

ALASKA LEGISLATURE

1964

HOUSE and SENATE FINANCE COMMITTEE FILES, 1999 - 2000

HB

156

SFIN

FILE

5/14/99

SENATE FINANCE COMMITTEE REPORT

DATE: 5/10/99

FURTHER:

DATE TURNED

IN TO OFFICE: 5/14/99

Finance Committee considered

CS FOR HOUSE BILL NO. 156(FIN)

"An Act relating to investments by the Alaska Permanent Fund Corporation; and providing for an effective date."

and recommends:

- be replaced with S CS HB 156 (FIN)
- adopt previous CS ()
- attached amendment(s)
- adopt Letter of Intent by Committee
- further referral to the Committee

Senate Bill:

- same title
- new title
- House Bill:
- same title
- technical title
- new: SCR#

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
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<i>[Signature]</i>	<input checked="" type="checkbox"/>				
Co-Chair: <i>[Signature]</i>	<input checked="" type="checkbox"/>	Co-Chair:			
Co-Chair: <i>[Signature]</i>		Co-Chair:			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
Rev/Rev Operations	4/28/99		3,154,600

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

5/14/99

No: 2

FISCAL NOTE

Bill Version: CSHB 156 (FIN)

(H) Publish Date: 5/3/99

STATE OF ALASKA 1999 LEGISLATIVE SESSION

Revision Date/Time (Note if correction) _____ Dept. Affecte Revenue _____
 Title An Act relating to investments by the Alaska BRU Revenue Operations
Permanent Fund Corporation Component Alaska Permanent Fund Corporation
 Sponsor House Rules Committee
 Requester House Finance Committee Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services						
Travel						
Contractual	3,154.6	6,175.7	6,434.5	6,731.4	7,055.0	7,390.4
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	3,154.6	6,175.7	6,434.5	6,731.4	7,055.0	7,390.4

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	98,135.0	102,033.8	106,308.8	111,214.6	116,561.2	122,101.6
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other Corporate Receipts	3,154.6	6,175.7	6,434.5	6,731.4	7,055.0	7,390.4
TOTAL	3,154.6	6,175.7	6,434.5	6,731.4	7,055.0	7,390.4

Estimate of current year (FY99) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *This fiscal note assumes an increase in costs and revenues associated with a 10% increase in public equity investments. It is likely over the 5 year period of this fiscal note that the APFC will use this increased investment flexibility in other asset types as well, e.g., real estate, fixed-income, and alternative investments such as private equity. The new investments would be entered into in order to add incremental value to a very large asset base. Investments with the potential to add significant value may require significant increased costs. All new investments will be reviewed by the Board of Trustees prior to implementation and presented to the APFC's oversight committee, the Legislative Budget & Audit Committee, for review and comment.*

Prepared by Peter A. Bushre *Peter A. Bushre* Phone 465-2301
 Division Alaska Permanent Fund Corporation Date/Time _____
 Approved by _____
 Commissioner Wilson L. Condon *Wilson L. Condon* Date 4/28/99
 Agency Department of Revenue

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SENATE FINANCE
COMMITTEE
Amendment Number: #1
Bill Number: CS HB 156(FIN)
Sponsor: Tomson Date: 5/14/99
Logged In By: Mindy

AMENDMENT

moved by Parrell
object Adcoms - Withdrawn
w/o obj. ADOPTED

OFFERED IN THE SENATE BY SENATOR TORGERSON
TO: CSHB 156(FIN)

- 1 Page 1, line 7 following "may,"
- 2 Delete "either directly or"

- 3 Page 4, following line 2
- 4 Insert "(C) and professionally managed"

A FAX

Alaska State Legislature

Date: 14 May 1999

To: Gail - Leg. Legal

Fax #: 2029 Phone #: 2450

From: Mindy - Senate Finance

Phone #: 4935

Re: HB 156 1-LS0500\H
plus the following amendment
final please - call w/ questions

*THX
Mindy*

Following this page, please find 1 pages(s). If this does not reach you in full, please inform us ASAP.



THANK YOU

*faxed
5/14 4:15
4:40 Tam called
w/ questions - referred
to Darwin*

BB156



Alaska Permanent Fund Corporation

P.O. Box 25500 Juneau, Alaska 99802-5500
(907) 465-2047

May 10, 1999

Senator John Torgerson
Co-Chair, Senate Finance Committee
Capitol Room 516
Juneau, Alaska 99811

Dear Senator Torgerson:

I am writing to request that you schedule House Bill 156 in the Senate Finance Committee at your earliest convenience.

This bill, which would provide increased flexibility investment for the Alaska Permanent Fund Corporation (APFC) Board of Trustees is an important piece of legislation which could help the state earn an additional \$300 million per year on average over the next 20 years.

We look forward to testifying in support of this bill at your earliest convenience. Thank you.

With warm regards,

A handwritten signature in black ink, appearing to read "Jim Kelly". The signature is stylized with a large, looping initial "J" and a cursive "Kelly".

Jim Kelly
Director of Communications

c: Byron I. Mallott
Board of Trustees

Alaska State Legislature

REPRESENTATIVE
GAIL PHILLIPS
Chair

SESSION ADDRESS
State Capitol
Juneau, Alaska 99801-1182
(907) 465-2689
Fax: (907) 465-3472

Legislative Budget and Audit Committee

SPONSOR STATEMENT / House Bill 156

“An Act relating to investments by the Alaska Permanent Fund Corporation; and providing for an effective date”.

The Legislative Budget and Audit Committee (LBAC) is charged with oversight of the Alaska Permanent Fund Corporation (APFC). Specific to this legislation, AS 24.20.151 (2) under purposes of the Committee reads “holding these agencies (lending or investment entities) accountable to statutory intent in their performance by recommending, where appropriate, changes in policy to the agencies or changes in legislation to the legislature”.

On March 4, the APFC submitted this legislation in draft to LBAC members for their review. On March 23, the APFC presented this legislation to the Committee and the members present agreed unanimously to introduce it, without revision, in both bodies.

House Bill 156 modernizes the operations of AS 37.13.120, the statutes that set out the “legal list” of permissible investments of APFC assets. The revisions requested in this legislation are aimed at providing increased investment flexibility, reduced risk, and hopefully increased returns for the Permanent Fund.

Specifically House Bill 156 allows the trustees to invest up to 5% of Fund assets to: (1) make or retain greater asset class commitments than currently allowed; and /or (2) invest in individual securities or instruments that are not expressly permitted. However, the legal list approach is maintained and current asset allocations, while modestly expanded, remain in place.

The first committee of referral, the House State Affairs Committee, made one amendment to HB 156. On page 6, line 20, the limit on owning domestic and nondomestic entities was raised from 50% to 55%. The House Finance Committee made one amendment to page 6, line 3, and that was leaving the word “own” in place and denying the requested change to “acquire”.

As you know, any revisions to APFC investment policy require careful consideration on our part, the legislature. On the behalf of the LBAC, I urge members to vote for this legislation.

INTERIM ADDRESS

345 W. Sterling Highway, Suite 102B, Homer, Alaska 99603 (907) 235-2921 Fax: (907) 235-4008



Alaska Permanent Fund Corporation

P.O. Box 25500 Juneau, Alaska 99802-5500
(907) 465-2047

MEMORANDUM

DATE: April 2, 1999

TO: Representative Gail Phillips
Chair, Legislative Budget & Audit Committee

FROM: Jim Kelly *JK*
Director of Communications

SUBJECT: **Bill Analysis for HB 156/SB 115**

Attached below is a bill analysis prepared for HB 156/SB 115, "An Act relating to investments by the Alaska Permanent Fund Corporation; and providing for an effective date." Originally drafted March 4, 1999 by APFC legal counsel Ron Lorensen, it has been slightly revised to conform with the bill as approved for introduction by the Legislative Budget & Audit Committee.

At the Board of Trustees' request, I have prepared a draft of proposed legislation to make a number of technical and other changes to improve and modernize the operation of AS 37.13.120, the section that sets out the "legal list" of permissible investments of Fund assets. Working within the framework of the existing "legal list," the proposed changes are intended to provide more internal consistency and greater flexibility for Fund investments in light of the tremendous changes in financial markets and investment vehicles that have occurred since the list was enacted in the early '80's.

The draft has been prepared in regular legislative drafting style, with additions to existing text underlined and deletions shown in square brackets and in all capital letters. These changes are summarized, by investment category (fixed income, equity, or real estate), below. As appropriate to illustrate a particular change, further explanation and/or "real world examples" of the effect of a proposal are separately set out in italicized text.

1. Fixed Income.

(a) Amending paragraph (g)(8)(A) (at page 2, line 24) to delete the requirement that short-term domestic promissory notes be "of the highest ratings assigned by a nationally recognized rating service" and to require, instead, that these notes be "investment grade."

"Investment grade" is the quality level required of all other debt instruments under the statute, so this change will provide for consistency.

(b) Amending paragraphs (g)(7) (at page 2, line 19) and (g)(19) (at page 5, line 12) to change the existing reference to "debt securities" to "debt instruments."

For many purposes, the terms "debt securities" and "debt instruments" are used interchangeably. However, their formal definitions as set out in Barrons' Dictionary of Finance and Investment Terms are slightly different, with "debt instruments" having a somewhat broader scope than "debt securities." This change would avoid any issue that a particular instrument does not qualify as a "debt security" for investment of Fund assets. Since the quality of a particular investment would still have to be rated investment grade, this change would not affect applicable risk considerations.

(c) Amending subsection (j) (at page 6, line 23), which prohibits investment in bonds on which any regular interest payment has been defaulted within the last five years, to substitute "debt instruments" for "bonds."

This change would conform the terminology used in this provision to the change in terms from "debt securities" to "debt instruments" described above at (b). There is no apparent reason why the restriction in investing in debt that has defaulted on interest payments should be limited only to bonds.

2. Equities.

(a) Amending subsection (h) (at page 5, line 29), which limits the situations in which the Board may enter into futures contracts for the sale of assets held by it, to permit the use of futures contracts to implement asset allocation strategies in the Fund's equity portfolio.

APFC experience has shown that there are a number of situations in which the use of futures contracts in furtherance of its asset allocation strategies can improve performance in the Fund's equity portfolio. For example, when one of the APFC's managers is holding cash as part of its portfolio (either in anticipation of a planned purchase of new or additional equities or as the result of the liquidation of a part of its portfolio at the direction of the APFC), the manager can avoid the opportunity cost of not being fully invested in equities by purchasing S&P 500 Futures contracts, in effect "equitizing" the cash balance until it is needed, at which point the S&P 500 Futures would be sold. The same benefit from the use of S&P 500 Futures can also be seen on a larger scale when realignments in the Fund's investments are made either to implement changes in the Board's asset allocation plan or to bring the Fund's asset mix back within established allocation guidelines.

(b) Amending the first sentence in subsection (i) (at page 6, line 3), which establishes a five percent limitation on ownership of voting stock of a corporation, to change the word "own" to "acquire" for purposes of determining when the percentage limitation is to be applied.

As presently worded, the limitation on "ownership" might actually come into operation at some time after the stock is purchased (acquired) by the Fund, thus forcing the Fund to sell a portion of its holdings in the corporation, even though the Fund satisfied the five percent limit at the time the stock

was purchased. This could happen, for instance, if a corporation were to buy back and then retire a portion of its own voting stock, thereby reducing the total shares outstanding and--at the same time--effectively increasing the Fund's percentage ownership of those remaining shares.

3. Real Estate.

(a) Amending subsection (e) (at page 1, line 5), which prohibits the Alaska Permanent Fund Corporation (APFC) from borrowing money, to explicitly permit borrowings against real estate assets so long as the obligation to repay those borrowings is secured and can not be enforced directly against the APFC or the Fund.

In connection with real estate, properly managed leveraging may improve the rate of return on the Fund's real estate investments or reduce risk by reducing the cash investment in an asset. In addition, several title-holding general partnerships through which the Fund currently invests in real estate have borrowed money in the past, and there is some question whether, given the Fund's status as a general partner in those partnerships, those borrowings might constitute either borrowings by the Fund or a guaranty of the obligations of another. The change would address this uncertainty by specifically authorizing debt financing for a particular real estate investment without subjecting any other investment of the Fund to the risks of the borrowing.

A real world example is the Fiesta Mall in Mesa, Arizona. A tenant of the mall requested that the mall be expanded to accommodate its square footage needs. Although the APFC considered the additional investment to be appropriate, one of the APFC's partners in the property was either unable or unwilling to invest more cash in the property. The only way to retain the tenant was to finance the expansion of the property through debt which was

incurred in the name of the partnership and which was without recourse to the APFC.

(b) Substantially revising paragraph (g)(16) (beginning at pages 3, line 27), which deals with limitations on investments in real estate. Presently, that provision includes a set of investment limitations that apply only to real estate investments in which the Fund has invested more than \$150 million, one of which is the requirement that the Fund not own more than 67% of an investment exceeding the \$150 million threshold. The existing provision also effectively precludes the Fund from acquiring undeveloped real estate, even though that real estate offers the opportunity to enhance the value of an existing Fund-owned property through expansion.

The proposed amendment eliminates the 67% ownership limitation for real estate investments that exceed \$150 million. This current restriction limits the APFC's ability to negotiate on large transactions, since competitors are aware that the Fund is limited to 67% ownership. A real world example of this problem is where the contract of a partnership or limited liability company contains a "buy-sell" provision in which one of the partners can either take full control of an asset or exit the asset by picking a price and forcing the remaining partners to decide whether to buy or sell at that price. The Fund currently owns three assets with total values exceeding \$150 million. If a partner in one of those properties were to exercise a buy-sell option, the price it offered might be artificially affected because it knows that the APFC could not legally elect to be a buyer of more than 67% of that asset.

The amendment also allows the APFC the ability to acquire undeveloped real estate tied to an existing property in order to enhance that property and/or to retain tenants. A real world example of the problem this amendment addresses is where a tenant whose business is growing decides that it needs more space. The tenant might request that the property owner(s) expand the building that it is currently

renting. Sometimes this expansion can only occur by purchasing a neighboring vacant lot and constructing a build-to-suit project in close proximity to the property. Under the statute as it presently reads, the Fund could not acquire the vacant lot for that purpose and might lose the tenant as a result.

(c) Adding a new paragraph (21) to subsection (g) (at page 5, line 19) to authorize the Fund to make real estate investments through title holding corporations and "securitization" structures or other investment vehicles, so long as the assets owned by the entity in which the Fund invests consist predominantly of real estate equity and debt investments of a type in which the Fund would otherwise be permitted to invest.

This change would address two lingering legal questions regarding the permissible contours of the Fund's real estate investment portfolio. First, it would make clear that the Fund may hold real estate assets indirectly through separate title-holding entities or other investment vehicles (such as real estate investment trusts--REITs--and commercial mortgage-backed securities programs) by explicitly authorizing those alternate investment forms. Second, it would allow the Fund's real estate portfolio to include pools of real estate assets that might contain some foreign properties, so long as a particular pool of assets is predominantly made up of U.S. real estate. Currently, because the statute limits the Fund to investments in real estate located in the United States, the APFC's REIT manager has been advised that it may not purchase shares of a REIT which contains even one foreign property. This restriction has precluded investment in several REITs from which the investment manager believes the Fund could obtain solid returns, even though the foreign property holdings of those REITs are quite limited.

(d) Amending subsection (i) (at page 6, line 3), which establishes a five percent limitation on ownership of voting stock of a

corporation, to make the five percent limitation inapplicable to interests in real estate title-holding corporations, REITs, and other real estate co-investment vehicles.

On its face, the current language prohibits the Fund from investing in more than five percent of the voting stock of any corporation. A literal application of this limitation would have the effect -- presumably not intended by the original drafters -- of precluding the Fund from engaging in the typical institutional practice of setting up separate title-holding corporations to insulate itself from liabilities arising from ownership of real estate. A real world example of this concern is a limited liability company in which the APFC is a majority co-owner. It may at some point be advantageous to convert the ownership to common stock, yet the APFC would not be able to do this because of the five percent limitation since the Fund would then own more voting stock than legally allowed.

4. General/Non-specific Changes:

(a) Revising paragraphs (g)(7), (g)(8) (beginning at page 2, line 19), (g)(14) (at page 3, line 17), and (g)(18) (at page 5, line 9), paragraph (i)(4) (at page 6, line 19), and subsection (j) (at page 6, line 23) to explicitly authorize investments in debt instruments and equity interests issued by entities other than just those legally organized as corporations.

At present, these provisions expressly refer to "corporate" securities, but for purposes of sound investment policy, there seems to be no good reason to distinguish between securities issued by corporations and those issued by limited partnerships, trusts, limited liability companies, or other entities.

Examples of the effect of this change in the fixed income area are securities such as Equipment Trust Certificates (ETC's) and Asset Backed Securities

(ABS's) which would become eligible for purchase, since they are issued out of a trust, rather than by a corporation. These securities are generally of higher quality because of structured collateral backing the investment, thereby providing relative value alternatives that may offer greater safety, return, or a combination of the two.

(b) Adding language to subsection (k) (beginning at page 6, line 29) to authorize the Board to invest up to five percent of the Fund's assets either (or both) in (i) types of investments other than those specifically set out in subsection (g)'s "legal list;" or (ii) in additional investments in a category of investment authorized under subsection (g), but for which the investment percentage "caps" established under subsection (i) (e.g., the 50 percent limitation on equities) has been reached. Under this new language, these investments would still have to satisfy the prudent-investor rule.

Examples of other types of investments for which this limited authority could be used include private debt, venture capital, timber, gas, and agriculture/farmland.

(c) Adding a new subsection (p) (at page 7, line 13) to authorize the Board to decide what category a particular form of investment belongs to if that investment could be included in more than one category for purposes of applying the asset allocation caps established under subsection (i) (beginning at page 6, line 3).

This change would permit the Board to refine asset allocation targets and would help clarify for the purpose of asset allocation decisions how a particular asset should be categorized. A relevant example is a REIT, where the underlying asset is real estate, but it trades like a stock and may even be included in the S&P 500 index.

cc: Board of Trustees, APFC
Byron I. Mallott, Executive Director, APFC
Terry Brown, CIO, APFC
Peter Bushre, CFO, APFC

MAR 03 1999

ALASKA PERMANENT
FUND CORPORATION

March 1, 1999

MICHAEL J. O'LEARY, JR., CFA
EXECUTIVE VICE PRESIDENT

Mr. Jim Kelly
Director of Communications
Alaska Permanent Fund Corporation
801 West 10th Street, Suite 302
Juneau, AK 99801



SAN FRANCISCO

NEW YORK

CHICAGO

ATLANTA

DENVER

Re: Proposed "Basket" Clause Flexibility

Dear Jim:

As promised, I want to give you my thoughts on the proposed language that would enable the APFC to invest in a very limited way beyond the specific securities identified in current statute.

Specifically, the proposed change would allow the APFC to invest 5% of fund assets beyond otherwise permitted investments. This latitude could be used to:

- 1) make or retain greater asset class commitments than otherwise specifically allowed; and/or;
- 2) invest in individual securities or instruments that are not expressly permitted.

Clearly, the use of such flexibility would have to be prudent and appropriate for the fund. I should at this point add the requisite disclaimer that neither Callan Associates Inc. nor I are attorneys so my comments are offered from an investment professional's perspective not from a legal perspective.

Over the years, many public funds that operated under a "legal" list type of standard have sought and obtained authority to invest beyond the detailed list. In recent years many public entities have moved toward a "prudent" person standard and away from a legal list. Typically, under a pure prudent person standard there are no statutory limits with regard to either asset class restrictions or individual securities. In other cases, public funds may have asset class limitations but no individual security limitations and obviously there are still some that have both asset class and security limitations. In Alaska, the State Pension Investment Board operates under a prudent person standard without asset class or security limitations while the APFC obviously is governed by both asset class and security limitations.

As you know, the Institute for Fiduciary Education (IFE) maintains a web site that includes information on a number of public funds. The information is provided by the funds and, of course, may not be current and may be misinterpreted by IFE. Nonetheless, we have found that it is a useful source of data regarding general trends and practices. By searching that site, we found 24 U.S. based public funds that reported having a "basket" clause in their investment language. Of this total, 13 were domiciled in either Michigan or New York.

While both Michigan and New York have comparatively permissive investment statutes, the "basket" clause provides authority for subject public funds to invest either in securities or asset categories beyond the statutory limitations. For example, New York has a 70% maximum equity constraint and a 15% basket limitation. A fund subject to the statute could invest a total of 85% in equity like assets (including real estate and alternative investments). In practice, the authority has been used by one of our clients to invest a greater than statutory limit in foreign equities and in alternative investments.

The Michigan basket clause provides that retirement systems with assets of less than \$250 million may invest up to 5% of their assets in investments not otherwise qualified under statute. It provides up to 10% flexibility for larger funds. In Michigan's case, the basket liberalization does not apply to asset class limitations. So for example, a large fund could not use the basket provision to invest up to 75% in equities (the equity limit was 65%).

There appear to be two common themes behind trends toward liberalization of investment provisions. The first is that investment professionals recognize that risk should be considered primarily at the total fund level. An individually "risky" investment may well serve to reduce overall risk by offsetting some of the risk associated with another investment. The best illustration of this acceptance may be the Department of Labor's statement that in considering fiduciary conduct under ERISA the Department will utilize a "total portfolio" standard. The second motivating factor is that investment practices and commonly used instruments are changing rapidly. A good illustration is the evolution of fixed income securities. For example, asset backed securities are commonly utilized in high quality bond portfolios today. They are included in common bond market indices such as the Lehman Aggregate Bond Index. They are not currently permitted under APFC's governing statute. While other proposed changes in the draft statute would address this specific issue, we and others expect to see continued evolution of new fixed income instruments.

In my opinion, APFC might use the basket primarily at the asset class level. As you know, the current statutory limit for equity investments is 50%. In practice, the APFC must actually target a slightly lower level (currently 48%). This lower level is utilized to minimize the frequency and magnitude of portfolio rebalancings. If the basket clause were approved, the board could consider actually establishing a 50% target. Should the

Mr. Jim Kelly
Alaska Permanent Fund Corporation
Page 3 of 3

equity market subsequently advance such that the equity exposure increased to 52 or 53% there would be no need to mechanically reduce equity exposure and incur the resultant transaction costs. The other potential application is at the individual security level. While other changes included in the proposed statute address many of the obvious limitations of the current list (e.g. asset backed securities), the change would provide the board with flexibility to deal with other instruments that may evolve. Similarly, the basket clause might be utilized to opportunistically purchase securities such as BB rated bonds should spread differences more than offset the potential credit risk.

I hope that you find this letter helpful and I look forward to discussing it with you later this week.

Sincerely,



Michael J. O'Leary, Jr., CFA
Executive Vice President

cc: Terry Brown - APFC

The Case for Increased Investment Flexibility: HB 156



**APFC Presentation to House Finance
April 28, 1999**

Need for HB 156

- **Modernizes statutes, responsive to current market opportunities and challenges**
- **Requested change is conservative and maintains the legal list approach**
- **Allows your Fund managers to add incremental value**
- **Improves total portfolio risk management**



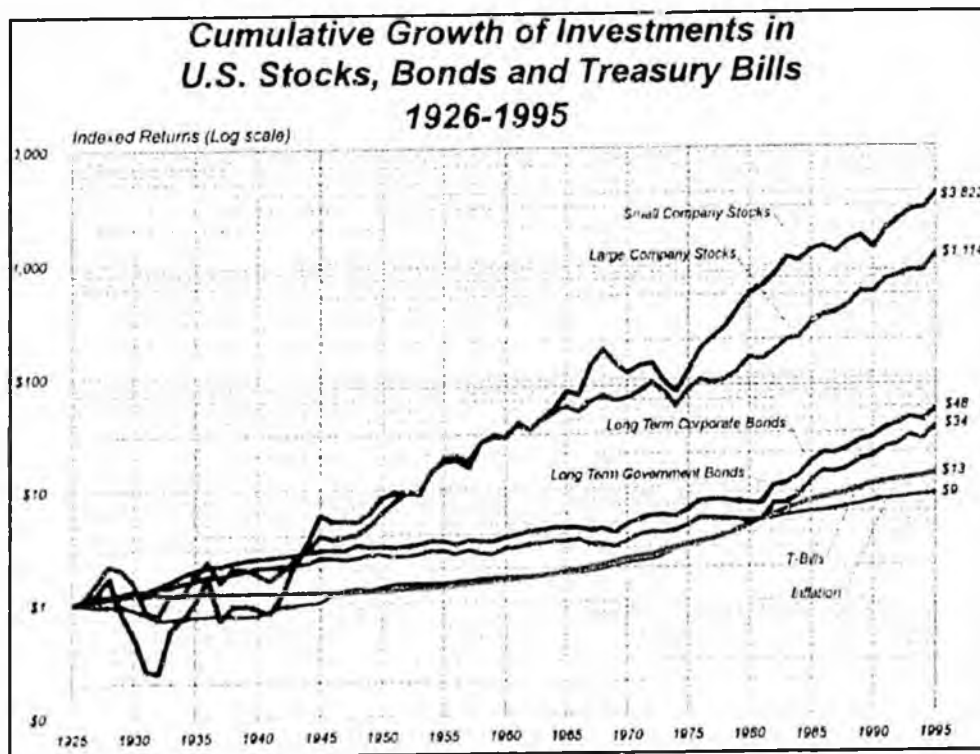
Long-term perspective

Asset class performance

Consider the growth of \$1.00 invested in various U.S. asset classes from Dec. 31, 1925 to Dec. 31, 1995:

◆ Inflation	\$	9
◆ Treasury bills		13
◆ Treasury bonds		34
◆ Large company stocks		1,114
◆ Small company stocks		3,822

3

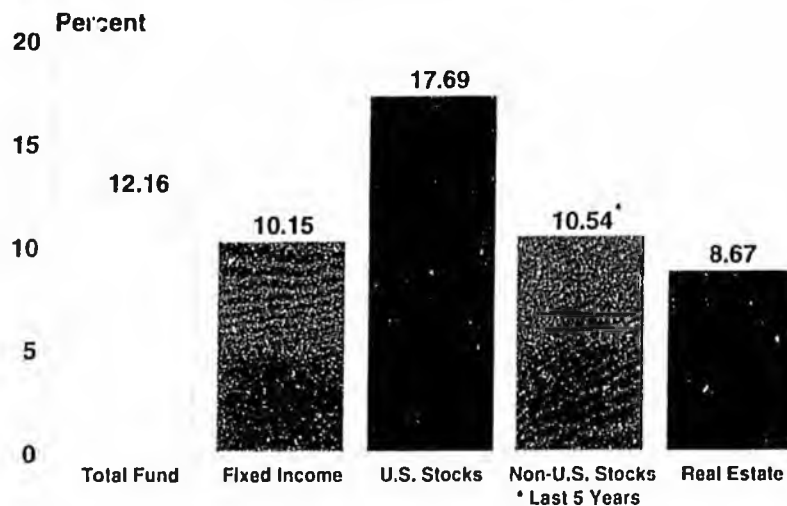


APFC performance



Long-term total returns

15 years ended December 31, 1998



Opportunity Cost: 1997-1998

APFC Actual Rates of Return

	<u>Fixed Income</u>	<u>U.S. Stocks</u>	<u>Difference</u>
1997	9.52%	31.00%	21.48%
1998	9.90	23.62	13.72
	<u>10% of Fund</u>	<u>Returns</u>	<u>Increased Income</u>
1997	\$2.07 billion	21.48%	\$324 million
1998	\$2.36 billion	13.72%	\$444 million
		Total:	<u>\$770 million</u>



Key assumptions

Increased volatility in capital markets

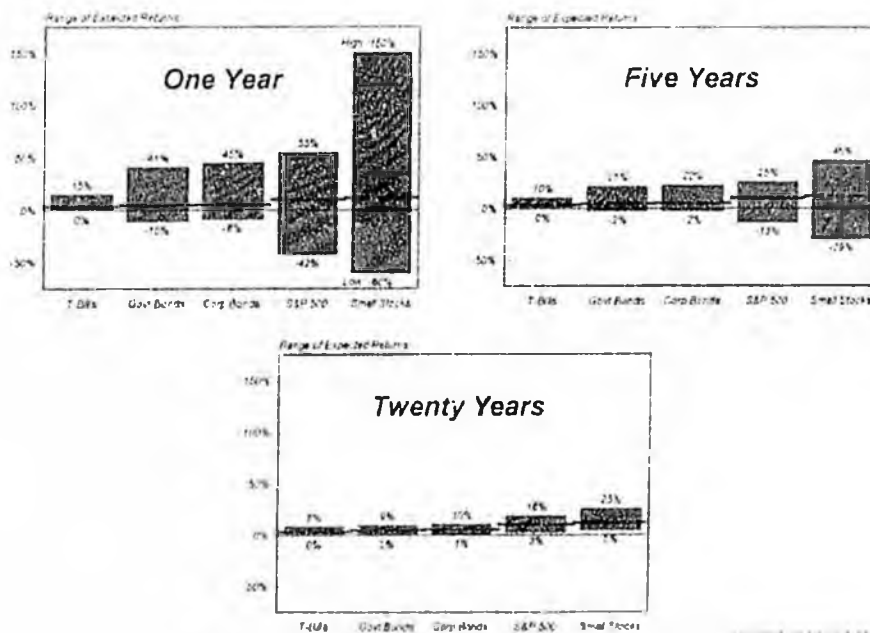
Asset Class	Index	Expected Return			Expected Risk		
		1998	1999	Change	1998	1999	Change
Equities							
Large Cap	S&P 500	9.10	9.00	-0.10	13.30	15.00	1.70
Small Cap	CAI Small	10.10	11.20	1.10	19.10	25.30	6.20
International	MSCI EAFE	9.60	10.00	0.40	18.50	21.50	3.00
Fixed Income							
Domestic	LB Agg	6.60	5.60	-1.00	5.50	5.30	-0.20
International	SB Non-US	6.55	5.60	-0.95	11.20	11.00	-0.20
Other							
Real Estate	CRES	8.25	8.00	-0.25	14.50	16.50	2.00
Alternatives	Veco 100	12.30	12.30	0.00	35.00	36.00	1.00
Cash Equiv.	90-day T-bill	4.80	4.40	-0.40	1.00	0.70	-0.30
Inflation	CPI-U	3.40	3.00	-0.40	0.95	1.75	0.80

LOWER RETURNS

HIGHER RISK

ALASKA'S
PRIMARIES
FUND
ALASKA'S
FUTURE

Risk Diminishes Over Time



Percent Of Market Value distribution of income

Another way to manage risk is a POMV distribution of income:

- **Provides more predictability and stability in annual distributions**
- **Disconnects investment decisions from short-term spending considerations**
- **Spending provision becomes part of long-term investment strategy rather than tactical response to market cycles**



Key assumptions

At the heart of APFC investment planning for the future will be the attempt to mediate among these conflicting objectives:

1. Maximize long-term total return.
2. Maximize annual spending distributions.
3. Preserve the *real* (i.e., inflation-adjusted) value of the Fund and the distributions.
4. Maximize the stability and predictability of spending distributions.



Key assumptions

- Q. How much can be distributed while still preserving the real (i.e., inflation-adjusted) value of the fund?**
- A. If you want to preserve the real value of the Fund, you must not spend more than the real rate of return on your investments over the long term.**

11



Key assumptions

And the real rate of return on your investments will be determined by:

- 1. Capital market returns**
- 2. Your asset allocation**

12



Key assumptions - status quo



Projected PF Realized and Total Rates of Return Based on the the Fund's 1999 Asset Allocation and 1999 Callan Capital Market Assumptions

ASSET CLASS	CAPITAL MARKET ASSUMPTIONS			PERMANENT FUND		
	INCOME RETURN	EXPECTED GROWTH	TOTAL RETURN	ASSET ALLOCATION	PROJECTED REALIZED RETURN	PROJECTED TOTAL RETURN
Domestic Equities:						
Passively Managed	1.80%	7.60%	9.40%	14.62%	0.82%	1.37%
Actively Managed	1.80%	7.60%	9.40%	19.38%	1.82%	1.82%
Sub-Total				34.00%	2.64%	3.20%
International Equities:						
Passively Managed	1.50%	8.50%	10.00%	4.90%	0.28%	0.49%
Actively Managed	1.50%	8.50%	10.00%	9.10%	0.91%	0.91%
Sub-Total				14.00%	1.15%	1.40%
Bonds:						
Domestic	5.60%	0.00%	5.60%	40.00%	2.24%	2.24%
International	5.60%	0.00%	5.60%	2.00%	0.11%	0.11%
Sub-Total				42.00%	2.35%	2.35%
Real Estate:						
	6.50%	1.50%	8.00%	10.00%	0.73%	0.80%
					6.87%	7.75%
					3.87%	4.75%

Note: Permanent Fund projected realized returns assume that, over a five year period, active managers will make 100% of the income return and 100% of the expected growth capital gain (and that passive managers and real estate will make 100% of the income return and 50% of the expected growth). Permanent Fund total returns assume all managers will make 100% of the income return and 100% of the expected growth. Capital market assumptions are provided by Callan Associates, Inc.

Minus 3.00% Inflation = Real Rates of Return

Key assumptions - HB 156



Projected PF Realized and Total Rates of Return Based on the the Fund's 1999 Asset Allocation and 1999 Callan Capital Market Assumptions

ASSET CLASS	CAPITAL MARKET ASSUMPTIONS			PERMANENT FUND		
	INCOME RETURN	EXPECTED GROWTH	TOTAL RETURN	ASSET ALLOCATION	PROJECTED REALIZED RETURN	PROJECTED TOTAL RETURN
Domestic Equities:						
Passively Managed	1.80%	7.60%	9.40%	16.77%	0.94%	1.58%
Actively Managed	1.80%	7.60%	9.40%	22.23%	2.09%	2.09%
Sub-Total				39.00%	3.03%	3.67%
International Equities:						
Passively Managed	1.50%	8.50%	10.00%	4.90%	0.20%	0.49%
Actively Managed	1.50%	8.50%	10.00%	9.10%	0.91%	0.91%
Sub-Total				14.00%	1.15%	1.40%
Bonds:						
Domestic	5.60%	0.00%	5.60%	35.00%	1.96%	1.96%
International	5.60%	0.00%	5.60%	2.00%	0.11%	0.11%
Sub-Total				37.00%	2.07%	2.07%
Real Estate:						
	6.50%	1.50%	8.00%	10.00%	0.73%	0.80%
					6.98%	7.94%
					3.98%	4.94%

Note: Permanent Fund projected realized returns assume that, over a five year period, active managers will make 100% of the income return and 100% of the expected growth capital gain (and that passive managers and real estate will make 100% of the income return and 50% of the expected growth). Permanent Fund total returns assume all managers will make 100% of the income return and 100% of the expected growth. Capital market assumptions are provided by Callan Associates, Inc.

Minus 3.00% Inflation = Real Rates of Return

Key assumptions - CS HB 156 (State Affairs)



Projected PF Realized and Total Rates of Return Based on the the Fund's 1999 Asset Allocation and 1999 Callan Capital Market Assumptions

ASSET CLASS	CAPITAL MARKET ASSUMPTIONS			PERMANENT FUND		
	INCOME RETURN	EXPECTED GROWTH	TOTAL RETURN	ASSET ALLOCATION	PROJECTED REALIZED RETURN	PROJECTED TOTAL RETURN
Domestic Equities:						
Passively Managed	1.80%	7.60%	9.40%	18.92%	1.06%	1.78%
Actively Managed	1.80%	7.60%	9.40%	25.08%	2.36%	2.36%
Sub-Total				44.00%	3.42%	4.14%
International Equities:						
Passively Managed	1.50%	8.50%	10.00%	4.90%	0.28%	0.49%
Actively Managed	1.50%	8.50%	10.00%	9.10%	0.91%	0.91%
Sub-Total				14.00%	1.15%	1.40%
Bonds:						
Domestic	5.60%	0.00%	5.60%	30.00%	1.60%	1.68%
International	5.60%	0.00%	5.60%	2.00%	0.11%	0.11%
Sub-Total				32.00%	1.79%	1.79%
Real Estate:	6.50%	1.50%	8.00%	10.00%	0.73%	0.80%
					7.08%	8.13%
					4.08%	5.13%

NOTE: Permanent Fund projected realized returns assume that over the year period, active managers will make 100% of the passive return and 100% of the expected growth, capital gains and total passive manager and real estate will make 100% of the passive return and 50% of the expected growth. Permanent Fund total returns assume all managers will make 100% of the passive return and 100% of the expected growth. Capital market assumptions are provided by Callan Associates, Inc.

Minus 3.00% Inflation = Real Rates of Return

Key assumptions



GASB Income

Fund Value

67,337	5,957	28,999	40,955.60	18,248	11,710	13,099	7,274	11,245	65,355
--------	-------	--------	-----------	--------	--------	--------	-------	--------	--------

GASB net income is statutory net income plus the net change in unrealized gains and settlement earnings.
Per Department of Revenue's Spring 1999 Revenue Forecast.
Earnings reserve appropriated to principal.

STATUS QUO WITH 7.75% TOTAL RETURN

70,126	6,887	29,827	42,106.04	18,257	12,803	14,192	8,101	12,072	67,316
--------	-------	--------	-----------	--------	--------	--------	-------	--------	--------

GASB net income is statutory net income plus the net change in unrealized gains and settlement earnings.
Per Department of Revenue's Spring 1999 Revenue Forecast.
Earnings reserve appropriated to principal.

STATUS QUO WITH 7.94% TOTAL RETURN

73,028	6,812	30,850	43,247.05	18,264	13,898	15,287	9,047	13,018	69,395
--------	-------	--------	-----------	--------	--------	--------	-------	--------	--------

GASB net income is statutory net income plus the net change in unrealized gains and settlement earnings.
Per Department of Revenue's Spring 1999 Revenue Forecast.
Earnings reserve appropriated to principal.

STATUS QUO WITH 8.13% TOTAL RETURN



Key assumptions



Daily Unaudited Position
as of April 26, 1999

Fixed Income	\$11,009,700,000	42%
U.S. Equities	\$9,545,000,000	36%
Non-U.S. Equities	\$3,543,200,000	13%
Real Estate	\$2,055,000,000	8%
<u>Alaskan CDs</u>	<u>\$140,000,000</u>	<u>1%</u>
TOTAL	\$26,292,900,000	100%

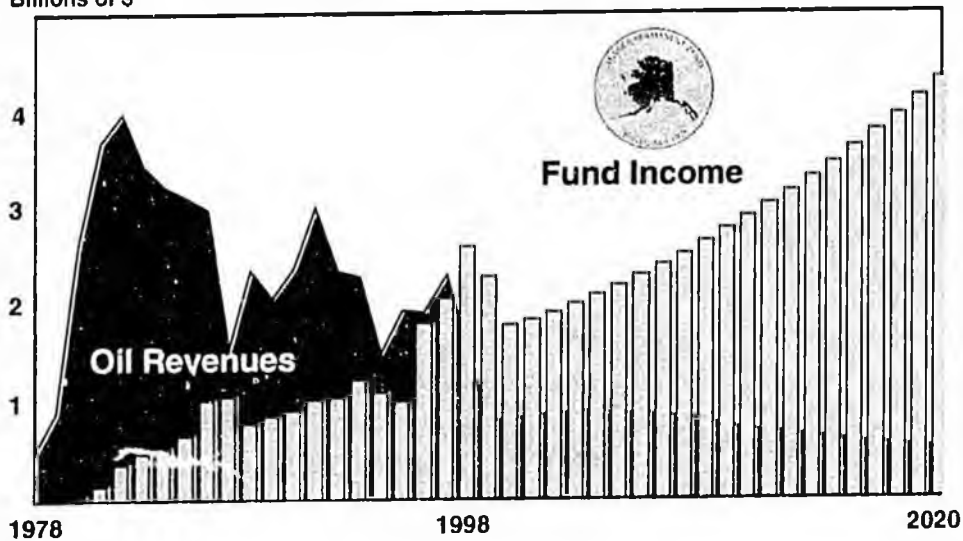


Source: www.apfc.org

Key assumptions

“Crossing of the lines in 1998”

Billions of \$



HB

157

HFIN

FILE

(11)

JUSE COMMITTEE REPC T

Date Referred to Committee: May 16, 1999

FURTHER REFERRALS:

Date of Committee Action: 5/18/99

The FINANCE Committee considered:

CSSB 157(FIN) am

CS FOR SENATE BILL NO. 157(FIN) am

POWER COST EQUALIZATION

"An Act relating to power cost equalization; relating to appropriations from the National Petroleum Reserve - Alaska special revenue fund to the power cost equalization and rural electric capitalization fund; relating to the power cost equalization and rural electric capitalization fund and the four dam pool transfer fund; and providing for an effective date."

recommends it be replaced with the following committee substitute HCS CS SB 157 (FIN) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Sen. Therriault</i>	Therriault			X	
<i>Ellen Mulder</i>	Mulder	✓			
<i>Van Bunde</i>	Bunde				
<i>Vic Kohring</i>	Kohring	X			
<i>Alm Austerman</i>	Austerman	X			
<i>Ben Grussendorf</i>	Grussendorf				X
<i>Paul E. Moses</i>	Moses				X
<i>Tom Davis</i>	Davis			X	
<i>W. Williams</i>	Williams	X			
<i>J. Foster</i>	Foster	X			

CO CHAIR'S SIGNATURE

Sen. Therriault
Therriault

Ellen Mulder
Mulder

April 29th, 1999

Good afternoon Mr. Chairman, members of the committee.

This is an honor for me to be testifying before you this afternoon.

My name is Harold Holten and I am the representative for the Seafarers International Union. Although I would like it clear that I'm here on behalf of all Merchant Seaman, who are denied their permanent fund dividend.

I was born in Ketchikan, raised in Ketchikan, Petersburg, and Juneau, upon my completion of 6 years in the Marine Corps, I came back to Alaska and became a state trooper for a short period of time. I was a Salmon tender captain for 15 years, before becoming a union rep.

The Seafarers opened an office in Anchorage, almost 2 years ago to the day. Our objective is to recruit Alaskans to go to our unlicensed apprenticeship program in Piney Point, Maryland, and give them an

opportunity to obtain good paying jobs with good benefits when they complete the program.

I first became alerted to the fact that Merchant Seaman were being denied their permanent fund, by a Merchant Seaman from a different union. His name is Ross Perrine from Palmer, and he owns a home, has an Alaska drivers license, voter reg card, etc. he has been denied the fund since the inception. I went to one of our ships, and found that a boatswain on the Tote ship Northern Lights has also experienced the same problems. His name is John Glenn and he will be testifying this afternoon.

My recruiting effort has taken me around a lot of the state, and in my interviews with young people, I seem to have their interest in the program until the question of the Permanent Fund dividend comes up, then I am told they are no longer interested. I thought to myself and have shared this view, that these people seemed awfully shortsighted, until I really thought about it, this is probably the only steady money

they have ever seen, and are reluctant to let it go under any circumstance.

One of our recent graduates (Jessie Sharp) who will testify this afternoon, that already this year he has been denied the Permanent Fund dividend

These merchant seaman being denied, do not have a choice when they sail, as to whether they can sail in Alaska or not. Sailing is based on a seniority system, and believe it or not, our Alaska routes, are in high demand. The ones that have the Alaska routes Ross and John are denied because they are not physically in state a minimum of 180 days.

All of our Alaskans have been accepted to Piney Point because they are Alaska residents. I would hate to discourage good young people, (short sighted as they may be) from enjoying such a career opportunity.

Right now we have 18 Alaskans who have graduated from Piney Point, and we presently have 2 in school.

Besides the 18 graduates, we have created a Riding Maintenance gang. These merchant seaman go on oil tankers and do preventative maintenance. We hired 10 Riding gang a year ago, and all have done an outstanding job. When they have a year of sea time, they will be sent back to Piney Point and upgraded to Able bodied seaman. We will start training and working a new crew. This crew averages \$3,200.00 per month, with full benefits. Two of these Merchant Seaman have recently put money down on homes in the Wasilla arear. They also will be denied their Permanent Fund dividend.

An article in the Anch news recently the 12th did an article on our first native Alaskan. This has generated such a positive response it is hard for me to keep up with it. The first day generated about 20 phone calls, and yesterday I received 71 inquires. This has resulted in 6 tests being given Monday, and 6 more done on Friday. Plus 2 in Soldotna, 1 in Anchor Point, 2 in Kodiak, 2 in Ketchikan, and several from Willow. These numbers are candidates that are qualified.

In my estimation, we are not talking about any more than 200 Merchant Seaman over a ten year Period. (Although I hope for many more than that).

This concludes my statement, I urge you to support the HB 157

I thank the committee for their time.



Official Business

Alaska State Legislature

REPRESENTATIVE
JERRY SANDERS
District 19

Anchorage
716 W. 4th Ave. #610
Anchorage, AK 99501
Phone (907) 269-0199
Fax (907) 269-0197

Juneau
State Capitol, Room 414
Juneau, AK 99801-1162
Phone (907) 465-4945
Fax (907) 465-3476

COMMITTEES:
Co-Chair Resources
Labor and Commerce
Transportation

HB157: Permanent Fund Dividend for Alaskan Merchant Mariners Sponsor Statement

This legislation is sought to enhance maritime job opportunities for Alaskans and, in particular, Alaskan youth.

I first learned of the need for this legislation when I spoke to several parties involved in Alaska's maritime transportation industry. I was advised of an effort launched to attract Alaskans to job opportunities in the U.S. Merchant Marine. This effort has been a unique and successful partnership between Alaska's three Private Industry Councils and the Seafarers International Union (SIU) that has contributed greatly to workforce and economic development in Alaska. This partnership on occasion is having difficulty recruiting as a result of an oversight in Alaska's Permanent Fund dividend program. Alaskans who make their living aboard deep-sea, U.S. flag vessels may often be working aboard these ships for over 180 days per year. This makes them ineligible for their dividend check because their desired profession requires them to be aboard ships. In many cases these Alaskans could be aboard the cargo or tank vessels serving Alaska – yet still be denied a Permanent Fund check.

Since the inception of this partnership in September 1997 to the present, 25 eligible Alaskan residents have successfully completed the SIU apprenticeship-training program and are now fully employed.

The average salary for those Alaskans newly employed through this program is \$32,000/year and all receive full family medical, dental, pension, education, and vacation coverage. As Alaskans committed to "local hire", we should not be upholding obstacles for employment opportunities for our youth.

More importantly, this award winning training and placement program would have an improved ability to recruit Alaskan youth for quality training and high skill/family wage employment.

Another case I am familiar with is a ten-year Alaskan resident who sails aboard tankers in the TAPS trade. He has consistently been denied the Permanent Fund dividend since his work as a merchant seaman is not considered an allowable absence. This determination is not a question of his residency.

Passage of this bill will give these limited number of people their rightful claim to the Permanent Fund dividend.

Endorsement: Alaska State Chamber of Commerce

SeaLand

Sea-Land Service, Inc.
1049 West 5th Avenue
Anchorage, Alaska 99501-1930
(907) 274-2671

April 14, 1999

Representative Brian Porter
Speaker of the House
State Capitol, Room 208
Juneau, Alaska 99801

SENT VIA FAX 907/485-3834

Dear Speaker Porter:

I am writing to you today to encourage you to support HB 157, "The Alaskan Merchant Mariners Permanent Fund Dividend Equity Act". This legislation is important to our ongoing efforts to recruit, train, and hire Alaskan residents for employment as officers and crew aboard our U.S.-flag vessels. For the past several years Sea-Land Service, Inc. has worked with other carriers and labor organizations to promote "local hire" of Alaskans aboard our vessels in the Alaska trade as well as on trading routes throughout the world.

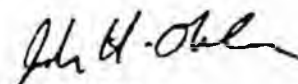
Sea-Land's commitment to hiring Alaskans is demonstrated in our efforts to offer apprenticeships aboard our vessels for the Seafarers International Union's unlicensed apprentice program and our active support of scholarships for Alaskan residents wishing to attend the California Maritime Academy. Although we are proud of our success in providing these opportunities to Alaskans, we are concerned that the current denial of annual Permanent Fund dividends to Alaskan merchant mariners who may be at sea for over 180 days per year is hampering our efforts to employ Alaskans.

This issue comes up during the recruitment process. Our representatives must inform interested individuals that they may not be eligible for the Permanent Fund dividend, of which most young Alaskans have grown quite accustomed to, if they go to sea. This is despite their being resident Alaskans and eligible on all other accounts. In addition, we are concerned that losing Permanent Fund eligibility status will create an added incentive for sea-going Alaskans to leave their home state and live Outside.

This is a scenario that our organization wishes to avoid if at all possible. The seagoing jobs aboard our U.S.-flag vessels are high-skilled, family-wage positions that would aid in growing Alaska's economy. We are proud to make every effort to offer these positions to native Alaskans. Your assistance in passing HB 157 will help to assure our work is a success for all Alaskans.

Sincerely yours,

SEA-LAND SERVICE, INC.


John H. Ohle
General Manager, Alaska

cc: Representative Jerry Sanders, FAX# 907/485-3476
Alaska Chamber of Commerce, FAX# 907/483-5515

HOUSE COMMITTEE REPORT

(11)
 Date Referred to Committee: April 16, 1999

FURTHER REFERRALS:

Date of Committee Action: 4/29/99

The FINANCE Committee considered:

HB 157

HOUSE BILL NO. 157

PFD ALLOWABLE ABSENCES

"An Act relating to absences from the state while serving on oceangoing vessels of the United States merchant marine for purposes of eligibility for permanent fund dividends; and providing for an effective date."

recommends it be replaced with the following committee substitute _____ the same title
 a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) _____ zero fiscal note(s) DOR, 4/16/99

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Gene Theriault</i> Theriault			X	
<i>Eric Kohring</i> Kohring	X			
<i>John Gustafson</i> Gustafson			X	
<i>Mark Davies</i> Davies	X			
<i>John Davis</i> Davis	X			
<i>Paul Moses</i> Moses			X	
<i>John Foster</i> Foster	X			

CHAIR'S SIGNATURE *Gene Theriault*

FISCAL NOTE

Bill Version: HB 157
 (H) Publish Date: 4/16/99

**STATE OF ALASKA
 1999 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction) March 29, 1999 Dept. Affected Revenue
 Title PFD Allowable Absences BRU Revenue Operations
 Component Permanent Fund Dividend
 Sponsor Rep. Sanders
 Requester House State Affairs Component Serial No. 981

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year (FY99) cost: 0.0

POSITIONS

Full-time	0					
Part-time	0					
Temporary	0					

ANALYSIS: (Attach a separate page if necessary)

This bill adds an allowable absence while serving on ocean-going vessels of the United States merchant marine for purposes of eligibility for Permanent Fund dividends. As a result of this amendment, all other allowable absences in this section are renumbered.

We do not expect these provisions to have a fiscal effect on the Permanent Fund Dividend Program.

Prepared by Nanci A. Jones, Director
 Division Permanent Fund Dividend
 Approved by Wilson L. Condon
 Commissioner
 Agency Department of Revenue

Phone 465-2323
 Date/Time March 29, 1999
 Date March 29, 1999

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March 5, 1999

JAMES L. HENRY
President

RICHARD BERKOWITZ
Director, Pacific Coast Operations
LAWRENCE H. EVANS
Director, Domestic Marine Affairs
GERARD C. SNOW
Director, Government Affairs

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NIELS M. JOHNSEN
President
Waterman Steamship Corporation

The Honorable Jerry Sanders
Alaska State House of Representatives
State Capitol, Room 414
Juneau, AK 99801-1182

Dear Representative Sanders:

It was a pleasure meeting you on my recent trip to Juneau to participate in the Alaska State Chamber's Legislative briefing.

I appreciate your willingness to sponsor legislation for Alaskan residents who are employed in the U.S. Merchant Marine to receive their permanent fund dividend. As mentioned, this will help in our efforts to recruit and train Alaskan youth for employment aboard merchant vessels. Although we have been successful in attracting some great candidates, many youth are discouraged from seeking a seagoing career once they realize they are likely to lose out on one of the main sources of income they have grown up with. Their ineligibility is not based on good policy, but a quirk in the law.

Per your request, I have taken the liberty of drafting some language, which may help the legislative staff responsible for bill drafting. The basic focus of the legislative change is as follows:

- a) U.S.-flag merchant mariners residing in Alaska who would receive their permanent fund dividend, but for the fact that they may work aboard an ocean-going vessel for their livelihood, would now receive an annual permanent fund dividend payment;
- b) The merchant marine exemption is preferably added to the statute in proximity to the listing for military personnel on active duty. In so doing, the public will relate to the U.S. merchant marine exemption in a similar way as they do to the active duty military exemption; and
- c) The merchant mariner's family members should not receive any permanent fund dividend if they follow their spouse/parent outside

Letter to Sanders
March 5, 1999
Page 2

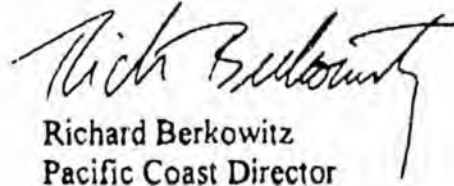
of the state of Alaska while the mariner is employed. Our intention is only to exempt the 180-day rule to the actively employed mariner only. As a permanent resident(s) of Alaska the mariner's family should be expected to remain in Alaska as a participant in its economy.

I'm hopeful the attached language (highlighted/underlined) will help to make our intent clear. Of course, I am willing to speak to legislative staff if they have any question concerning the intent of the proposed draft.

I will prepare some draft talking points concerning the legislation so that you may feel more comfortable addressing this issue. Also, please note that the Alaska State Chamber of Commerce has endorsed providing permanent fund dividend benefits to active merchant mariners at their December Legislative Tie-In assembly.

Thank you for your patience and assistance.

Sincerely yours,



Richard Berkowitz
Pacific Coast Director

Attachment

cc: Harold Holten

Headquarters:
217 2nd Street, Suite 201
Juneau, Alaska 99801
(907) 586-2323 FAX 463-5515



March 29, 1999

Representative Jerry Sanders
Room 414, State Capitol Building
Juneau, Alaska

RE: HB 157, Permanent Fund Dividend eligibility for Merchant Mariners

Dear Representative Sanders:

Enclosed is a copy of a position of the Alaska State Chamber of Commerce on the subject of Permanent Fund Dividend equity for Alaskans who are in the service of the U. S. Merchant Marine. By this, you can see that we are in support of HB 157, which you have introduced and which precisely addresses our concern.

We provided testimony on this subject last week in House State Affairs when HB 132, introduced by Representative Cowdery by Request, regarding Permanent Fund allowable absences, was up for consideration. That bill was sent to a subcommittee, (Representatives Ogan, Whitaker, and Smalley, I believe) with the intent that they were to work on tightening the definition of resident for purposes of the permanent fund dividend. I understand that they have looked at the definition of residency for purpose of obtaining a fishing or hunting license and may be offering something like that in State Affairs.

Thank you for introducing HB 157, and we will be happy to speak in support of the bill as it goes through the process.

Sincerely,

A handwritten signature in cursive script that reads "Pam La Bolle".

Pamela La Bolle
President

Enclosure

ALASKA STATE CHAMBER OF COMMERCE

Position 99-2

Permanent Fund Dividend Equity for Alaskan Merchant Mariners

Background Over the last few years, U.S.-Flag vessel operators have made great efforts to train and recruit Alaskans for employment aboard U. S. merchant vessels serving in our state, coastwise, and in international trade. This undertaking includes raising a substantial endowment for scholarships to Alaskans attending the California Maritime Academy, securing a maritime union hiring hall in Anchorage, and developing a public/private partnership to offer maritime training and apprenticeships for Alaskans interested in a seagoing career. This undertaking has led to several dozen Alaskans finding high-skill/fair-wage training and employment in the U.S.-Flag Merchant Marine.

Alaska Permanent Fund Dividend rules prevent actively employed Alaskan deep-sea merchant mariners from obtaining their dividend check, in spite of meeting all other requirements for residency and eligibility.

Position Statement: The Alaska State Chamber of Commerce urges the Legislature and the Administration to support Alaska Permanent Fund dividend eligibility for merchant mariners who are qualified residents of Alaska, notwithstanding their documented employment aboard merchant vessels in domestic or foreign waters.

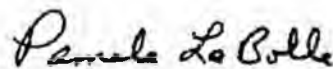
Need For Position: Alaskans are proponents of local hire and quality, professional skill development. Efforts to provide this are hampered by the potential disqualification of individuals who may go to work at sea for close to or more than 180 days out of the year. The Permanent Fund dividend would serve as an incentive for Alaskan seagoing personnel to retain their Alaskan residency, rather than move outside once they start a career at sea. Opportunities to train Alaskan youth for responsible and rewarding employment, at little or no cost to the individual or public sector, will be lost.

Support of this position will resolve an inequity for Alaskans who make a living employed on the freighters and tankers who service Alaska.

ADOPTED

December 4, 1998

BY



Pamela La Bolle
President

BY



Peter Leathard
Chairman

**TOTEM OCEAN TRAILER EXPRESS, INC.**

2511 Tidewater Road
Anchorage, AK 99501Tel 907-276-5868
Fax 907-278-0461

Date: 03-26-99

Alaska State Legislature
State Capitol, Rm. 414
Juneau, Alaska 99801-1182
Representative District 19 Mr. Jerry Sanders

Re: Permanent Fund Legislation for Exemption for Merchant Marines, Bill numbered HB-157.

Dear Jerry,

This letter is in support of the above Legislation that you as a Representative of District 19 are authoring.

A United States Merchant Mariner who resides in Alaska full time, supports a family living in Alaska full time, pays city taxes, and falls in the category of a resident, should be entitled to receive what all eligible Alaskans receive each year. A Permanent Fund Dividend

Totem Ocean Trailer Express Inc. is an Alaska Corporation which operates Large Ro/Ro Vessels from our terminal in Tacoma Washington, to our terminal at the Port of Anchorage.

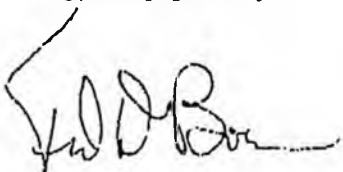
The mariners that operate our company vessels come from all around the United States including Alaska and countries all around the world. An Alaska Resident, as a condition of his or her employment, must ride and work on the vessel back and forth from terminal to terminal should not disqualify them from receiving what is rightfully theirs as an Alaskan Resident.

The absences from the state is only for the time the vessel transits the Gulf of Alaska to reload cargo and return to Alaska, the employee's intention is still to return home after his scheduled tour. His home location has not

changed, his status as a state resident has not changed, and he has continued to provide his family which resides in the local community with financial support.

We at Totem Ocean Trailer Express Inc. support your effort by legislation to change the eligibility rights for the permanent fund to include merchant seamen that reside in the State of Alaska.

Very truly yours,



Ted De Boer
Alaska Operations Manager

ANCHORS AWAY

St. Marys teen leaves village, becomes first Alaska Native to sail as merchant mariner

Story by MIKE DUNHAM
Daily News reporter

Photos by ERIK HILL
Anchorage Daily News



Above, future merchant mariner Chris Ledlow chats with his grandmother Marie Tyson, center, and his cousin Mike Tyson before boarding his flight to the East Coast. At left, Ledlow gets a hug from Mike Tyson watches Wednesday evening at Anchorage International Airport.



Music swelled at Chris Ledlow's bon voyage party. Fiddle, guitar, dobro and one electric keyboard manned by two players joined two dozen voices in polkas, hymns and Hank Williams songs. In the middle of the living room floor sat a hat full of cash collected from the guests, a little spending money for the trip. From the kitchen wafted the smells of wild fish and game accompanied by a pungent hint of seal oil.

It will be awhile before Ledlow savors those smells again. At this writing, he is on his way to the Seafarers International Union's Harry Lundeborg School of Seamanship in Piney Point, Md. Over the next few weeks, he plans to complete his training as a merchant mariner — a commercial sailor licensed to work on large cargo ships. By summer, the soft-spoken, square-shouldered and resolutely cheerful 19-year-old should be in the engine room of an oceangoing vessel somewhere out on the seven seas.

Ledlow, from the Yukon River village of St. Marys, is among the

"My whole family's really enthusiastic about what I'm doing. Except my grandmother. I think she's a little worried."

— Chris Ledlow of St. Marys, on becoming a merchant mariner

first Alaskans to complete the merchant marine employment program offered by the union. Upon graduation, he'll be placed in a job making about \$30,000 a year, eligible for rapid additional training and advancement up the wage scale.

Please see Page E-4, MARINER

Merchant mariners in high demand

The Seafarers International Union opened an Anchorage office two years ago. According to the union's Anchorage representative, Harold Hoban, there's a rising demand for qualified sailors as more big ships come on-line.

"We can take as many into the merchant marine employment program as will apply," he said.

To date, 28 Alaskans have entered in the program, and 18 have graduated. Applicants must be at least 18, have eighth-grade level

scores in reading and math, be drug-free and have no felony convictions. The national cut-off age is 25, but an exception is made for Alaskans. Individuals wanting to know more about the program should call Hoban at 561-4988.

MARINER: Teen joins up

Continued from Page E-1

That's not a bad start for a teenager from the Bush. As he approached the end of high school, Ledlow realized that job options in rural Alaska would be limited. In St. Marys, he might work at the airport, in the volatile fishing industry, change tires like he did at his father's mechanic shop, or work at one of the local grocery stores, which he also did for a while.

"I was at a point I wasn't really sure what to do," he said. "I was working at a cannery in Dillingham when one of the merchant mariners there talked to me about this program and let me know how to get in touch with them."

A few weeks after he called the union's Anchorage office, Ledlow found himself in Piney Point learning basics of shipboard terms and procedures, nautical history, math, first aid and how to use a lifeboat.

He also was learning new things about himself. The school is run along military lines. Students wear uniforms, march to meals, learn to reply with a snappy "Yes, sir" or "No, sir."

"I didn't know what to think," Ledlow said. "A few years ago, I told myself that I would never be military, never wear a uniform and never do dishes. In three months, I did all three and didn't mind."

The first land-based phase of training was followed by hands-on experience at sea. Ledlow was assigned to the Greatland, one of the large container ships making weekly runs between Tacoma, Wash., and Anchorage.

This part of the course lets students get a feel for different jobs and find out what they are most comfortable with. Ledlow spent time working on deck and in the galley, but discovered that what he really liked was the

engine room. The regime of wiping down giant machines, dismantling, cleaning and re-assembling parts, reading gauges and standing watch struck a chord in the kid who grew up watching his dad fix cars and outboard motors.

"I was down there for a month, but it seemed like two weeks," he said.

The Greatland's schedule put him in Anchorage every Sunday, where he could spend time with family and take his grandmother to church.

Grandma — Marie Tyson — is a well-respected tradition-bearer from the lower Yukon. William Tyson Elementary School is named for her late husband. It was at her house that the bon voyage party took place. She told callers she was inviting "just a few people. Not a big crowd." But guests' cars filled both sides of the street for a block, and a mountain of shoes marked the entry.

"Actually, it's not crowded compared to her usual get-togethers," said Rose Tyson, Ledlow's aunt. "Let's just say you can see the floor."

Every man in the room was familiar with boats and water. Most had done commercial or subsistence fishing at some time in their lives. But while no special credentials are needed to be a hand on a fishing boat, you need to have the right papers and certifications to work on a big ocean-going vessel.

When Ledlow completes his next few weeks of training, he'll be the first Alaska Native to earn those papers through this program. The room filled with a sense of respect and hope for the young man as friends and kin sang the Lord's Prayer in Yup'ik.

"We're all so proud of Chris," Rose Tyson said, "and we always have been. He's never been in any trouble. We've never had to worry about him getting into drugs

or anything like that."

"My whole family's really enthusiastic about what I'm doing," Ledlow said. "Except my grandmother. I think she's a little worried."

In his final phase of training, Ledlow will get specialty training in his area of interest — the engine room. He'll graduate with the designation of "unlicensed apprentice" and immediately go to work making about \$30,000 a year. After four months on the job, he'll be able to upgrade to "able-bodied seaman." Advanced ratings to "bosun" or "first mate" could follow.

School costs are largely covered by the companies that contract with the union for men and women to run their ships. In Ledlow's case, he also received assistance through the state's Jobs Training Partnership Act office.

Ledlow said the idea of travel and a flexible work schedule appealed to him. Union members typically work four months on, two off. That's plenty of time to reconnect with family in Alaska, even if his ship doesn't call on Anchorage every Sunday.

Anchorage union representative Harold Holten is betting it won't.

"Of the 18 Alaskans who've graduated from this program so far, not one is working on an Alaska ship," he said. "And this one won't either. I can see that glitter in his eye."

Ledlow grinned at that, and his eyes did seem to glitter. But he admitted to already missing one thing from home — Grandma's salmon.

"I had salmon down there in Maryland," he said. "It wasn't the same. I couldn't taste the fish."

■ Daily News arts editor Mike Dunham can be reached by e-mail at mdunham@adn.com.

ALASKA STATE AFL-CIO

2501 Commercial Drive · Anchorage, Alaska 99501 · 907-258-6284 · Fax 274-0570

MANO FREY
Executive President



BRUCE LUDWIG
Secretary / Treasurer

April 18, 1999

RE: House Bill 157

Representative Jerry Sanders
State of Alaska
P. O. Box V
Juneau, AK 99811

Dear Representative Sanders,

This bill will rectify and in justice to those Alaskan, men and women who have been denied a Permanent Fund Dividend, being solely because they were out of state due to careers as merchant mariners. The most ironic travesty is Alaskan mariners not being eligible for the Permanent Fund Dividend. A nationally acclaimed program was begun by the Seafarers International Union to recruit Alaskans into a training program ultimately resulting in a career as a merchant mariner. On one hand, the Seafarers Union recruits and trains for life long high paying jobs and on other hand, the state is denying the same people the Permanent Fund Dividend because they are at sea or out of state. We hold hardly support this legislation and thank you for your support.

Sincerely,

Mano Frey
Executive President

MF/lf



Apostleship of the Sea

Sally Bostwick, Ship Visitor
1566 Thuja Avenue
Anchorage, Alaska 99507
phone (907)349-3471
email sbostwick@anchor.net

Rep. Jerry Sanders
Ref: HB 157
Attn: Eddie Burke
Fax-907 - 465 - 3476
Rep. Sanders and House Committee:

I am acting port chaplain in Anchorage and have frequent contact with the seafarers. As a representative of the Apostleship of the Sea, a vatican designated outreach to seafarers, also a member of the North American Ministry to Mariners, and as an Alaska resident I am particularly concerned with the inequity in Alaskan seafarer eligibility for Alaska permanent fund dividends. Those Alaskan seafarers are currently penalized from residency eligibility because of extended absences from the state while serving on ships. The maritime industry does not afford the mariner the luxury of selecting routes or duration at sea. Most seafarers are shipboard for 8 to 9 month, enduring family separation and frequently dangerous weather and work situation. During these extended absences the seafarer is aboard ship. The seafarer does not establish another residence. For the most part, a seafarer is in port 24 hours during off and on-loading only. Hence, the only residence of the merchant seafarer is his/her Alaskan home or the ship stateroom

As you are aware waterborne shipping is the most economical and safe means of transport for the many goods we need in the state. Those people engaged in this industry support the local economy through delivery of goods/materials. Their in current questioned eligibility for PFD is an economic injustice. At the same time family members in residence in the state support the local economy and services through property taxes and "buy Alaska". The seafaring industry is critical to the state and participation of Alaska mariners in PFD is justified. Absences from their

Alaskan homes for the seafarers are one of the negative factors in their chosen careers. Nevertheless, if Alaska goods and goods for Alaska receive appropriate distribution we as a maritime state depend on these seafarers. Today, Alaska youth are becoming more interested in maritime careers. Penalties associated with lack of seafarer eligibility for PFD will discourage young seafarers and even jeopardize Alaskan consumers with increased transportation costs.

Therefore, inclusion of Alaskan seafarers/mariners eligibility for PFD is strongly endorsed.. This position is supported by the Apostleship of the Sea and the Archdiocesan sponsor for the Apostleship.

Thank you....

Sally Bostwick
 Sally Bostwick
 Apostleship of the Sea
 Archdiocese of Anchorage

Fr. Crowley

HB

157

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 5/7/99

FURTHER:

DATE TURNED
IN TO OFFICE: 5/14/99

Finance Committee considered

HOUSE BILL NO. 157

"An Act relating to absences from the state while serving on oceangoing vessels of the United States merchant marine for purposes of eligibility for permanent fund dividends; and providing for an effective date."

and recommends:

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

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

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Loren D. Leman</i>	✓	<i>(Crossed out)</i>	✓		
<i>Wanda Conley</i>	✓	<i>Peter Kelly</i>	✓		
		<i>Al G. G. G.</i>	✓		
		<i>Gary White</i>		X	
Co-Chair: <i>W. W.</i>	✓	Co-Chair:			
Co-Chair:		Co-Chair: <i>Scott Powell</i>	✓		

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

<i>Rev/Rev. Operations</i>	<i>4/16/99</i>	<i>0</i>	

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

Bill Version: HB 157

(H) Publish Date: 4/16/99

**STATE OF ALASKA
1999 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction) March 29, 1999 Dept. Affected Revenue
 Title PFD Allowable Absences BRU Revenue Operations
 Component Permanent Fund Dividend
 Sponsor Rep. Sanders
 Requester House State Affairs Component Serial No. 981

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year (FY99) cost: 0.0

POSITIONS

Full-time	0					
Part-time	0					
Temporary	0					

ANALYSIS: (Attach a separate page if necessary)

This bill adds an allowable absence while serving on or man-going vessels of the United States merchant marine for purposes of eligibility for Permanent Fund dividends. As a result of this amendment, all other allowable absences in this section are renumbered.

We do not expect these provisions to have a fiscal effect on the Permanent Fund Dividend Program.

Prepared by Nanci A. Jones, Director
 Division Permanent Fund Dividend
 Approved by Wilson L. Condon
 Commissioner
 Agency Department of Revenue

Phone 465-2323
 Date/Time March 29, 1999
 Date March 29, 1999

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

COMMITTEE COPY

AMENDMENT

OFFERED IN SENATE FINANCE

moved SENATOR WILKEN

TO: HB 157

1 Page 1, lines 1-3:

2 Delete all material and insert

3 **““An Act relating, for purposes of eligibility for permanent fund**
4 **dividends, to absences from the state while serving on oceangoing**
5 **vessels of the United States merchant marine, and while serving in**
6 **the Peace Corps; and providing for an effective date.””**

7 Page 2, following line 21:

8 Insert a new paragraph to read:

9 **“(13) serving as a full-time volunteer in the**
10 **Peace Corps;”**

11 Page 2, line 22:

12 Delete “(13)”

13 Insert “(14)”

14 Page 2, line 23:

15 Delete “(5) – (12), or (14)”

16 Insert “(5) – (13), or (15)”

17 Page 2, line 25:

18 Delete “(14)”

19 Insert “(15)”

20 Page 2, line 28:

21 Delete "(1) – (13)"

22 Insert "(1) – (14)"

23 Page 2, line 31:

24 Delete "(3) – (13)"

25 Insert "(3) – (14)"

26 Page 3, line 2:

27 Delete "(1) – (13)"

28 Insert "(1) – (14)"

29 Page 3, line 3:

30 Delete "(a)(1) – (13)"

31 Insert "(a)(1) – (14)"

32 Page 3, line 11:

33 Delete "(a)(13)"

34 Insert "(a)(14)"

SIU's Alaskan Recruitment Program Wins National Award

A unique joint initiative between the Seafarers International Union and Alaskan-area private industry councils won national recognition last month for its success in providing jobs for young people from the nation's northernmost state.

The National Association of Private Industry Councils (NAPIC) honored the SIU and the Anchorage/Matanuska-Susitna Private Industry Council for their work in training, then employing, Alaskans aboard U.S.-flag commercial vessels. The presentation took place March 1 in Washington, D.C. at NAPIC's annual forum.

Initiated in 1997 as a way to lower unemployment rates in Alaska, the program has attracted recruits from all over the state. It is strongly backed by Alaska's

congressional delegation - Sens. Ted Stevens (R) and Frank Murkowski (R) and Rep. Don Young (R) - and its governor, Tony Knowles (D).

The union and council were declared one of two distinguished honorees by the association. Only an Oregon-based training and employment venture ranked higher among the approximately 600 entries and took the top prize.

"This means a lot to all of us involved in the program," SIU Anchorage Representative Harold Holten said after receiving the Theodore E. Small Workforce Partnership Designated Honoree Award on behalf of the union.

"Everyone involved has worked hard to promote this in Alaska and make it work. We could not have done it without the backing of the SIU, the shipping

companies who sail into Alaska, the fine people at the private industry council and, of course, Senators Stevens and Murkowski, Congressman Young and Governor Knowles as well as their staffs."

"It is hard to believe how far we have come in less than two years," noted Lynn Taylor, job partnership training program director for the city of Anchorage. "When Harold and (SIU Assistant Vice President) Bob Hall first presented this to us, we couldn't believe what was available. We had never heard of these opportunities in the merchant marine."

Under the program, young men and women who meet the requirements to enter training at the Paul Hall Center's Lundeborg School of Seamanship are recruited by local government and job training officials. Holten works with these groups to screen the recruits and ensure they meet the qualifications required by the U.S. Coast Guard to hold a merchant mariner's document.

Once approved, they begin learning the skills needed to sail aboard U.S.-flag commercial vessels through the Paul Hall Center's three-phase unlicensed apprentice program.

The first phase takes place at the center, located in Piney Point, Md., where the students receive hands-on and classroom training to learn basic seamanship skills. This part takes 12-weeks.

Under Phase II, the Alaskan recruits work aboard a U.S.-flag vessel whose itinerary includes



Displaying the awards presented to the SIU and the Anchorage Private Industry Council for their work in recruiting young Alaskans to the U.S. merchant marine are SIU Representative Harold Holten (left) and Lynn Taylor from the city of Anchorage.

ports in their home state. They sail for 90 days to learn about life at sea by working in all three unlicensed departments.

Phase III training returns to the Paul Hall Center where the students receive department-specific training. Upon graduation, they are shipped out to their first job aboard a U.S.-flag commercial vessel.

The success of the Alaskan effort has spawned a similar project in Hawaii. Lundeborg School Vice President Don Nolan stated the facility is willing to work with other councils and groups around the country interested in finding good, dependable employment for their young people.

However, the Alaskan recruit-

ment initiative was not the only project noticed by NAPIC in its award. It commended the riding gang program for Alaskan residents implemented by the SIU and local Alaskan governments last year. Like the unlicensed apprentice recruitment effort, this also is an ongoing project that is training Last Frontier state residents to work aboard SIU-contracted vessels that dock in Alaska.

This program has caught the attention of Rep. Young who addressed the first class of riding gang recruits on their graduation day last summer in Anchorage, where their training took place (see the July 1998 *Seafarers LOG*).

HB 157

SeaLand

Sea-Land Service, Inc.
1049 West 5th Avenue
Anchorage, Alaska 99501-1930
(907) 274-2671

April 14, 1999

Representative Brian Porter
Speaker of the House
State Capitol, Room 208
Juneau, Alaska 99801

SENT VIA FAX 907/465-3834

Dear Speaker Porter:

I am writing to you today to encourage you to support HB 157, "The Alaskan Merchant Mariners Permanent Fund Dividend Equity Act". This legislation is important to our ongoing efforts to recruit, train, and hire Alaskan residents for employment as officers and crew aboard our U.S.-flag vessels. For the past several years Sea-Land Service, Inc. has worked with other carriers and labor organizations to promote "local hire" of Alaskans aboard our vessels in the Alaska trade as well as on trading routes throughout the world.

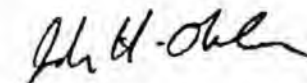
Sea-Land's commitment to hiring Alaskans is demonstrated in our efforts to offer apprenticeships aboard our vessels for the Seafarers International Union's unlicensed apprentice program and our active support of scholarships for Alaskan residents wishing to attend the California Maritime Academy. Although we are proud of our success in providing these opportunities to Alaskans, we are concerned that the current denial of annual Permanent Fund dividends to Alaskan merchant mariners who may be at sea for over 180 days per year is hampering our efforts to employ Alaskans.

This issue comes up during the recruitment process. Our representatives must inform interested individuals that they may not be eligible for the Permanent Fund dividend, of which most young Alaskans have grown quite accustomed to, if they go to sea. This is despite their being resident Alaskans and eligible on all other accounts. In addition, we are concerned that losing Permanent Fund eligibility status will create an added incentive for sea-going Alaskans to leave their home state and live outside.

This is a scenario that our organization wishes to avoid if at all possible. The seagoing jobs aboard our U.S.-flag vessels are high-skilled, family-wage positions that would aid in growing Alaska's economy. We are proud to make every effort to offer these positions to native Alaskans. Your assistance in passing HB 157 will help to assure our work is a success for all Alaskans.

Sincerely yours,

SEA-LAND SERVICE, INC.



John H. Ohie
General Manager, Alaska

cc: Representative Jerry Sanders, FAX# 907/465-3476
Alaska Chamber of Commerce, FAX# 907/463-5515

ALASKA STATE AFL-CIO

2501 Commercial Drive · Anchorage, Alaska 99501 · 907-258-6284 · Fax 274-0570

MANO FREY
Executive President



BRUCE LUDWIG
Secretary / Treasurer

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State of Alaska
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Mano Frey
Executive President

MF/lf

Anchors Away

St. Marys teen leaves village, becomes first Alaska Native to sail as merchant mariner

Story by MIKE DUNHAM
Daily News reporter

Photos by ERIK HILL
Anchorage Daily News



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Please see Page E-4, MARINER



Above, future merchant mariner Chris Ledlow chats with his grandmother Marie Tyson, center, and his cousin Suse Mike before boarding his flight to the East Coast. At left, Ledlow gets a hug from Mike Tyson watching Wednesday evening at Anchorage International Airport.

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MARINER: Teen joins up

Continued from Page E-1

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The Greatland's schedule put him in Anchorage every Sunday, where he could spend time with family and take his grandmother to church.

Grandma — Marie Tyson — is a well-respected tradition-bearer from the lower Yukon. William Tyson Elementary School is named for her late husband. It was at her house that the bon voyage party took place. She told callers she was inviting "just a few people. Not a big crowd." But guests' cars filled both sides of the street for a block, and a mountain of shoes marked the entry.

"Actually, it's *not* crowded compared to her usual get-togethers," said Rose Tyson, Ledlow's aunt. "Let's just say you can see the floor."

Every man in the room was familiar with boats and water. Most had done commercial or subsistence fishing at some time in their lives. But while no special credentials are needed to be a hand on a fishing boat, you need to have the right papers and certifications to work on a big ocean-going vessel.

When Ledlow completes his next few weeks of training, he'll be the first Alaska Native to earn those papers through this program. The room filled with a sense of respect and hope for the young man as friends and kin sang the Lord's Prayer in Yup'ik.

"We're all so proud of Chris," Rose Tyson said, "and we always have been. He's never been in any trouble. We've never had to worry about him getting into drugs

or anything like that."

"My whole family's really enthusiastic about what I'm doing," Ledlow said. "Except my grandmother. I think she's a little worried."

In his final phase of training, Ledlow will get specialty training in his area of interest — the engine room. He'll graduate with the designation of "unlicensed apprentice" and immediately go to work making about \$30,000 a year. After four months on the job, he'll be able to upgrade to "able-bodied seaman." Advanced ratings to "bosun" or "first mate" could follow.

School costs are largely covered by the companies that contract with the union for men and women to run their ships. In Ledlow's case, he also received assistance through the state's Jobs Training Partnership Act office.

Ledlow said the idea of travel and a flexible work schedule appealed to him. Union members typically work four months on, two off. That's plenty of time to reconnect with family in Alaska, even if his ship doesn't call on Anchorage every Sunday.

Anchorage union representative Harold Holten is betting it won't.

"Of the 18 Alaskans who've graduated from this program so far, not one is working on an Alaska ship," he said. "And this one won't either. I can see that glitter in his eye."

Ledlow grinned at that, and his eyes did seem to glitter. But he admitted to already missing one thing from home — Grandma's salmon.

"I had salmon down there in Maryland," he said. "It wasn't the same. I couldn't taste the fish."

■ Daily News arts editor Mike Dunham can be reached by e-mail at mdunham@adn.com.



Apostleship of the Sea

Sally Bostwick, Ship Visitor
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Anchorage, Alaska 99507
phone (907)349-3471
email sbostwick@anchor.net

Rep. Jerry Sanders
Ref: HB 157
Attn: Eddie Burke
Fax-907 - 465 - 3478
Rep. Sanders and House Committee:

I am acting port chaplain in Anchorage and have frequent contact with the seafarers. As a representative of the Apostleship of the Sea, a vatican designated outreach to seafarers, also a member of the North American Ministry to Mariners, and as an Alaska resident I am particularly concerned with the inequity in Alaskan seafarer eligibility for Alaska permanent fund dividends. Those Alaskan seafarers are currently penalized from residency eligibility because of extended absences from the state while serving on ships. The maritime industry does not afford the mariner the luxury of selecting routes or duration at sea. Most seafarers are shipboard for 8 to 9 month, enduring family separation and frequently dangerous weather and work situation. During these extended absences the seafarer is aboard ship. The seafarer does not establish another residence. For the most part, a seafarer is in port 24 hours during off and on-loading only. Hence, the only residence of the merchant seafarer is his/her Alaskan home or the ship stateroom

As you are aware waterborne shipping is the most economical and safe means of transport for the many goods we need in the state. Those people engaged in this industry support the local economy through delivery of goods/materials. Their in current questioned eligibility for PFD is an economic injustice. At the same time family members in residence in the state support the local economy and services through property taxes and "buy Alaska". The seafaring industry is critical to the state and participation of Alaska mariners in PFD is justified. Absences from their

Alaskan homes for the seafarers are one of the negative factors in their chosen careers. Nevertheless, if Alaska goods and goods for Alaska receive appropriate distribution we as a maritime state depend on these seafarers. Today, Alaska youth are becoming more interested in maritime careers. Penalties associated with lack of seafarer eligibility for PFD will discourage young seafarers and even jeopardize Alaskan consumers with increased transportation costs.

Therefore, inclusion of Alaskan seafarers/mariners eligibility for PFD is strongly endorsed.. This position is supported by the Apostleship of the Sea and the Archdiocesan sponsor for the Apostleship.

Thank you....

Sally Bostwick

Sally Bostwick
 Apostleship of the Sea
 Archdiocese of Anchorage

Fr. Archdiocese Fr. Crowley



Official Business

Alaska State Legislature

REPRESENTATIVE
JERRY SANDERS
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COMMITTEES:
Co-Chair Resources
Labor and Commerce
Transportation

HB157: Permanent Fund Dividend for Alaskan Merchant Mariners Sponsor Statement

This legislation is sought to enhance maritime job opportunities for Alaskans and, in particular, Alaskan youth.

I first learned of the need for this legislation when I spoke to several parties involved in Alaska's maritime transportation industry. I was advised of an effort launched to attract Alaskans to job opportunities in the U.S. Merchant Marine. This effort has been a unique and successful partnership between Alaska's three Private Industry Councils and the Seafarers International Union (SIU) that has contributed greatly to workforce and economic development in Alaska. This partnership on occasion is having difficulty recruiting as a result of an oversight in Alaska's Permanent Fund dividend program. Alaskans who make their living aboard deep-sea, U.S. flag vessels may often be working aboard these ships for over 180 days per year. This makes them ineligible for their dividend check because their desired profession requires them to be aboard ships. In many cases these Alaskans could be aboard the cargo or tank vessels serving Alaska – yet still be denied a Permanent Fund check.

Since the inception of this partnership in September 1997 to the present, 25 eligible Alaskan residents have successfully completed the SIU apprenticeship-training program and are now fully employed.

The average salary for those Alaskans newly employed through this program is \$32,000/year and all receive full family medical, dental, pension, education, and vacation coverage. As Alaskans committed to "local hire", we should not be upholding obstacles for employment opportunities for our youth.

More importantly, this award winning training and placement program would have an improved ability to recruit Alaskan youth for quality training and high skill/family wage employment.

Another case I am familiar with is a ten-year Alaskan resident who sails aboard tankers in the TAPS trade. He has consistently been denied the Permanent Fund dividend since his work as a merchant seaman is not considered an allowable absence. This determination is not a question of his residency.

Passage of this bill will give these limited number of people their rightful claim to the Permanent Fund dividend.

Endorsement: Alaska State Chamber of Commerce

SENATE FINANCE COMMITTEE

SIGN-IN

HB 157-PFD ALLOWABLE ABSENCES

NAME: Maureen A. Jones Sub./Bill No: 157
Co./Dept./Title: PFD Division Phone: 2323
Address: 11th Floor SOTB Zip: 99801

Do you wish to testify? Yes No Respond to Questions

NAME: _____ Sub./Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond to Questions

NAME: _____ Sub./Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond to Questions

NAME: _____ Sub./Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond to Questions

SENATE FINANCE COMMITTEE

SIGN-IN

HB 157-PFD ALLOWABLE ABSENCES

NAME: Deborah Vogt / Nanci Jones Subject/Bill No: HB 157
Co./Dept./Title: Perm Fund Dividend Division Phone: 2323
Address: 11th Floor SOB Zip: 99801

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

HB

159

HFIN

FILE

(11)

HOUSE COMMITTEE REPORT

Date Referred to Committee: April 28, 1999

FURTHER REFERRALS:

Date of Committee Action: 2/23/00

The FINANCE Committee considered:

HB 159

HOUSE BILL NO. 159

PERS PEACE OFFR STATUS CORRECTION EMPLOYE

"An Act granting certain employees in correctional facilities status as peace officers under the public employees' retirement system."

recommends it be replaced with the following committee substitute CS HB 159 (Fin) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) DOC zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<u>Gene Theriault</u> Theriault			✓	
<u>Don Bende</u> Bende			✓	
<u>Alan Mulder</u> Mulder			✓	
<u>Alan Guster</u> Guster			✓	
<u>Ray Gussendorf</u> Gussendorf			✓	
<u>Ray G. Moses</u> Moses				✓
<u>John Davis</u> Davis	✓			
<u>Phil Phillips</u> Phillips	✓			
<u>John N. Davis</u> Davis			+	

CHAIR'S SIGNATURE: Gene Theriault Eldon Mulder

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. CSHB 159(FIN)

Revision Date/Time _____	Dept. Affected <u>Administration</u>	
Title <u>An act granting certain employees in state</u>	BRU <u>Centralized Administrative Services</u>	
<u>correctional facilities status as peace officers...</u>	Component <u>Retirement and Benefits</u>	
Sponsor <u>Representative Davis</u>		
Requester <u>House Finance</u>	Component No. <u>64</u>	

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Public Employees' Retirement System (PERS) allows peace officers to retire with 20 years of service and non-peace officers to retire with 30 years of service, regardless of age. The Finance Committee substitute to HB 159 would allow a non-correctional officer with 20 years of PERS state correctional facility service to convert that service to service as a peace officer, thereby allowing the individual to retire. The individual would be required to pay the full actuarial cost of this conversion, either in a lump sum or through a lifetime retirement benefit reduction. Since the full actuarial cost is paid by the employee, this legislation has no fiscal impact to the State of Alaska or other PERS employers.

Prepared by: <u>Guy Bell</u>	Phone <u>465-4471</u>
Division <u>Retirement and Benefits</u>	Date/Time <u>2/24/00 11:17 AM</u>
Approved by Commissioner <u>Robert Poe Jr.</u>	Date <u>2/24/00</u>
Agency <u>Department of Administration</u>	

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ALASKA STATE LEGISLATURE

REPRESENTATIVE GARY DAVIS

HOUSE BILL 159

SPONSOR STATEMENT

Correctional officers, like police officers, parole officers and fire fighters have the opportunity to retire after acquiring 20 years of service. This opportunity is offered primarily as an employment incentive. The state recognizes that these individuals are in a highly stressful and dangerous type of employment and offers this as an inducement to them to remain with their careers.

Correctional officers, however, are not the only employees at Alaska's facilities faced with stressful, dangerous situations. Nor are they the only ones who have consistent contact with inmates on a daily basis. Most other employees also have constant contact. It doesn't matter whether they are working in the kitchen, in the infirmary, in maintenance, in the library or in the administrative offices. These employees work alongside of inmates every day. If there is a problem requiring a "lock down" situation, these employees are included in that lock down. It is this type of stress that can and does lead to high employee turnover. Allowing them to retire after 20 years of service instead of the current 30-year requirement can provide the incentive needed to keep them on the job.

House Bill 159 provides non-correctional officer employees this opportunity and incentive. In essence, it allows an individual to retire after 20 years of credited service at a correctional facility. The required employee contribution increases from 6.75 percent to 7.5 percent to match that of correctional officers. Credit for prior correction facility employment may be purchased for the cost of the additional employee contribution plus any required interest. Like correctional officers, these employees would be able to irrevocably terminate this coverage if they so chose.

House Bill 159 recognizes that any type of employment at correctional facilities can be stressful and dangerous. It provides individuals who work there with an incentive to remain at their jobs. It can also result in benefits to the state. With less employee turnover, fewer funds are needed to train new employees. These savings can revert to the general fund, or they can be used to provide additional on-going training for existing personnel.



ALASKA STATE LEGISLATURE

REPRESENTATIVE GARY DAVIS

HOUSE BILL 159

SECTIONAL ANALYSIS

"An Act granting certain employees in correctional facilities status as peace officers under the public employees' retirement system."

- Section 1: Amends AS 39.35.680(28) to include employees of a correctional facility, other than correctional officers or superintendents in the definition of peace officer as it relates to the public employees' retirement system.
- Section 2: Allows an employee with prior credited service as a correctional facility employee to convert this to service as a peace officer by claiming that service before the employee retires. Upon claiming the prior service, the employee will owe an indebtedness equal to the contributions the employee would have made had the prior service counted toward peace officer service minus the contributions the employee actually made. Interest on this indebtedness accrues beginning July 1, 1999. Any outstanding indebtedness existing at the time of retirement will require an actuarial adjustment to the benefits payable.

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. (§ 1 ch 53 SLA 1965)

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) (§ 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. (§ 1 ch 86 SLA 1977)

Legislative history reports. — For report on ch. 86, SLA 1977 (CSSB 135), see 1977 House Journal, p. 1206; 1977 Senate Journal, p. 535.

Secs. 39.35.155 and 39.35.157. Former magistrates; Tokyo office employees. [Repealed, § 60 ch 21 SLA 1985.]

Sec. 39.35.158. 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. (§ 30 ch 146 SLA 1980)

Article 3. Contributions by Employees.

Section

- 160. Amount of employee contributions
- 170. Employment contributions mandatory
- 180. Voluntary contributions by employee
- 200. Refund upon termination of employment for reason other than death

Section

- 230. Refund upon death of retired employee
- 240. Withdrawal of voluntary contributions

→ **Sec. 39.35.160. Amount of employee contributions.** (a) Beginning January 1, 1987, each peace officer or fire fighter shall contribute to the system an amount equal to seven and one-half percent of the peace officer's or fire fighter's compensation. Beginning January 1, 1987, each other employee shall contribute to the system an amount equal to six and three-quarters percent of the employee's compensation. The contributions shall be deducted by the employer at the end of each payroll period. The contributions shall be deducted from employee compensation before computation of applicable federal taxes, and the contributions shall be treated as employer contributions under 26 U.S.C. 414(h)(2).

(b) *[Repealed, § 6 ch 135 SLA 1980 and § 39 ch 146 SLA 1980.]* (§ 8 a ch 143 SLA 1960; am § 2 ch 235 SLA 1968; am § 3 ch 35 SLA 1969; am § 5 ch 109 SLA 1970; am § 5 ch 159 SLA 1972; am § 2 ch 58 SLA 1979; § 6 ch 135 SLA 1980; am § 39 ch 146 SLA 1980; am § 15 ch 82 SLA 1986)

employees with enough service credit in the civil service retirement system to be eligible for a retirement benefit under that system, and made stylistic changes.

Article 6. Benefits.

Section	Section
370. Retirement benefits	480. Cost-of-living allowance
381. Alternate benefit for elected public officers	485. Minimum benefit
385. Conditional service retirement benefits	490. Designation of beneficiary
389. Alternate benefits for EPORS members	495. Time limit for application
395. Voluntary contribution benefit	500. Safeguard of employee funds held by the system
400. Nonoccupational disability benefits	505. Exemption of employee funds and benefits
410. Occupational disability benefits	510. Voluntary waiver of benefits
415. Reemployment of disabled employees	520. Adjustments
420. Nonoccupational death benefits	522. Waiver of adjustments
430. Occupational death benefit	527. Election to terminate coverage as a peace officer or fire fighter
440. Death after occupational disability	530. Limit on pension
450. Joint and survivor option	535. Medical benefits
451. Spouse survivor benefits under Public Employees Retirement Act of 1949	541. Actuarial reduction of benefit
455. Rights under qualified domestic relations order	546. Tax exemption
475. Post-retirement pension adjustment	547. Effect of amendments

NOTES TO DECISIONS

Vested benefits. — Benefits under Public Employees' Retirement System are in the nature of deferred compensation and the right to such benefits vests immediately upon an employee's enrollment in that system. *Hammond v. Hoffbeck*, 627 P.2d 1052 (Alaska 1981).

The vested benefits protected by Alaska Const., art. XII, § 7, necessarily include not only the dollar amount of the benefits payable, but the requirements

for eligibility as well. *Hammond v. Hoffbeck*, 627 P.2d 1052 (Alaska 1981).

The fact that rights in Public Employees' Retirement System vest on employment does not preclude modifications of the system; that fact does, however, require that any changes in the system that operate to a given employee's disadvantage must be offset by comparable new advantages to that employee. *Hammond v. Hoffbeck*, 627 P.2d 1052 (Alaska 1981).

Sec. 39.35.370. Retirement benefits. (a) Subject to AS 39.35.450, a terminated employee is eligible for a normal retirement benefit

- (1) at age 60 with at least five years credited service;
- (2) with at least 20 years of credited service as a peace officer or fire fighter; or
- (3) with at least 30 years of credited service for all other employees.

(b) Subject to AS 39.35.450, a terminated employee is eligible for an early retirement benefit at age 55 with at least five years credited service. An actuarial adjustment shall be made to retirement benefits paid under this section for an early retirement benefit. The monthly amount of a retirement benefit that would be due under (c) of this section shall be reduced by multiplying one-half of one percent times the number of months, to the nearest month, by which the retirement date of the employee falls short of the date that the employee reaches age 60.

(c) The monthly amount of a retirement benefit for a peace officer or fire fighter is two percent of the average monthly compensation times the years of credited service through 10 years, plus two and one-half percent of the average monthly compensation times the years of service over 10 years. For all other employees it is

- (1) two percent of the average monthly compensation times all years of service before July 1, 1986, and for years of service through a total of 10 years; plus
- (2) two and one-quarter percent of the average monthly compensation times all years of service after June 30, 1986, over 10 years of total service through 20 years; plus
- (3) two and one-half percent of the average monthly compensation times all years of service after June 30, 1986, over 20 years of total service.

(d) The monthly amount of a retirement benefit for a deferred vested member shall be determined in accordance with (c) of this section as it was in effect on the date of the employee's termination of employment.

(e) Benefits payable under this section accrue from the first day of the month after which all of the following requirements are met: (1) the member meets the eligibility requirements of this section; (2) the member terminates employment; and (3) the member applies for retirement. The benefits are payable the last day of the month. If payment is delayed, a retroactive payment shall be made to cover the period of deferment. The last payment shall be made for the month in which a benefit is payable under this section.

(f) A member who is vested in the system as a peace officer or fire fighter at the time the member incurs a permanent disability of at least 33 1/3 per cent under workers' compensation and who (1) undergoes retraining because of the disability; and (2) is subsequently employed with the state or other employer in a position other than peace officer or fire fighter, is eligible for a normal retirement benefit as a peace officer or fire fighter under (a) and (c) of this section upon completing 20 years of credited service. (§ 18 ch 143 SLA 1960; am § 2 ch 102 SLA 1963; am § 7 ch 155 SLA 1966; am § 5 ch 235 SLA 1968; am § 6 ch 109 SLA 1970, am §§ 6, 7 ch 159 SLA 1972; am § 15 ch 47 SLA 1974; am § 34 ch 128 SLA 1977; am § 33 ch 146 SLA 1980; am §§ 22 — 24 ch 82 SLA 1986; am §§ 34, 35 ch 117 SLA 1986; am § 14 ch 4 FSSLA 1996)

Revisor's notes. — In 1989, the term "fire fighter" was substituted for "fireman" in this section under § 60, ch. 50, SLA 1989.

Cross references. — For 1980 adjustment to pensions of retirees who were disabled at the time of retirement, see § 49, ch. 146, SLA 1980 in the Temporary and Special Acts and Resolves; for 1986 increase in retirement benefits for certain employees of the Territory of Alaska, see § 54, ch. 82, SLA 1986 in the Temporary and Special Acts and Resolves.

Effect of amendments. — The 1996 amendment, effective July 1, 1996, added the last sentence in subsection (b).

Editor's notes. — In general, a person's right to benefits under the state's public employee retirement systems vests when the person joins the system. *Hammond v. Hoffbeck*, 627 P.2d 1052 (Alaska 1981).

Therefore, former law may govern the benefits of some members of the public employees' retirement system. The user is advised to ascertain which version of the statute is applicable. Earlier versions of the statutes can be found in prior editions of the Alaska Statutes or in the published Session Laws of Alaska.

Section 57, ch. 82, SLA 1986 provides: "Sections 16, 22-23, 25-27, 42-45, and 50 of this Act apply only to members first hired under the Public Employees' Retirement System: after June 30, 1986."

Section 44, ch. 4, FSSLA 1996 provides that nothing in that Act, which amended subsection (b), "modifies or terminates the terms of a collective bargaining agreement in effect on July 1, 1996." Under § 45, ch. 4, FSSLA 1996, the provisions of that Act, which amended subsection (b), are not severable, notwithstanding AS 01.10.030.

NOTES TO DECISIONS

Employment credits' restricted use. — The phrase "credit for employment" as used in § 7, ch. 89, SLA 1989, cannot be combined with age to determine a member's eligibility for retirement benefits; rather, § 7 employment credits can only be applied according to their intended use: to determine years of service

requirements in the overall determination of a member's eligibility for retirement. *Johnson v. Public Employees Retirement Bd.*, 848 P.2d 263 (Alaska 1993).

Cited in *Sheffield v. Alaska Pub. Employees' Ass'n*, 732 P.2d 1083 (Alaska 1987).

Collateral references. — 67 C.J.S. Officers, § 243 et seq.

Rights and liabilities as between employer and employee with respect to general pension or retire-

ment plan. 42 ALR2d 461; 46 ALR3d 464.

Mandatory retirement of public officer or employee based on age. 81 ALR3d 811.

Sec. 39.35.380. Early retirement benefits. [Repealed, § 55 ch 128 SLA 1977.]

Sec. 39.35.381. Alternate benefit for elected public officers. (a) An elected public officer is eligible for a public officer benefit if the officer is retired under AS 14.25 (teachers' retirement system). Only fully paid credited service as an elected public officer of a municipality or other political subdivision, earned while the municipality or political

(2) *[Repealed, § 60 ch 137 SLA 1982.]*

(3) *[Repealed, § 60 ch 137 SLA 1982.]*

(4) the adjustment was not the result of erroneous information supplied by the member or beneficiary;

(5) before the adjustment was made, the member or beneficiary received confirmation from the administrator that the employee's or beneficiary's records were correct; and

(6) the member or beneficiary had no reasonable grounds to believe the employee's or beneficiary's records were incorrect before the adjustment was made.

(b) In order to obtain consideration of a waiver under this section, the affected member or beneficiary must appeal to the board in writing within 30 days after receipt of notice that the records have been adjusted. The board shall rule on the appeal in writing within 120 days after its receipt.

(c) The board may, at its discretion, conduct a hearing on an appeal under this section. In reaching a decision on an appeal, the board may issue subpoenas, administer oaths, compel the attendance and testimony of witnesses, compel the taking of depositions and the submission of affidavits, and compel the production of documents and records.

(d) The board may impose conditions on the granting of a waiver which it considers equitable. These conditions may include requiring the member or beneficiary to make additional contributions to the system.

(e) The board may reconsider a ruling under this section upon request of the member or beneficiary or the administrator if the request is received within 30 days after the initial ruling. Any modification of the initial ruling must be made within 30 days after receipt of a request for reconsideration.

(f) Rulings and modifications of rulings under this section shall be by a majority of a quorum of the board.

(g) Rulings on appeals and requests for reconsideration under this section may be appealed by an aggrieved member or beneficiary to the superior court for abuse of discretion. (§ 9 ch 174 SLA 1978; am § 41 ch 13 SLA 1980; am § 60 ch 137 SLA 1982)

Sec. 39.35.525. Limitation on use of credited service as peace officer or fireman. [Repealed, § 37 ch 106 SLA 1988.]

→ **Sec. 39.35.527. Election to terminate coverage as a peace officer or fire fighter.** (a) Any active member may elect to irrevocably relinquish peace officer or fire fighter status with the system and to retain all credited service as if it had been acquired as a member other than a peace officer or fire fighter.

(b) In order to relinquish peace officer or fire fighter status with the system, a person must be an active member and must file a written request with the administrator by July 1, 1984, or within six months after employment as a peace officer or fire fighter, whichever occurs later. No person has more than one opportunity to exercise this option.

(c) As soon as possible after the relinquishment, the administrator shall refund to a person who relinquishes peace officer or fire fighter status under this section a refund equal to the amount by which the balance of the person's accumulated mandatory contributions plus interest exceeds the balance which would exist if all service credit had been acquired as a member other than a peace officer or fire fighter.

(d) A written request to relinquish peace officer or fire fighter status is irrevocable upon filing with the administrator. (§ 1 ch 27 SLA 1983)

Revisor's notes. — In 1989, the term "fire fighter" was substituted for "fireman" in this section under § 60, ch. 50, SLA 1989.

Sec. 39.35.530. Limit on pension. An employee may not simultaneously receive a pension under more than one section of this chapter. However, benefits under AS

Article 8. General Provisions.

Section	Section
660. Nonguarantee of employment	680. Definitions
670. Fraud	690. Short title
675. Inclusion of cost-of-living differentials in compensation and benefits	

Sec. 39.35.660. Nonguarantee of employment. This chapter is not a contract of employment between an employer and an employee, nor does it confer a right of an employee to be continued in the employment of an employer, nor is it a limitation of the right of an employer to discharge an employee with or without cause. (§ 38 ch 143 SLA 1960)

Sec. 39.35.670. Fraud. A person who knowingly makes a false statement, or falsifies or permits to be falsified a record of this system, in an attempt to defraud the system, is guilty of a misdemeanor, and upon conviction is punishable by a fine of not more than \$500, or by imprisonment for not more than twelve months, or by both. (§ 41 ch 143 SLA 1960)

Sec. 39.35.675. Inclusion of cost-of-living differentials in compensation and benefits. (a) An employee shall make contributions to the system based on compensation including a cost-of-living differential.

(b) The amount of a cost-of-living differential may not be included in the employee's compensation for purposes of calculating benefits paid under this chapter unless the employee has received a cost-of-living differential in a comparable amount or of at least that many steps for at least 50 percent of the employee's credited service.

(c) When an employee receives a benefit, and if the employee's compensation for purposes of calculating the benefit does not include a cost-of-living differential, then the administrator shall refund to the employee the amount of contributions the employee made based on the differential.

(d) In this section "cost-of-living differential" means an adjustment to salary based on the cost of living in the geographic region where the employee works and includes a pay step differential under AS 39.27.020. (§ 46 ch 82 SLA 1986)

Editor's notes. — Section 58, ch. 82, SLA 1986, first hired under the Public Employees' Retirement System after December 31, 1986. provides that this section applies "only to members

→ **Sec. 39.35.680. Definitions.** In this chapter, unless the context otherwise requires,

(1) "active member" means an employee who is employed by an employer, is receiving compensation for seasonal, permanent full-time, or permanent part-time services, and is making contributions to the system;

(2) "actuarial adjustment" means equality in value of the aggregate expected payments under two different forms of pension payments, considering expected mortality and interest earnings on the basis of tables adopted from time to time by the board;

(3) "administrator" means the person appointed by the commissioner of administration under AS 39.35.050;

(4) "average monthly compensation" means the result obtained by dividing the compensation earned by an employee during a considered period by the number of months, including fractional months, for which compensation was earned; the considered period consists of (A) for employees first hired before July 1, 1996, the three consecutive payroll years during the period of credited service that yields the highest average, and (B) for employees first hired on or after July 1, 1996, the five consecutive payroll years during the period of credited service that yield the highest average, or if the employee does not have the required number of consecutive payroll years, the employee's period of credited

(27) "payroll year" means the period that includes the first pay period ending in January of a year through the last pay period ending in December of that year;

→ (28) "peace officer" or "fire fighter" means an employee occupying a position as a peace officer, chief of police, correctional officer, correctional superintendent, fire fighter, fire chief, or probation officer;

(29) "pension fund" or "fund" means the fund in which the assets of the system are deposited and held;

(30) "permanent full-time" means an employee who is occupying a permanent position that regularly requires working 30 or more hours a week;

(31) "permanent part-time" means an employee who is occupying a permanent position that regularly requires working at least 15 hours but less than 30 hours a week;

(32) "prescribed rate of interest" means the rate of interest used for computing employer contributions, for preparing actuarial tables used by the system and for crediting interest to employee contributions and savings accounts, and for charging interest on employee indebtedness accounts;

(33) "public organization" means an organization or entity

(A) created by the constitution or laws of the state for the purpose of administering state programs;

(B) whose officers and employees are paid by a method other than by the state payroll prepared by the Department of Administration; and

(C) whose employees are not required by law to participate in the system;

(34) "qualified domestic relations order" means a divorce or dissolution judgment under AS 25.24, including an order approving a property settlement, that

(A) creates or recognizes the existence of an alternate payee's right to, or assigns to an alternate payee the right to, receive all or a portion of the benefits payable with respect to an employee;

(B) sets out the name and last known mailing address, if any, of the employee and of each alternate payee covered by the order;

(C) sets out the amount or percentage of the employee's benefit, or of any survivor's benefit, to be paid to the alternate payee, or sets out the manner in which that amount or percentage is to be determined;

(D) sets out the number of payments or period to which the order applies;

(E) does not require any type or form of benefit or any option not otherwise provided by this chapter;

(F) does not require an increase of benefits in excess of the amount provided by this chapter, determined on the basis of actuarial value; and

(G) does not require the payment to an alternate payee of benefits that are required to be paid to another alternate payee under another order previously determined to be a qualified domestic relations order.

(35) "retired member" means an employee who is terminated, who has not received a refund from the system and is receiving a benefit other than disability, from the system;

(36) "retirement" means that period of time from the first day of the month following (A) the date of termination and (B) application for retirement, in which a person is appointed to receive a retirement benefit, other than occupational or nonoccupational disability benefit;

(37) "seasonal" refers to an employee who is occupying a position for less than 12 months each year where it is anticipated that the same employee will return to the position when needed and includes a temporary employee of the legislature if part of the service for the legislature during each calendar year is performed during a legislative session;

(38) "surviving spouse" means the spouse of an employee who has been married to the employee for at least one year at the time of the employee's death; the one-year marriage requirement does not apply when the employee's death was an occupational or accidental death;

Date: April 2, 1999
To: All House and Senate Representatives
From: Byron A. Loomis - Trades Leadman - SCCC
Regarding: House Bill 159

Greetings:

I am writing you this letter to let you know how strongly I feel about this bill. Not only is it the right thing to do, it is well overdue.

I work side by side, day in and day out, with inmates who have tools of all types and descriptions at their disposal. I supervise, hire and fire these same felons and have a major impact on their quality of life in this institution.

My life and well being are every bit affected by this close proximity to these people, as are the correctional officers who work here at Spring Creek. For me to have to work 10 years longer than the corrections staff with the same conditions to receive a full pension is nothing short of a travesty.

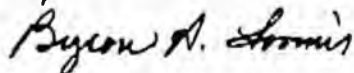
I realize there is a shortcoming in payments as to an early out on this issue, but I have no problem in making up the difference in wage compensation until a retirement bank has been satisfied.

Again I would like to state that this bill is only right and fair to those few of us who work under the same conditions but receive less compensation.

Thank you for your time and consideration on this Bill 159.

Respectfully submitted,

Byron A. Loomis



Clifton Reagle
P O BOX 3066
Seward, AK 99664

April 2, 1999

House and Senate Representatives

Dear Sir or Madam:

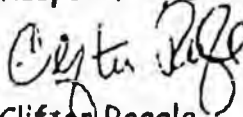
I am writing to you in regards to HB 159.

I am a maintenance employee at Spring Creek Correctional Center. I have been employed there since it opened in 1988. I have been required to work around inmates with infectious diseases and have been threatened in the line of duty by inmates. Altercations have occurred in our maintenance shop resulting in severe physical harm to inmates and maintenance staff who were required to respond. Kitchen staff has been exposed to the same conditions and have been physically attacked by inmates. Some have been hurt so bad they were forced to retire for medical reasons.

HB 159 provides those of us who work under the same hazardous conditions as correctional and law enforcement officers with the same benefits. I am not asking for anything more than equal compensation for working under hazardous conditions.

Please support this bill sponsored by Senator Davis. Thank you for your time and consideration on this issue.

Respectfully submitted,


Clifton Reagle

Mary A. Sandy
PO Box 32
Moose Pass, AK 99631

April 2, 1999

All House and Senate Representatives

Dear Sir or Madam:

I am writing in regards to House Bill 159.

I have been an employee at Spring Creek Correctional Center for $3\frac{1}{2}$ years at as an Admin Clerk. For the last two years I have been the reception desk at the facility. I believe, and have been told, that the worst case scenario in a prison take over would be to take out the front person, me, and then proceed to take over the prison. Every day I come to work I am aware of this, as is my family. When I was interviewed one of the questions they asked me was "if you were abducted by the prisoners, we could not give up the key to the prison to get you back. How do you feel about that?"

As part of my job I am required to be in prisoner areas and the food in our staff dining area is prepared by prisoners. We are given infectious diseases training and are allowed a yearly TB test and hepatitis vaccination as well. This is for a good reason. Eighty-eight percent of the prisoners here at SCCC have hepatitis. I am not only worried about diseases but bodily harm as well. A prisoner who is in here for murdering a woman followed me into a walk in cooler during lunchtime in the Staff Dining area. I could have been next. This particular prisoner had just been cutting up food with a butcher knife when I walked past him. Did I feel threatened, you bet I did. I reported the incident; he lost his job in the kitchen only to get it back a few months down the road.

I deal with prisoner families on a regular basis. I believe I am just as much in jeopardy with them, being on the outside, as I am with the prisoners here. Due to