributions. If the amount that the federal government may legally contribute to the system is lower than the required employer's contribution, the state government shall contribute the difference. If

the employer's contributions are not paid when due, service credit for the period of delinquency may not be granted until the contributions are paid.

Sec. 39.35.154. North Pacific Fishery Management Council employees.

An employee of the North Pacific Fishery Management Council appointed under 16 U.S.C. 1852(f)(1) (Sec. 302(f)(1) of P. L. 94-265), whose compensation is paid from allotted federal funds, is included in the system if the council pays the employer's contributions. If the employer's contributions are not paid when due, credited service for the period of delinquency may not be granted until the contributions are paid.

Sec. 79.35.158. Administrative director of courts.

An administrative director of the Alaska court system who withdraws from the judicial retirement system under AS 22.25.012 is eligible for membership in the system and shall receive credited service in the system for service rendered as administrative director. To be eligible for membership in the system under this subsection, the administrative director must contribute to the system

(1) the amount the director would have contributed if the director had been a member during the director's period of membership in the judicial retirement system; and

(2) any contributions for services as administrative director refunded by the system at the time the director became a member of the judicial retirement system.

SENATE FINANCE COMMITTEE
4 / 3 / 2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#8		
Motion	adopt		
<u>Motion by</u>	Green		
<u>Objection by</u>	Green		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION	Pass		

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR STEDMAN

TO: CS SB 141 (FIN) (Version F)

Withdrawn

Page 34, following Line 12:

Insert new sections to read:

* Sec __. AS 24.08.035(a) is amended to read:

(a) Before a bill or resolution, except an appropriation bill, is reported from the committee of first referral, there shall be attached to the bill a fiscal note containing an estimate of the amount of the appropriation increase or decrease that would result from enactment of the bill for the current fiscal year and five succeeding fiscal years or, if the bill has no fiscal impact, a statement to that effect shall be attached. The fiscal note of a bill that makes any change to the benefit structure of the state's retirement system shall include the additional analysis required in AS 24.08.036. The fiscal note or statement shall be prepared in conformity with the requirements of this section by the department or departments affected and may be reviewed by the office of management and budget. Except as allowed in AS 24.08.036, [T] the fiscal note or statement shall be delivered to the committee requesting it within five days of the request or within two days if the request is made after the 90th day of a regular session, or during a special session of the legislature. If the bill is presented by the governor for introduction in accordance with AS 24.08.060(b) and the uniform rules of the legislature, the fiscal note or statement shall be attached to the bill before the bill is introduced. An amendment or a substitute bill proposed by a committee of referral that changes the fiscal impact of a bill shall be explained in a revised fiscal note or statement attached to the bill.

* Sec __. AS 24.08.035(b) is amended to read:

(b) In addition to the fiscal note required by this section and AS 24.08.036, the sponsor of a bill or resolution may prepare a fiscal note in conformity with the requirements of this section, and submit it to the committee of first referral or the finance committee. A committee may prepare an additional fiscal note in conformity with the requirements of this section.

* Sec __ AS 24.08.036 is repealed and reenacted to read:

Sec. 24.08.036. Fiscal notes on bills affecting the benefit structure of state retirement systems. (a) In addition to the requirements of AS 24.08.035, the fiscal note of a bill that makes any change to the benefit structure of the state's retirement system shall include an actuarial analysis of the bill's affect on the assets and liabilities of the retirement systems. This analysis shall be prepared and certified by a member of the American Academy of Actuaries and coordinated through the division of retirement and benefits.

(b) The completed fiscal note shall be reviewed by the Commissioner of Administration and forwarded to the chair of the Alaska Retirement Management Board for comment and recommendations.

(c) A committee of referral proposing an amendment or a substitute bill that changes the inputs or assumptions used by the actuary in preparing the fiscal note required in this section must obtain a revised actuarial analysis prior to reporting the amended bill or committee substitute from committee. This revised actuarial analysis shall be preformed in accordance with this section.

Amendment Number: # 9
Bill Number: SB 141
Sponsor: Stedman Date: 4/3/05
Introduced In By: Robin

AMENDMENT
as amended

OFFERED IN THE SENATE

BY SENATOR STEDMAN

TO: CS SB 141 (FIN) (Version F)

Page 34, following Line 12:

Insert new sections to read:

* Sec __. AS 24.08.035(a) is amended to read:

(a) Before a bill or resolution, except an appropriation bill, is reported from the committee of first referral, there shall be attached to the bill a fiscal note containing an estimate of the amount of the appropriation increase or decrease that would result from enactment of the bill for the current fiscal year and five succeeding fiscal years or, if the bill has no fiscal impact, a statement to that effect shall be attached. The fiscal note of a bill that makes any change to the benefit structure of the state's retirement system shall include the additional analysis required in AS 24.08.036. The fiscal note or statement shall be prepared in conformity with the requirements of this section by the department or departments affected and may be reviewed by the office of management and budget. Except as allowed in AS 24.08.036, [F] the fiscal note or statement shall be delivered to the committee requesting it within five days of the request or within two days if the request is made after the 90th day of a regular session, or during a special session of the legislature. If the bill is presented by the governor for introduction in accordance with AS 24.08.060(b) and the uniform rules of the legislature, the fiscal note or statement shall be attached to the bill before the bill is introduced. An amendment or a substitute bill proposed by a committee of referral that changes the fiscal impact of a bill shall be explained in a revised fiscal note or statement attached to the bill.

See page 2 →

* Sec __. AS 24.08.035(b) is amended to read:

(b) In addition to the fiscal note required by this section and AS 24.08.036, the sponsor of a bill or resolution may prepare a fiscal note in conformity with the requirements of this section, and submit it to the committee of first referral or the finance committee. A committee may prepare an additional fiscal note in conformity with the requirements of this section.

* Sec __. AS 24.08.036 is repealed and reenacted to read:

Sec. 24.08.036. Fiscal notes on bills affecting the benefit structure of state retirement systems. (a) In addition to the requirements of AS 24.08.035, the fiscal note of a bill that makes any change to the benefit structure of the state's retirement system shall include an actuarial analysis of the bill's affect on the assets and liabilities of the retirement systems. This analysis shall be prepared and certified by a member of the American Academy of Actuaries and coordinated through the division of retirement and benefits.

(b) The completed fiscal note shall be reviewed by the Commissioner of Administration and forwarded to the chair of the Alaska Retirement Management Board for comment and recommendations.

(c) A committee of referral proposing an amendment or a substitute bill that changes the inputs or assumptions used by the actuary in preparing the fiscal note required in this section must obtain a revised actuarial analysis prior to reporting the amended bill or committee substitute from committee. This revised actuarial analysis shall be performed in accordance with this section.

Insert →

(d) The 5 day and 2 day requirement specified in AS 24.08.35 does not apply to bills affecting the benefit structure of state retirement systems.

SENATE FINANCE COMMITTEE
4/3/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	# 9		
Motion	Amend		
<u>Motion by</u>	Stedman		
<u>Objection by</u>			
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Co-Chair Wilken			
Co-Chair Greer			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION	Withdrawn		

SENATE FINANCE COMMITTEE
4/3/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#9		
Motion	adopt		
<u>Motion by</u>	Stedman		
<u>Objection by</u>	Green		
Removed			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION	Withdrawn		

SENATE FINANCE
COMMITTEE

Amendment Number: #10
Bill Number: SB 141
Sponsor: Wilken Date: 4/3/05
Logged In By: Mindy

AMENDMENT

OFFERED IN THE SENATE
TO: CSSB 141(FIN), Draft Version "F"

BY SENATOR WILKEN
Withdrawn

Page 39, following line 30:

Insert "(8) contract for annual review of the primary actuarial valuation and the primary actuarial assumptions by a secondary nationally recognized actuarial firm. The review shall be prepared no later than 90 days after the primary actuarial recommendations are received by Alaska Retirement Management Board. Alaska Retirement Management Board shall consider substantial concerns raised by the second firm within 60 days of receiving the review and shall make rate adjustments or take other appropriate actions in order to fulfill their fiduciary duties under this section.

Renumber sections accordingly.

SENATE FINANCE COMMITTEE
4/3/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	# 10		
Motion	adopt		
<u>Motion by</u>	Wilken		
<u>Objection by</u>	Green		
Removed			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Stedman			
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Senator Olson			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION			

1 of the American Academy of Actuaries and conduct experience analyses of the
2 retirement systems not less than once every four years, except for health cost
3 assumptions, which shall be reviewed annually;

4 (9) contract for an independent audit of the state's actuary not less than
5 once every four years;

6 (10) contract for an independent audit of the state's performance
7 consultant not less than once every four years;

8 (11) obtain an external performance review to evaluate the investment
9 policies of each fund entrusted to the board and report the results of the review to the
10 appropriate fund fiduciary;

11 (12) by the first day of each regular legislative session, report to the
12 governor, the legislature, and the individual employers participating in the state's
13 retirement systems on the financial condition of the systems in regard to

14 (A) the valuation of trust fund assets and liabilities;

15 (B) current investment policies adopted by the board;

16 (C) a summary of assets held in trust listed by the categories of
17 investment;

18 (D) the income and expenditures for the previous fiscal year;

19 (E) the return projections for the next calendar year;

20 (F) one-year, three-year, five-year, and 10-year investment
21 performance for each of the funds entrusted to the board; and

22 (G) other statistical data necessary for a proper understanding
23 of the financial status of the systems;

24 (14) submit quarterly updates of the investment performance reports to
25 the Legislative Budget and Audit Committee; and

26 (15) develop an annual operating budget.

27 (b) The board may

28 (1) employ outside investment advisors to review investment policies;

29 (2) enter into an agreement with the fiduciary of another state fund in
30 order to assume the management and investment of those assets;

31 (3) contract for other services necessary to execute the board's powers

Amendment Number: #10

Bill Number: SB 141

Sponsor: Wilken Date: 4/3/05

Logged In By: Mindy

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR WILKEN

TO: CSSB 141(FIN), Draft Version "F"

Page 39, following line 30:

Insert "(8) contract for annual review of the primary actuarial valuation and the primary actuarial assumptions by a secondary nationally recognized actuarial firm. The review shall be prepared no later than 90 days after the primary actuarial recommendations are received by Alaska Retirement Management Board. Alaska Retirement Management Board shall consider substantial concerns raised by the second firm within 60 days of receiving the review and shall make rate adjustments or take other appropriate actions in order to fulfill their fiduciary duties under this section.

Renumber sections accordingly.

AMENDMENT

OFFERED IN THE SENATE FINANCE COMMITTEE

BY SENATOR STEDMAN

adopted

TO: CS SB 141 (FIN) (Version F)

Page 10 following Line 16, insert new section to read:

* Sec. __. AS 14.25.143(a), as that subsection read following amendment by sec. 3, ch. 146, SLA 1980, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

(a) When the administrator determines that the cost of living has increased and that the financial condition of the retirement fund permits, the administrator shall increase benefit payments to persons receiving benefits under this system. **For purposes of this section, the financial condition of the retirement fund would permit an increase only if the ratio of total fund assets to accrued liabilities meets or exceeds 110%.**

Page 67 following Line 22, insert new section to read:

* Sec. __. AS 39.35.475(a), as that subsection read following amendment by sec. 3, ch. 146, SLA 1980, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

(a) When the administrator determines that the cost of living has increased and that the financial condition of the retirement fund permits, the administrator shall increase benefit payments to persons receiving benefits under this system. **For purposes of this section, the financial condition of the retirement fund would permit an increase only if the ratio of total fund assets to accrued liabilities meets or exceeds 110%.**

SENATE FINANCE COMMITTEE
4 / 3 / 2005 COMMITTEE ACTION

Bill Number	SB 141	
Amendment	# 11	
Motion	adopt	
<u>Motion by</u>	Stedman	
<u>Objection by</u>		
<u>Removed</u>		
<u>Second Objection by</u>		
<u>Committee Member</u>	Y	<u>Vote</u> N
Senator Bunde		
Senator Dyson		
Senator Hoffman		
Senator Olson		
Senator Stedman		
Co-Chair Wilken		
Co-Chair Green		
<u>Tally</u>		
Yea		
Nay		
Absent		
MOTION	Pass	

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

SENATE FINANCE
COMMITTEE

Amendment Number: #12
Bill Number: SB 141
Sponsor: Stedman Date: 4/3/06
Logged In By: Mindy

Amended
AMENDMENT Number

OFFERED IN THE SENATE FINANCE COMMITTEE

BY SENATOR STEDMAN

TO: CS SB 141 (FIN) (Version F)

Adopted

Page 37 before Line 1, add intent language to the beginning of Sec 37.10.210:

It is the intent of the legislature that ^{there be a moratorium of legislation affecting the} after the members of the Alaska Retirement ^{retirement} Management Board are appointed and the board is assembled, ^{the board will} ~~but they report~~ to the ^{systems} legislature within 120 days or ^{6 days after} the start of the next legislative session which ever ^{is sooner, on the following:}

- a. Their preliminary assessment of the health of the retirement system
- b. Their assessment of the state's actuary
- c. Their recommendations for what additional policy measures might be taken by the administration or the legislature to further improve the health of the system
- d. Their recommendations of possible long and short-term financial solutions to the system's unfunded accrued liabilities
- e. Their recommendations on what new procedures should be adopted by the legislature ~~and~~ regarding ~~financial notes~~ fiscal notes for ~~the benefit of~~ ~~legislation~~ any new legislation affecting the states retirement systems.

SENATE FINANCE COMMITTEE
4/3/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#12 as amended		
Motion	adopt		
<u>Motion by</u>	Stedman		
<u>Objection by</u>	Green		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		

SENATE FINANCE
COMMITTEE

Amendment Number: #12
Bill Number: SB 141
Sponsor: Stedman Date: 4/3/05
Logged In By: Mindy
original

A M E N D M E N T Number _____

OFFERED IN THE SENATE FINANCE COMMITTEE

BY SENATOR STEDMAN

TO: CS SB 141 (FIN) (Version F)

replaced by
Amended Amendment
#12

Page 37 before Line 1, add intent language to the beginning of Sec 37.10.210:

It is the intent of the legislature that after the members of the Alaska Retirement Management Board are appointed and the board is assembled, that they report to the legislature within 120 days or at the start of the next legislative session which ever is sooner, on the following:

- a. Their preliminary assessment of the health of the retirement system
- b. Their assessment of the state's actuary
- c. Their recommendations for what additional policy measures might be taken by the administration or the legislature to further improve the health of the system
- d. Their recommendations of possible long and short-term financial solutions to the system's unfunded accrued liabilities

SENATE FINANCE
COMMITTEE

Amendment Number: #13
Bill Number: SB 141
Sponsor: Stedman Date: 4/3/05
Logged In By: Mindy

AMENDMENT Number _____

OFFERED IN THE SENATE FINANCE COMMITTEE

BY SENATOR STEDMAN

TO: CS SB 141 (FIN) (Version F)

adopted

Page 15

Amend Sec. 14.25.350 (a) to read:

(a) An employer shall contribute to the member's individual account an amount equal to 4.5 [3.5] percent of each member's compensation from July 1 to the following June 30.

Page 71

Amend Sec. 39.35.750 (a) to read:

(a) An employer shall contribute to the member's individual account an amount equal to 4.5 [3.5] percent of each member's compensation from July 1 to the following June 30.

Page 49

Amend Sec. 39.30.370 to read:

Sec.39.30.370. Contributions by employers. For each member of the plan, an employer shall contribute to the teachers' and public employees' retiree health reimbursement arrangement plan trust fund an amount equal to two [ONE] percent of the employer's average annual employee compensation [NOT TO EXCEED \$500 A MEMBER A YEAR].

SENATE FINANCE COMMITTEE
4 / 3 / 2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#13		
Motion	adopt		
<u>Motion by</u>	Stedman		
<u>Objection by</u>	Green		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	<u>Y</u>	<u>Vote</u>	<u>N</u>
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		

FAILED

SENATE FINANCE
COMMITTEE
Amendment Number: #14
Bill Number: SB 141
Sponsor: Olson Date: 4/3/05
Logged In By: Hoffman

AMENDMENT

OFFERED IN THE SENATE

BY SENS. OLSON & HOFFMEN

TO: SB 141 (F version)

Page 37, line 20: Delete "three" and
Insert "two".

Page 37, line 28: Delete "one" and
Insert "two".

SENATE FINANCE COMMITTEE
4/3/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#14		
Motion	adopt		
<u>Motion by</u>	Olson		
<u>Objection by</u>	Green		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Dyson			✓
Senator Hoffman	✓		
Senator Olson	✓		
Senator Stedman	✓		.
Senator Bunde			✓
Co-Chair Wilken			✓
Co-Chair Green			✓
<u>Tally</u>			
Yea	3		
Nay	4		
Absent	1		
<u>MOTION</u>	Failed		

Amendment Number # 10A
conceptual

Sen. Wilken
adopted

Page 39 (8) review actuarial assumptions prepared and certified by a member of the American Academy of Actuaries and conduct experience analyses of the retirement systems not less than once every four years; ^{results of the} ~~the~~ assumption experience study will include a "peer review" before going to the ARM for review. Health cost assumptions shall be reviewed annually.

SENATE FINANCE COMMITTEE
4/3/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#10A		
Motion	adpt		
<u>Motion by</u>	Wilken		
<u>Objection by</u>	none		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stedman			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		

Senator Wilken offered the amendment and objected for sake of discussion.

He did not formally remove that objection, but that was the implied intent.

Robin 10/7/05

SENATE FINANCE COMMITTEE
4/3/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#15		
Motion	adopt		
<u>Motion by</u>	Hoffman		
<u>Objection by</u>	Green		
Removed			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Stedman			✓
Senator Bunde			
Senator Dyson			✓
Senator Hoffman	✓		
Senator Olson	✓		
Co-Chair Wilken			✓
Co-Chair Green			✓
<u>Tally</u>			
Yea		2	
Nay		4	
Absent		1	
<u>MOTION</u>	Failed		

conceptual "hybrid"
or
include a "blended plan" as discussed
by working group comprised of both
defined contributions + defined benefits in a tier 4

*Amendment #16
Adopted*

24-LS0637F

Sen. Green

WORK DRAFT

WORK DRAFT

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Sec. 14.25.350. Contributions by employers. (a) An employer shall contribute to each member's individual account an amount equal to 3.5 percent of the member's compensation from July 1 to the following June 30.

(b) An employer shall also contribute an amount equal to ¹~~3~~.75 percent of each member's compensation from July 1 to the following June 30 to pay for retiree major medical insurance. This contribution shall be paid into the group health and life benefits fund established by the commissioner of administration under AS 39.30.095 and shall be accounted for in accordance with regulations established by the commissioner.

(c) An employer shall also make contributions to the health reimbursement arrangement plan under AS 39.30.300.

Sec. 14.25.360. Rollover contributions and distributions. (a) A teacher entering the plan may elect, at the time and in the manner prescribed by the administrator, to have all or part of a direct rollover distribution from an eligible retirement plan owned by the member paid directly into the member's individual account.

(b) Rollover contributions ~~do not~~ count as a purchase of membership service for the purpose of determining years of service.

(c) A distributee may elect, at the time and in the manner prescribed by the administrator, to have all or part of a direct rollover distribution paid directly to an eligible retirement plan specified by the distributee in the direct rollover.

- (d) In this section,
- (1) "direct rollover" means the payment of an eligible rollover distribution by the plan to an eligible retirement plan specified by a distributee who is eligible to elect a direct rollover;
 - (2) "distributee" means a member, or a beneficiary who is the surviving spouse of the member, or an alternate payee;
 - (3) "eligible retirement plan" means
 - (A) a conduit individual retirement account described in 26 U.S.C. 408(d)(3)(A);
 - (B) an annuity plan described in 26 U.S.C. 403(a);

#16

Page 1



Sen. Green

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not have the option of making the payroll deduction directly in cash instead of having the contribution picked up by the employer.

Sec. 39.35.740. Employment contributions mandatory. Contributions of employees shall be made by payroll deductions. Every included employee shall be considered to consent to payroll deductions. It is of no consequence that a payroll deduction may cause the compensation paid in cash to an employee to be reduced below the minimum required by law. Payment of an employee's compensation, less payroll deductions, is a full and complete discharge and satisfaction of all claims and demands by the employee relating to remuneration of services during the period covered by the payment, except with respect to the benefits provided under the plan.

Sec. 39.35.750. Contributions by employers. (a) An employer shall contribute to each member's individual account an amount equal to 3.5 percent of the member's compensation from July 1 to the following June 30.

(b) An employer shall also contribute an amount equal to ¹~~3.75~~ percent of each member's compensation from July 1 to the following June 30 to pay for retiree major medical insurance. This contribution shall be paid into the group health and life benefits fund established by the commissioner of administration under AS 39.30.095 and shall be accounted for in accordance with regulations established by the commissioner.

(c) An employer shall also make contributions to the health reimbursement arrangement plan under AS 39.30.300.

Sec. 39.35.760. Rollover contributions and distributions. (a) An employee may elect, at the time and in the manner prescribed by the administrator, to have all or part of a direct rollover distribution from an eligible retirement plan owned by the member paid directly into the member's individual account.

(b) Rollover contributions do not count as a purchase of membership service for the purpose of determining years of service.

(c) A distributee may elect, at the time and in the manner prescribed by the administrator, to have all or part of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in the direct rollover.

(d) In this section,

SENATE FINANCE COMMITTEE
4/3/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#16		
Motion	adopt		
<u>Motion by</u>	Green		
<u>Objection by</u>	none		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		

SENATE FINANCE
COMMITTEE

Amendment Number: #17
Bill Number: SB 14-1
Sponsor: Green Date: 4/5/05
Logged In By: Mindy

24-LS0637\Y.2
Craver
4/5/05

AMENDMENT

OFFERED IN THE SENATE

adopted
BY SENATOR GREEN

TO: CSSB 141(FIN), Draft Version "Y"

1 Page 98, line 18:

2 Delete "a new paragraph"

3 Insert "new paragraphs"

4

5 Page 98, lines 19 - 20:

6 Delete all material and insert:

7 "(36) AS 14.25.006 (teachers' retirement system);

8 (37) AS 39.35.006 (public employees' retirement system)."

SENATE FINANCE COMMITTEE
4/6/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#17		
Motion	adopt		
<u>Motion by</u>	G		
<u>Objection by</u>	G		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stedman			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		

SENATE FINANCE
COMMITTEE

Amendment Number: # 18

Bill Number: SB 141

Sponsor: Green Date: 4/5/05

Logged In By: Mindy

24-LS0637\Y.3

Craver

4/5/05

AMENDMENT

adopted

OFFERED IN THE SENATE

BY SENATOR GREEN

TO: CSSB 141(FIN), Draft Version "Y"

- 1 Page 92, lines 22 - 25:
- 2 Delete all material.

SENATE FINANCE COMMITTEE
4/6/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	# 18		
Motion	adopt		
<u>Motion by</u>	G		
<u>Objection by</u>	G		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION	Pass		

SENATE FINANCE
COMMITTEE #19
Amendment Number: #19
Bill Number: SB 141
Sponsor: Green Date: 4/6/05
Logged In By: Mindy

AMENDMENT

OFFERED IN THE SENATE
TO: CSSB 141(FIN) WORK DRAFT VERSION "Y"

BY SENATOR GREEN
adopted

Page 11, line 5, following "the":

Delete: "plan [SYSTEM]"

Insert: "retirement fund"

Page 21, line 17, following "AS":

Delete: "14.25.430"

Insert: "14.25.410"

Page 46, line 7, following "professional":

Delete: "working"

SENATE FINANCE COMMITTEE
4 / 6 / 2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#19		
Motion	adopt		
<u>Motion by</u>	G		
<u>Objection by</u>	G		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION	PASS		

AMENDMENT

adopted
BY SENATOR GREEN

OFFERED IN THE SENATE

TO: CSSB 141(FIN), Draft Version "Y"

- 1 Page 1, line 4, following "2005;":
2 Insert "relating to university retirement programs;"
3
4 Page 6, line 11:
5 Delete "has elected to participate in the optional"
6 Insert "participates in a [HAS ELECTED TO PARTICIPATE IN THE
7 OPTIONAL]"
8
9 Page 10, following line 22:
10 Insert a new bill section to read:
11 "* Sec. 15. AS 14.25.115(a) is amended to read:
12 (a) A teacher in membership service on or after July 1, 1977, who is appointed
13 to retirement on or after July 1, 1978, may elect to apply unused sick leave credit in
14 computing the total number of years of credited service under AS 14.25.110(d) except
15 for sick leave earned while participating in a [THE OPTIONAL] university retirement
16 program under AS 14.40.661 - 14.40.799. To obtain service credit for unused sick
17 leave, a teacher must apply to the administrator not [NO] later than one year after
18 appointment to retirement. Unused sick leave shall be credited on a day-for-day basis
19 in accordance with the table for service after July 1, 1969, contained in
20 AS 14.25.220(45). Teacher contributions may not be required for credited unused sick
21 leave."
22
23 Renumber the following bill sections accordingly.

1

2 Page 13, following line 18:

3 Insert a new bill section to read:

4 **"* Sec. 30.** AS 14.25.220(42) is amended to read:

5 (42) "teacher" and "member" are used interchangeably under this
6 chapter and mean a person eligible to participate in the system and who is covered by
7 the system, limited to

8 (A) a certificated full-time or part-time elementary or
9 secondary teacher, a certificated school nurse, or a certificated person in a
10 position requiring a teaching certificate as a condition of employment in a
11 public school of the state, the Department of Education and Early
12 Development, or the Department of Labor and Workforce Development;

13 (B) a full-time or part-time teacher of the University of Alaska
14 or a person occupying a full-time administrative position at the University of
15 Alaska that requires academic standing; the approval of the administrator must
16 be obtained before an administrative position qualifies for membership in the
17 system; however, a teacher or administrative person at the university who is
18 participating in a [THE OPTIONAL] university retirement program under
19 AS 14.40.661 - 14.40.799 is not a member under this system;

20 (C) a state legislator who elects membership under
21 AS 14.25.040(b);"

22

23 Renumber the following bill sections accordingly.

24

25 Page 14, line 14:

26 Delete "has elected to participate in the optional"

27 Insert "is participating in a"

28

29 Page 36, line 21:

30 Delete "the optional"

31 Insert "a"

1

2 Page 37, lines 25 - 30:

3 Delete all material and insert:

4 **** Sec. 35.** AS 14.40.661 is amended to read:

5 **Sec. 14.40.661. Authority of board.** (a) The board may establish and
 6 maintain [AN OPTIONAL] university retirement programs [PROGRAM] for
 7 eligible employees in which retirement, health, and death benefits are provided
 8 through the purchase of annuity contracts, either fixed, variable, or a combination of
 9 fixed and variable. Participation in a university retirement [THE] program is in
 10 place of participation in a state retirement system. The university may establish
 11 retirement programs for new employees in a participating position at any time.
 12 Retirement programs may be optional or mandatory.

13 (b) The board shall

14 (1) provide for the administration of the retirement programs
 15 [PROGRAM], including procedures for resolving complaints from participating
 16 employees;

17 (2) designate the company or companies to which payment of the
 18 contributions required under AS 14.40.691 may be made, after considering the

19 (A) nature and extent of the rights and benefits that the
 20 contracts will provide to employees who elect to participate and to their
 21 beneficiaries;

22 (B) relation of the contractual rights and benefits to the
 23 contributions to be made under AS 14.40.661 - 14.40.799;

24 (C) suitability of the contractual rights and benefits to the needs
 25 and interests of employees who [ELECTING TO] participate and to the
 26 interest of the university in the employment and retention of employees;

27 (D) ability of the designated company or companies to provide
 28 rights and benefits under the contracts; and

29 (E) efficacy of the contracts in the recruitment and retention of
 30 faculty and administrators;

31 (3) take other actions required to ensure that the retirement programs

1 comply with applicable provisions of 26 U.S.C. 401 - 417 [PROGRAM
2 QUALIFIES AS A QUALIFIED TRUST UNDER 26 U.S.C. 401(a)] (Internal
3 Revenue Code).

4 * Sec. 36. AS 14.40.661 is amended by adding a new subsection to read:

5 (c) The university retirement programs established under this section are not
6 subject to bargaining under AS 23.40.070 - 23.40.260 (Public Employment Relations
7 Act).

8 * Sec. 37. AS 14.40.671(b) is amended to read:

9 (b) An election under (a) of this section to participate in a university
10 retirement [THE] program is irrevocable. The election shall be made in writing on a
11 form provided by the board and approved for the state by the commissioner of
12 administration. The form must be filed with the university not [BOARD NO] later
13 than 30 days after the date on which the employee is notified by the university that
14 the employee is [FIRST BECOMES] eligible to participate in the program. A copy of
15 the form shall be delivered to the appropriate state retirement system. The election
16 becomes irrevocable on the date it is received by the board.

17 * Sec. 38. AS 14.40.671(c) is amended to read:

18 (c) Participation in a university retirement [THE ELECTION TO
19 PARTICIPATE IN THE] program constitutes a waiver of all rights and benefits under
20 the state retirement systems earned on or after the effective date of the election if the
21 participation is optional, or the effective date of the participation if the
22 participation is mandatory, and while the employee is participating in a university
23 retirement [THE] program.

24 * Sec. 39. AS 14.40.671(d) is amended to read:

25 (d) Except as provided in (e) of this section, if a nonvested member of a state
26 retirement system participates [ELECTS TO PARTICIPATE] in a university
27 retirement [THE] program, the employee may choose to transfer the amount in the
28 employee's contribution account to a university retirement [THE] program. If the
29 employee chooses to transfer the account, the appropriate state retirement system shall
30 pay to the university on behalf of the employee an amount equal to the balance in the
31 account. The payment must be made within 45 days after notice of the employee's

1 decision to transfer the employee's contribution account to a university
 2 retirement program [THE ELECTION] is received by the state retirement system.
 3 The financial officer of the university shall [IMMEDIATELY] pay the amount
 4 received to the designated company or companies for the benefit of the employee as
 5 soon as possible. An employee who transfers assets under this subsection may not
 6 reclaim the corresponding service in the state retirement system if the employee is
 7 reemployed under the state retirement system.

8 * Sec. 40. AS 14.40.671(e) is amended to read:

9 (e) An employee whose rights to transfer assets out of a state retirement
 10 system are subject to a qualified domestic relations order is entitled to transfer assets
 11 from the state retirement system to a university retirement [THE] program only if
 12 the requirements for receiving a refund under AS 14.25.150(b), 14.25.360, [OR]
 13 AS 39.35.200(c), or 39.35.760, as appropriate, are met.

14 * Sec. 41. AS 14.40.671(f) is amended to read:

15 (f) If a vested member of a state retirement system participates [ELECTS TO
 16 PARTICIPATE] in a university retirement [THE] program, the employee ceases to
 17 be an active member of the state retirement system on the effective date of the
 18 participation in a university retirement [THE] program. The employee retains all
 19 benefits accrued in the state retirement system.

20 * Sec. 42. AS 14.40.671(g) is amended to read:

21 (g) An employee who does not [ELECT TO] participate in a university
 22 retirement [THE] program under this section becomes or remains a member of the
 23 appropriate state retirement system.

24 * Sec. 43. AS 14.40.671 is amended by adding new subsections to read:

25 (h) Notwithstanding (a) of this section, the university may establish a
 26 mandatory retirement program for new employees.

27 (i) Notwithstanding (b) of this section, the university may offer an employee
 28 who made an election not to participate in an optional university retirement program at
 29 the time the employee was eligible to participate in the program an option to enroll in
 30 a different university retirement program first established by the university after the
 31 effective date of this subsection.

1 * Sec. 44. AS 14.40.681 is amended to read:

2 **Sec. 14.40.681. Retirement system membership.** An [ELIGIBLE] employee
3 participating [ELECTING TO PARTICIPATE] in a university retirement [THE]
4 program may not participate in a state retirement system during the time the employee
5 is employed in a participating position. If the employee is later employed in a position
6 covered by a state retirement system that is not a participating position, the employee
7 may not continue to participate in a university retirement [THE] program and shall
8 begin to participate in the state retirement system.

9 * Sec. 45. AS 14.40.691(c) is amended to read:

10 (c) The board may specify that contributions required by this section are made
11 by a reduction in salary under 26 U.S.C. 403(b) or 26 U.S.C. 414(h)(2) (Internal
12 Revenue Code).

13 * Sec. 46. AS 14.40.701 is amended to read:

14 **Sec. 14.40.701. Benefits.** Payment of benefits to participants of the program
15 is the responsibility of the company or companies designated by the board and is not
16 the responsibility of the board, the university, or the state. The benefits are payable to
17 participants or their beneficiaries in accordance with the terms of the applicable
18 retirement plan document [ANNUITY CONTRACT OR CONTRACTS.
19 HOWEVER, RETIREMENT BENEFITS MUST BE PAID IN THE FORM OF A
20 LIFETIME INCOME. EXCEPT FOR DEATH BENEFITS, A SINGLE-SUM CASH
21 PAYMENT IS NOT PERMITTED UNDER THIS SECTION].

22 * Sec. 47. AS 14.40.799(3) is amended to read:

23 (3) "contribution account" means the member contribution account
24 under AS 14.25.009 - 14.25.220, the individual account under AS 14.25.310 -
25 14.25.590, [AS 14.25 OR] the employee contribution account under AS 39.35.095 -
26 39.35.680, or the individual account under AS 39.35.700 - 39.35.990 [AS 39.35],
27 whichever is appropriate;

28 * Sec. 48. AS 14.40.799(5) is amended to read:

29 (5) "participating position" means a position that is a permanent
30 position that is at least a .5 full-time appointment and is included in the applicable
31 retirement plan document [AS

1 (A) A FACULTY APPOINTMENT; OR

2 (B) AN ADMINISTRATOR AND THE POSITION HAS
3 BEEN DESIGNATED BY THE BOARD FOR INCLUSION IN THE
4 PROGRAM];

5 * Sec. 49. AS 14.40.799(6) is amended to read:

6 (6) "program" means a [THE OPTIONAL] university retirement
7 program;

8 * Sec. 50. AS 14.40.799 is amended by adding a new paragraph to read:

9 (8) "university" means the University of Alaska."

10
11 Renumber the following bill sections accordingly.

12
13 Page 61, following line 24:

14 Insert a new bill section to read:

15 ** Sec. 84. AS 39.35.120 is amended to read:

16 Sec. 39.35.120. Commencement of participation. (a) An employee of the
17 state shall be included in this system upon commencement of employment with the
18 state, or on January 1, 1961, whichever is later. Unless an employee participates in a
19 [HAS ELECTED TO PARTICIPATE IN THE OPTIONAL] university retirement
20 program under AS 14.40.661 - 14.40.799, an employee of a political subdivision or
21 public organization that becomes an employer shall be included in the system on the
22 effective date of the employer's participation or the date of the employee's
23 commencement of employment with the employer, whichever is later.

24 (b) Inclusion in the system is a condition of employment for an employee
25 except as otherwise provided for

26 (1) an elected official;

27 (2) an employee making an election under AS 39.35.150(b); and

28 (3) an employee of the university who participates in a [HAS
29 ELECTED TO PARTICIPATE IN THE OPTIONAL.] university retirement program
30 under AS 14.40.661 - 14.40.799."

31

1 Renumber the following bill sections accordingly.

2

3 Page 72, following line 28:

4 Insert a new bill section to read:

5 ** Sec. 117. AS 39.35.680(21) is amended to read:

6 (21) "member" or "employee"

7 (A) means a person eligible to participate in the system and
8 who is covered by the system;

9 (B) includes

10 (i) an active member;

11 (ii) an inactive member;

12 (iii) a vested member;

13 (iv) a deferred vested member;

14 (v) a nonvested member;

15 (vi) a disabled member;

16 (vii) a retired member;

17 (viii) an elected public officer under AS 39.35.381;

18 (C) does not include

19 (i) former members;

20 (ii) persons compensated on a contractual or fee basis;

21 (iii) casual or emergency workers or nonpermanent
22 employees as defined in AS 39.25.200;

23 (iv) persons covered by the Alaska Teachers'
24 Retirement System except as provided under AS 39.35.131 and
25 39.35.381, or persons covered by a [THE OPTIONAL] university
26 retirement program;

27 (v) employees of the division of marine transportation
28 engaged in operating the state ferry system who are covered by a union
29 or group retirement system to which the state makes contributions;

30 (vi) justices of the supreme court or judges of the court
31 of appeals or of the superior or district courts of Alaska;

1 (vii) the administrative director of courts appointed
 2 under art. IV, sec. 16 of the state constitution unless the director
 3 becomes a member under AS 39.35.158;

4 (viii) members of the elected public officers' retirement
 5 system (former AS 39.37); and

6 (ix) contractual employees of the legislative branch of
 7 state government under AS 24.10.060(f);

8 (D) may include employees of the division of marine
 9 transportation excluded under (C)(v) of this paragraph provided that

10 (i) the State of Alaska formally agrees to their inclusion
 11 through the process of collective bargaining; and

12 (ii) no collective bargaining agreement has the effect of
 13 obligating contributions made by the state under AS 39.30.150 in the
 14 event the state resumes participation in the federal social security
 15 system;"

16
 17 Renumber the following bill sections accordingly.

18
 19 Page 98, line 31:

20 Delete "sec. 42"

21 Insert "sec. 59"

22
 23 Page 102, line 27:

24 Delete "SECTIONS 120 and 121"

25 Insert "SECTIONS 139 AND 140"

26
 27 Page 102, line 28:

28 Delete "secs. 120 and 121"

29 Insert "secs. 139 and 140"

30
 31 Page 102, lines 29 - 30:

- 1 Delete "secs. 120 and 121"
- 2 Insert "secs. 139 and 140"
- 3
- 4 Page 102, line 31:
 - 5 Delete "19, 71 - 76, 89, 96, and 112"
 - 6 Insert "20, 89 - 94, 107, 114, and 131"
 - 7
- 8 Page 103, line 2:
 - 9 Delete "Section 122"
 - 10 Insert "Section 141"
 - 11
- 12 Page 103, line 3:
 - 13 Delete "secs. 123 and 124"
 - 14 Insert "secs. 142 and 143"

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

April 5, 2005

SUBJECT: Amendment Y.1 to CSSB 141(FIN) version Y for the university retirement plans (Work Order No. 24-LS0637Y.1)

TO: Senator Lyda Green
Attn: Traci Carpenter

FROM: Barbara R. Craver *BRC*
Legislative Counsel

Enclosed is the amendment you requested. It is drafted as an amendment to version "Y" of CSSB 141(FIN). I'd like to alert you to some drafting issues in this amendment.

Most of the amendment concerns the changes requested in regard to AS 14.40.661 - 14.40.799. I understand that currently the university has an optional retirement program that eligible employees may elect to participate in. The university wants the authority to establish additional retirement programs. These additional retirement programs may be mandatory or optional for new employees. There may be several successive new retirement programs in the future. The university may allow employees who have chosen not to participate in previous optional retirement programs to opt in to these new retirement programs. In order to provide the most flexibility to the university, this amendment acknowledges the existence of the current optional program, but also provides for the establishment of new programs.

Here are specific comments on the changes if an explanation or questions seemed necessary.

AS 14.40.661(a). This subsection allows the board broad authority to adopt university retirement programs.

AS 14.40.661(c). This is a new subsection found in the request. This provides that university retirement programs are not subject to bargaining under the Public Employment Relations Act (PERA). It is my opinion that this policy ought to be put directly into PERA, at AS 23.40.075, and it ought to be considered whether this will apply only to the university or to all public employers.¹

¹ I asked Meg Greene, the general counsel for the university, about this subsection. She said that retirement benefits are not subject to bargaining under PERA under the authority of an Attorney General Opinion. Through my own research I found Attorney General

Senator Lyda Green

April 5, 2005

Page 2

AS 14.60.671(b). This subsection appears only to apply to the present optional university retirement program. This subsection works with 14.40.671(a), without changes. I put the substance of the changes made in the request into new subsection added to 14.40.671 as subsections (h) and (i).

AS 14.40.681. I found it quite difficult to understand AS 14.40.681 at all, but made changes to eliminate the reference to electing the optional plan.²

AS 14.40.799(3). This definition was amended to eliminate a specific reference to the optional retirement plan only.

AS 14.40.799(8). This new subsection was added to define the term "university." I am not sure that it adequately addresses employers of some of the employees also covered by AS 14.40.661 - 14.40.799, as AS 14.40.799(4) defines employees covered by this system as those employed by "the University of Alaska or a community college under AS 14.40."

If I may be of further assistance, please advise.

BRC:jad
05-191.jad

Enclosures

Opinion, 1978 No. 3, issued on January 23, 1978. That opinion is attached. The opinion discussed Kenai Peninsula Borough School Dist. v. Kenai Peninsula Educ. Ass'n, 572 P.2d 416 (Alaska 1977). The AG opinion concludes that health insurance is subject to bargaining, but "retirement" would probably not be held to be bargainable by the court. This amendment would add retirement benefits to the "not subject to bargaining" list, but raises questions about applicability to other employers subject to PERA. It is very important to clearly define retirement programs and specify whether the health insurance provided in a retirement program is included. There is extensive case law developed on what matters are subject to bargaining and which are not. Whether the courts have determined that retirement should or should not be subject to bargaining is by no means a foregone conclusion under my very brief and incomplete review of state cases. Up to this point the legislature has not indicated its intent in statute.

² AS 14.40.681 says that if an employee that is participating in a university retirement plan (whether because that employee elected into the optional plan, or is a future employee in a university plan) the employee cannot also participate in a state retirement plan. This would seem to be already established under 14.40.671(c).

1 of 1 DOCUMENT

OFFICE OF THE ATTORNEY GENERAL OF THE STATE OF ALASKA

File No. J-66-444-78

1978 Alas. AG LEXIS 544; 1978 Op. Atty Gen. Alas. No. 3

January 23, 1978

TYPE: FORMAL OPINION

SYLLABUS:

[*1]

Re: Health & Retirement-Bargainability

REQUESTBY:

The Honorable B. B. Allen
Commissioner
Department of Administration
Pouch C
Juneau, Alaska 99811

OPINIONBY:

AVRUM M. GROSS, ATTORNEY GENERAL; G. Thomas Koester, Assistant Attorney General

OPINION:

You requested an opinion whether the Public Employment Relations Act (PERA), AS 23.40.070-23.40.260, supersedes the group life and health insurance statute, AS 39.30.090, and the statutes establishing the Public Employees Retirement System (PERS), AS 39.35. Restated, the question is whether group life and health insurance benefits and retirement benefits subject to collective bargaining

AS 23.40.070(2) provides that the policy underlining PERA is to be effectuated by "requiring public employers to negotiate with and enter into written agreements with employee organizations on matters of wages, hours, and other terms and conditions of employment." AS 23.40.250(7) provides that "'terms and conditions of employment' means the hours of employment, the compensation and fringe benefits, and the employer's personnel policies affecting the working conditions of the employees; but does not mean the general policies describing the function and purposes of a public employer." [*2]

These provisions, standing alone, clearly would make both group life and health insurance benefits and retirement benefits subject to collective bargaining since they both are "fringe benefits." This also fits the analytic distinction between matters subject to collective bargaining and those not subject to bargaining adopted by the Alaska Supreme Court in *Kenai Peninsula Borough School Dist. v. Kenai Peninsula Education Ass'n.*, No. 1537 (Alaska, December 9, 1977). In that case, the Alaska Supreme Court stated that, in the absence of specific legislation on the subject, "a matter is more susceptible to bargaining the more it deals with the economic interests of employees and the less it concerns" questions of fundamental policy. It expressly held that life insurance, health insurance and liability insurance are negotiable absent statutory restrictions.

AS 39.30.090, the group insurance statute, provides in part that "[t]he Department of Administration may obtain a policy or policies of group insurance covering state employees and employees of other participating governmental units subject to" certain conditions not relevant to this inquiry. Because health insurance deals with [*3] the economic interests of employees and does not deal with fundamental policy, because AS 39.30.090 authorizes the Department of Administration to obtain "a policy or policies," and because AS 39.30.090 does not specify what levels of coverage or benefits must be included in the policy (or policies) obtained, we believe the issue of group life and health insurance benefits is negotiable under PERA. To the extent the cost of this negotiated coverage exceeds what the State would have paid under its employer-sponsored plan, the negotiated coverage is subject to legislative approval under AS 23.40.215.

The negotiability of retirement benefits is more complex. At the outset, it appears clear that retirement benefits afforded under PERS are not negotiable. Inclusion in PERS is a condition of employment for state employees, and contributions to it are mandatory. AS 39.35.120(b); AS 39.35.170. Given these statutory provisions, we believe the legislature intended the statutory provisions of PERS to apply to all state employees, and benefits under PERS may not be negotiated under PERA.

Under the Kenai Peninsula Borough School Dist. analysis, changes in public employee retirement [*4] benefits involve questions of fundamental public policy. One commentator has stated these questions to be "[t]he legislative objectives which underlie retirement plans; the relationship of these objectives to the employee's legitimate expectancies in the employment relationship; the public interest in the maintenance and financial integrity of such plans; the problems of equitable allocation of cost between the employees and their governmental employers (taxpayers); the continuing demands for liberalization of benefits and qualifying conditions and the result and necessity to re-evaluate the standards by which benefits are measured; the need to maintain a reasonable measure of solvency; the justification, or lack thereof, of a reserved legislative power to deal with these problems; [and] the scope of that power." Cohn, Public Employee Retirement Plans -- the Nature of the Employees' Rights, 1968 U. of Ill. Law forum, 32, 46. The public policy implications of changes in retirement benefits for public employees in Alaska take on added significance when one considers Article XII, Section 7 of the Alaska Constitution, which provides:

Membership in employee retirement systems of [*5] the State or its political subdivisions shall constitute a contractual relationship. Accrued benefits of these systems shall not be diminished or impaired.

While we cannot be certain, we believe that the Alaska Supreme Court would conclude, as we have, that retirement benefits are not negotiable under PERA.

In conclusion, we recommend that the legislature be requested to clarify the "terms and conditions of employment" which may be negotiated under PERA. As the Alaska Supreme Court stated, "[i]t would be helpful if the legislature, through future enactments, provided more specific guidance on a number of the items which the unions seek to negotiate." Kenai Peninsula Borough School Dist., at 19. From both policy and administrative viewpoints, we believe that a single, unified system of group life and health insurance benefits and retirement benefits for public employees is desirable. However, absent legislation to this effect, we believe the area of group life and health insurance benefits is a legitimate item for collective bargaining under PERA.

We hope this answers your questions.

1 of 1 DOCUMENT

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We hope this answers your questions.

SENATE FINANCE COMMITTEE
4/10/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	# 20		
Motion	adopt		
<u>Motion by</u>	Green		
<u>Objection by</u>	Green		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION	Pass		

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discharge an employee with or without cause.

Sec. 39.35.930. Fraud. A person who knowingly makes a false statement or falsifies or permits to be falsified a record of this plan in an attempt to defraud the plan is guilty of a class A misdemeanor.

Sec. 39.35.940. Transfer into defined contribution plan by nonvested members of defined benefit plan. (a) Subject to (g) of this section, an active member of the defined benefit retirement plan of the ^{Public Employees} teachers' retirement system is eligible to participate in the defined contribution retirement plan established under AS 39.35.700 - 39.35.990, if that member has not vested. Participation in the defined contribution retirement plan is in lieu of participation in the defined benefit retirement plan established under AS 39.35.095 - 39.35.680.

(b) A member who has vested in a defined benefit retirement plan is not eligible to transfer under this section.

(c) Each eligible member who elects to participate in the defined contribution retirement plan shall have transferred to a new account the present value of the member contribution account balance held in trust for the member under the defined benefit retirement plan of the public employees' retirement system. A matching employer contribution shall be made on behalf of that employee to the new account. Upon a transfer, all service credit previously earned under the defined benefit retirement plan shall be nullified for purposes of entitlement to a future benefit under the defined benefit retirement plan but shall be credited for purposes of eligibility to elect medical benefits under AS 39.35.870. An eligible member whose accounts are subject to a qualified domestic relations order may not make an election to participate in the defined contribution retirement plan under this subsection unless the qualified domestic relations order is amended or vacated and court-certified copies of the order are received by the administrator.

(d) As directed by the participant, the board shall transfer or cause to be transferred the appropriate amounts to the designated account. The board shall establish transfer procedures by regulation, but the actual transfer may not be later than 30 days after the effective date of the member's participation in the defined contribution retirement plan unless the major financial markets for securities available

Amendment Number: #5
Bill Number: SB 141
Sponsor: Green Date: 4/3/05
Logged In By: Mindy

AMENDMENT

OFFERED IN THE SENATE
TO: CSSB 141(FIN) WORK DRAFT VERSION "F"

BY SENATOR GREEN

Page 15, line 7, following "be" through line 9:

Delete all material.

Insert: "accounted for in accordance with AS 39.30.095 and regulations established
by the commissioner."

Page 71, line 16, following "be" through line 19:

Delete all material.

Insert: "accounted for in accordance with AS 39.30.095 and regulations established
by the commissioner."

Replaced
amendments
(before distribution)

pulled by
Traci

SENATE FINANCE
COMMITTEE

Amendment Number: #5
Bill Number: SB 141
Sponsor: Green Date: 4/3/05
Logged In By: Mindy

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR GREEN

TO: CSSB 141(FIN) WORK DRAFT VERSION "F"

Page 15, line 7, following "be" through line 9:

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Insert: "accounted for in accordance with AS 39.30.095 and regulations established
by the commissioner."

Page 71, line 16, following "be" through line 19:

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Insert: "accounted for in accordance with AS 39.30.095 and regulations established
by the commissioner."

pulled by
Traa

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR STEDMAN

TO: CS SB 141 (FIN) (Version F)

Page 34, following Line 12:

Insert new sections to read:

* Sec __. AS 24.08.035(a) is amended to read:

(a) Before a bill or resolution, except an appropriation bill, is reported from the committee of first referral, there shall be attached to the bill a fiscal note containing an estimate of the amount of the appropriation increase or decrease that would result from enactment of the bill for the current fiscal year and five succeeding fiscal years or, if the bill has no fiscal impact, a statement to that effect shall be attached. The fiscal note of a bill that makes any change to the benefit structure of the state's retirement system shall include the additional analysis required in AS 24.08.036. The fiscal note or statement shall be prepared in conformity with the requirements of this section by the department or departments affected and may be reviewed by the office of management and budget. Except as allowed in AS 24.08.036, [T] the fiscal note or statement shall be delivered to the committee requesting it within five days of the request or within two days if the request is made after the 90th day of a regular session, or during a special session of the legislature. If the bill is presented by the governor for introduction in accordance with AS 24.08.060(b) and the uniform rules of the legislature, the fiscal note or statement shall be attached to the bill before the bill is introduced. An amendment or a substitute bill proposed by a committee of referral that changes the fiscal impact of a bill shall be explained in a revised fiscal note or statement attached to the bill.

*Pulled
by Traci*

* Sec __. AS 24.08.035(b) is amended to read:

(b) In addition to the fiscal note required by this section and AS 24.08.036, the sponsor of a bill or resolution may prepare a fiscal note in conformity with the requirements of this section, and submit it to the committee of first referral or the finance committee. A committee may prepare an additional fiscal note in conformity with the requirements of this section.

* Sec __. AS 24.08.036 is repealed and reenacted to read:

Sec. 24.08.036. Fiscal notes on bills affecting the benefit structure of state retirement systems. (a) In addition to the requirements of AS 24.08.035, the fiscal note of a bill that makes any change to the benefit structure of the state's retirement system shall include an actuarial analysis of the bill's affect on the assets and liabilities of the retirement systems. This analysis shall be prepared and certified by a member of the American Academy of Actuaries and coordinated through the division of retirement and benefits.

(b) The completed fiscal note shall be reviewed by the Commissioner of Administration and forwarded to the chair of the Alaska Retirement Management Board for comment and recommendations.

(c) The division of retirement and benefits shall be allowed 60 days from the time they receive a fiscal note request to complete the actuarial analysis, obtain the comments of the Alaska Retirement Management Board and deliver the fiscal note to the committee requesting it.

(d) A committee of referral proposing an amendment or a substitute bill that changes the inputs or assumptions used by the actuary in preparing the fiscal note required in this section must obtain a revised actuarial analysis prior to reporting the amended bill or committee substitute from committee. This revised actuarial analysis shall be preformed in accordance with this section except that the division of retirement and benefits shall have 30 days to deliver the fiscal note to the committee.

AMENDMENT

OFFERED IN THE SENATE FINANCE COMMITTEE

BY SENATOR STEDMAN

TO: CS SB 141 (FIN) (Version F)

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(b) The completed fiscal note shall be reviewed by the Commissioner of Administration and forwarded to the chair of the Alaska Retirement Management Board for comment and recommendations.

(c) The division of retirement and benefits shall be allowed 60 days from the time they receive a fiscal note request to complete the actuarial analysis, obtain the comments of the Alaska Retirement Management Board and deliver the fiscal note to the committee requesting it.

(d) A committee of referral proposing an amendment or a substitute bill that changes the inputs or assumptions used by the actuary in preparing the fiscal note required in this section must obtain a revised actuarial analysis prior to reporting the amended bill or committee substitute from committee. This revised actuarial analysis shall be performed in accordance with this section except that the division of retirement and benefits shall have 30 days to deliver the fiscal note to the committee.

SENATE FINANCE
COMMITTEE

Amendment Number: #13
Bill Number: SB 141
Sponsor: Stedman Date: 4/2/05
Logged In By: Mindy

AMENDMENT

OFFERED IN THE SENATE FINANCE COMMITTEE

BY SENATOR STEDMAN

TO: CS SB 141 (FIN) (Version F)

Page 10 following Line 16, insert new section to read:

* Sec. __. AS 14.25.143(a), as that subsection read following amendment by sec. 3, ch. 146, SLA 1980, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

(a) When the administrator determines that the cost of living has increased and that the financial condition of the retirement fund permits, the administrator shall increase benefit payments to persons receiving benefits under this system. For purposes of this section, the financial condition of the retirement fund would permit an increase only if the ratio of total fund assets to accrued liabilities meets or exceeds 110%.

Page 67 following Line 22, insert new section to read:

* Sec. __. AS 39.35.475(a), as that subsection read following amendment by sec. 3, ch. 146, SLA 1980, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

(a) When the administrator determines that the cost of living has increased and that the financial condition of the retirement fund permits, the administrator shall increase benefit payments to persons receiving benefits under this system. For purposes of this section, the financial condition of the retirement fund would permit an increase only if the ratio of total fund assets to accrued liabilities meets or exceeds 110%.

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SENATE FINANCE
COMMITTEE
Amendment Number: #14
Bill Number: SB 141
Sponsor: Stedman Date: 4/3/05
Logged In By: Mindy

AMENDMENT

OFFERED IN THE SENATE FINANCE COMMITTEE

BY SENATOR STEDMAN

TO: CS SB 141 (FIN) (Version F)

Page 42 following Line 6, insert new subsection to read:

(3) "recognized competence" means a minimum of ten years professional experience in the fields of investment management, finance, banking, economics, accounting, pension administration or actuarial analysis.

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