

**HB**

**107**

**HFIN**

**FILE**

# STATE OF ALASKA

SAKIAH PALIN, GOVERNOR

## OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET

P.O. BOX 110020  
JUNEAU, ALASKA 99811-0020  
TELEPHONE: (907) 465-4660  
FAX: (907) 465-3008

February 16, 2007

The Honorable Lyman Hoffman  
The Honorable Bert Stedman  
The Honorable Mike Chenault  
The Honorable Kevin Meyers  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801

Dear Finance Committee Co-Chairs:

Please make the following amendments to the Early supplemental bill, SB 61 / HB 107:

Amend the fund sources in sec. 2 for the retirement system investigation and litigation costs to reflect a 72% - 28% funding split in accordance with the Division of Retirement and Benefits' cost allocation plan:

Sec. 2(a) change the PERS amount from \$8,271,000 to \$8,640,000

Sec. 2(b) change the TRS amount from \$3,729,000 to \$3,360,000

This will match the retirement system investigation PERS/TRS fund source adjustment contained in the Regular supplemental bill, SB 83 / HB 139.

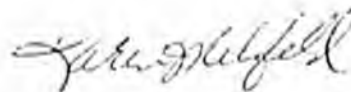
Amend sec. 6 to read:

Sec. 6. The appropriations made by sec. 2 of this Act take effect October 1, 2006[FEBRUARY 16, 2007].

Although I stated during my testimony to the House Finance Committee on February 13, that November 1, 2006 was the needed effective date the change to October 1 will allow the Department of Law to pay outstanding investigation invoices for work performed in October 2006 that was invoiced in November.

An updated spreadsheet is attached. If you have any questions, please call me at 465-4660 or Joan Brown at 465-4681. Thank you.

Sincerely,



Karen J. Rehfeld  
Director

Attachments

cc: David Teal, Legislative Finance

FY2007 EARLY SUPPLEMENTAL REQUESTS

Sec. No.	Amd. Date	Amd. No.	Department	RDU or Component or Capital	Supplemental Need	General Funds	Federal Funds	Other Funds	Fund Source	Total Funds
1			Commerce	Office of Economic Development	Regional Seafood Development Tax pass-through to the Copper River/Prince William Sound Marketing Association. This appropriation was inadvertently omitted from the FY07 budget bills. The 1% tax assessment generated \$152,464 during calendar year 2005 which was to be appropriated to the association as of July 1, 2006.	0.0				0.0
2(a)-(b)			Law	Civil Division, Labor and State Affairs	Funding for the investigation and proposed litigation related to actuarial services received by the State of Alaska. The investigation would be completed during FY07, and the proposed litigation is contemplated to begin before the end of FY07. The amount of the appropriations is the estimated cost to complete the investigation and take the case from inception through trial.			12,000.0	8,271.0 PERS 3,729.0 TRS	12,000.0
3			Governor	Elections	Funding for the costs associated with the April 3, 2007, special advisory election required by ch. 1, FSSLA 2006, on the subject of employment benefits for same-sex partners of public employees and retirees.	1,156.3				1,156.3
4			Lapse Provisions							
5			Retroactivity							
6-7			Effective Date							
<b>Early Supplemental Bill Total</b>						<b>1,156.3</b>	<b>0.0</b>	<b>12,000.0</b>		<b>13,156.3</b>
<b>Amendments:</b>										
2(a)-(b)	2/16/07	ES Law A	Law	Civil Division, Labor and State Affairs	Revise the funding split in sec. 2 to be in accordance with the Division of Retirement and Benefits' cost allocation plan and thus reflect: 72% PERS, an increase of \$369.0 from \$8,271.0 to \$8,640.0, and 28% TRS, a decrease of \$369.0 from \$3,729.0 to \$3,360.0.				369.0 PERS -369.0 TRS	0.0
6	2/16/07	ES Law B	Law	Civil Division, Labor and State Affairs	Change the effective date in sec. 6 from February 1, 2007 to October 1, 2006 in order that Law may pay outstanding investigation invoices for services rendered in October 2006.					0.0
<b>Amended Early Supplemental Bill Total</b>						<b>1,156.3</b>	<b>0.0</b>	<b>12,000.0</b>		<b>13,156.3</b>

Department of Law

Scenario: FY2007 Supplemental - Early (5922)  
 Component: Labor and State Affairs (2718)  
 RDU: Civil Division (35)

Decision: None  
 Category: None  
 Subcategory: None

New GF Revenue:  
 New Other Revenue:  
 Short Title:

Title: Correct fund source split to reflect the Division of Retirement and Benefits' cost allocation plan

Brief Description:

	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants & Benefits	Misc./Debt Service	Positions		
										PFT	PPT	NP
	Suppl	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1029 P/E Retire	369.0											
1034 Teach Ret	-369.0											
PERS funding is changed to from \$8,271.0 to \$8,640.0 and TRS funding is changed from \$3,729.0 to \$3,360.0 to reflect the Division of Retirement and Benefits' cost allocation plan split of 72% PERS and 28% TRS.												
The effective date is changed from February 1, 2007 to October 1, 2006 in order that the department may pay outstanding invoices for services rendered in October 2006.												
	Totals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0

State of Alaska  
ALASKA RETIREMENT MANAGEMENT BOARD  
Relating to Actuary Litigation

Resolution 2007-06

WHEREAS, the Alaska Retirement Management Board ("Board") was established by law to serve as fiduciary to the funds of the State of Alaska's retirement systems, including the Public Employees' Retirement System ("PERS") and the Teachers Retirement System ("TRS"), (collectively, the "Systems");

WHEREAS, Mercer Human Resource Consulting, Inc. ("Mercer") was retained until December 31, 2005, by the Department of Administration and for the benefit of the Department and the Systems, as well as the predecessors to the Board, including the boards of the PERS, TRS, and the Alaska State Pension Investment Board, to provide competent and professional actuarial services and advice;

WHEREAS, on behalf of the Systems, the State of Alaska Department of Law has investigated the performance by Mercer during the period of its retention, and the results of such investigations yield strong indicators of professional negligence and significant damage to the Systems;

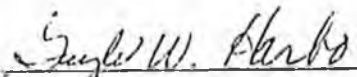
NOW THEREFORE BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD that:

1. The Board concludes that it is prudent to expend funds necessary to pursue claims, including potential litigation, against Mercer based upon the investigation undertaken by and for the Department of Law;
2. The Board urges through this resolution that appropriations be approved, in amounts recommended by the Department of Law to fund the potential litigation, and that such funds as necessary may be appropriated from the funds of the Systems as fair and reasonable costs necessary for the proper and prudent administration of those funds;
3. The Board ratifies and affirms the retention of the law firm of Paul, Weiss, Rifkind, Wharton & Garrison LLP by the Department of Law as outside counsel for the Board and the Systems in connection with the investigation of Mercer's performance and any potential litigation arising out of that investigation; and
4. The actions contemplated hereby are a reasonable effort to protect and preserve the assets of the Systems.

DATED at Anchorage, Alaska this 9<sup>th</sup> day of February, 2007.

  
\_\_\_\_\_  
Chair

ATTEST:

  
\_\_\_\_\_  
Secretary

**FY2007 SUPPLEMENTAL REQUESTS**

Sec. No.	Department	RDU or Component or Capital	Supplemental Need	General Funds	Federal Funds	Other Funds	Fund Source	Total Funds
1	Commerce	Office of Economic Development	Regional Seafood Development Tax pass-through to the Copper River/Prince William Sound Marketing Association. This appropriation was inadvertently omitted from the FY07 budget bills. The 1% tax assessment generated \$152,464 during calendar year 2005 which was to be appropriated to the association as of July 1, 2006.	0.0				0.0
2(a)-(b)	Law	Civil Division, Labor and State Affairs	Funding for the investigation and proposed litigation related to actuarial services received by the State of Alaska. The investigation would be completed during FY07, and the proposed litigation is contemplated to begin before the end of FY07. The amount of the appropriations is the estimated cost to complete the investigation and take the case from inception through trial.			12,000.0	8,271.0 PERS 3,729.0 TRS	12,000.0
3	Governor	Elections	Funding for the costs associated with the April 3, 2007, special advisory election required by ch. 1, FSSLA 2006, on the subject of employment benefits for same-sex partners of public employees and retirees.	1,156.3				1,156.3
4	Lapse Provisions							
5	Retroactivity							
6-7	Effective Date							
<b>Early Supplemental Bill Total</b>				<b>1,156.3</b>	<b>0.0</b>	<b>12,000.0</b>		<b>13,156.3</b>

**Dept of Commerce, Community, & Economic Development**

Scenario: FY2007 Supplemental - Governor (5770)  
 Component: Office of Economic Development (2743)  
 RDU: Community Assistance & Economic Development (405)  
 Title: Regional Seafood Development Associations

Decision: None  
 Category: None  
 Subcategory: None

New GF Revenue:  
 New Other Revenue:  
 Short Title:

**Brief Description:**

Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants & Benefits	Misc./Debt Service	Positions		
									PFT	PPT	NP
Suppl	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0

In accordance with AS 43.76.350 - 43.76.399, seafood development taxes collected may be appropriated, per AS 43.76.380(d), to qualifying regional seafood development associations. In calendar year 2005 the drift/gillnet fleet in the Copper River/Prince William Sound region assessed themselves a 1% regional seafood development tax. Processors collected the tax and remitted the funds to the Department of Revenue.

The Copper River/Prince William Sound Marketing Association (CR/PWSMA) expected an FY07 revenue pass-through appropriation of \$152,465, the amount of the collected tax. Though intended, the appropriation was accidentally not inserted into any of the appropriation bills. Consequently, the CR/PWSMA did not receive its funding on July 1, 2006. This supplemental would provide CR/PWSMA the funding it is entitled to under the above referenced statutes.

A point of clarification, since the CR/PWSMA did not receive an appropriation and desperately needed the monies, the Department provided the CR/PWSMA with "temporary" funding from another Departmental program with the understanding that when CR/PWSMA did receive an appropriation, CR/PWSMA would only receive the balance of what it is entitled to under the above referenced statutes. The total amount previously expensed from the other Departmental program would be reimbursed from the CR/PWSMA's supplemental appropriation.

The appropriation for FY08 is included in the Governor's operating budget as section 10(c).

<b>Totals</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>
---------------	------------	------------	------------	------------	------------	------------	------------	------------	----------	----------	----------

Department of Law

Scenario: FY2007 Supplemental - Governor (5770)  
 Component: Labor and State Affairs (2718)  
 RDU: Civil Division (35)  
 Title: Retirement System Litigation

Decision: None  
 Category: None  
 Subcategory: None

New GF Revenue:  
 New Other Revenue:  
 Short Title:

Brief Description:

	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants & Benefits	Misc./Debt Service	Positions		
										PFT	PPT	NP
	Suppl	12,000.0	0.0	0.0	12,000.0	0.0	0.0	0.0	0.0	0	0	0
1029 P/E Retire	8,271.0											
1034 Teach Ret	3,729.0											
Funding for the investigation and proposed litigation related to actuarial services received by the State of Alaska. The investigation would be completed during FY07, and the proposed litigation is contemplated to begin before the end of FY07. The amount of the appropriations is the estimated cost to complete the investigation and take the case from inception through trial.												
	Totals	12,000.0	0.0	0.0	12,000.0	0.0	0.0	0.0	0.0	0	0	0

Office of the Governor

Scenario: FY2007 Supplemental - Governor (5770)

Decision: None

Component: Elections (21)

Category: None

RDU: Elections (433)

Subcategory: None

New GF Revenue:

Title: Funding for April 3, 2007 Special Election authorized by ch.1, FSSLA 2006, HB 4002

New Other Revenue:

Short Title:

Brief Description:

	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants & Benefits	Misc./Debt Service	Positions		
										PFT	PPT	NP
1004 Gen Fund	Suppl	1,156.3	285.6	61.0	756.4	53.3	0.0	0.0	0.0	0	0	0
		1,156.3										
Funding required to conduct the statewide special election on April 3, 2007. Requested funding is based on the cost of the 2006 primary election. Personal services reflects the cost of additional hours for the on-election-year temporary staff required to conduct a statewide election. Contractual services includes: ballot printing, election boards, advertising, shipping and postage, polling place rental and set-up, forms printing microfilming, printing and mailing of informational pamphlet.												
	Totals	1,156.3	285.6	61.0	756.4	53.3	0.0	0.0	0.0	0	0	0