

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 2929

million, a difference of \$98 million. Without funding the actuarially recommended rates, the unfunded liability will continue to grow.

See Appendix 4 – Proposed Legislation

Legislative Appropriation to Fund Actuarially Required Contribution - PERS

See Appendix 5 – Proposed Legislation

Legislative Appropriation to Fund Actuarially Required Contribution - TRS

APPENDIX 1

[Priority 1]

**The Public Employees' Retirement System
Past Service Retirement Liability Account**

Sec. ____ . AS _____ is amended by adding a new section to read:

Sec ____ . **State aid for past service retirement benefit liability costs.** (a) During each fiscal year, the state shall allocate to an employer that is a municipality or school district member of the Public Employees' Retirement System the following sum:

(1) Payments to the retirement system anticipated to be made by the employer during the fiscal year for the retirement of past service liability of the employer to the Public Employees' Retirement System.

(b) The commissioner of revenue shall administer the program of distribution authorized under this section and shall provide by regulation a procedure for calculating the amount of distribution to which an employer is due, and other regulations necessary to administer the program. The payment to the employer shall be based on the total eligible payroll reported to the department of administration by the employer during the fiscal year three years earlier and either the average past service cost rate of all employers in the system during the fiscal year three years earlier, or the employer's past service cost rate during the fiscal year three years earlier, less 5%, whichever is lower.

(c) The payment provided in (b) of this paragraph shall be increased by 50% of the amount an employer paid to the system during the fiscal year three years earlier that was in excess of what the employer was required to pay to the system.

(d) The Public Employees' Retirement System Past Service Retirement Liability Account is established. Funds to carry out the provisions of this section shall be included within the appropriation bill submitted by the governor under AS 37.07.020(a) (2) and may be appropriated annually by the legislature. If amounts in the account are insufficient for the purpose of providing the share to which an employer is entitled under this section, those funds that are available shall be distributed pro rata among the eligible employers.

(e) Funds in the Public Employees' Retirement System Past Service Retirement Liability account which exceed the amount required for the payments authorized in this section revert to the general fund at the end of the fiscal year for which the money is appropriated.

(f) If an employer receives more state aid than it is entitled to receive under this chapter, the employer shall immediately remit the amount of overpayment to the commissioner, to be returned to the Public Employees' Retirement System Past Service Retirement Liability account.

(g) If an employer receives state aid under this chapter in excess of the employer's past service liability, the employer shall immediately remit the amount of overpayment to

the commissioner, to be returned to the Public Employees' Retirement System Past Service Retirement Liability account.

- Sec. _____. **Definitions.** In this chapter, unless the context requires otherwise,
- (1) "total eligible payroll" means the payroll reported to the department on which employer contributions are required.
 - (2) "average past service cost rate" means the past service cost rate of all employers as reported by the actuary for the fiscal year three years earlier.
 - (3) "commissioner" means the commissioner of the department of revenue.

Sec. _____. **Effective Date.** Effective for 2008 budget cycle.

APPENDIX 2

[Priority 1]

**The Teachers' Retirement System
Past Service Retirement Liability Account**

Sec ____. AS _____ is amended by adding a new section to read:

AS _____ State aid for past service retirement benefit liability costs. (a) During each fiscal year, the state shall allocate to an employer, other than the state, that is a member of the Teachers' Retirement System the following sum:

(1) Payments to the retirement system anticipated to be made by the employer during the fiscal year for the retirement of past service liability of the employer to the Teachers' Retirement System.

(b) The commissioner of revenue shall administer the program of distribution authorized under this section and shall provide by regulation a procedure for calculating the amount of distribution to which an employer is due, and other regulations necessary to administer the program. The payment to the employer shall be based on 85% of the total eligible payroll reported to the department by the employer during the fiscal year three years earlier and the past service cost rate of the system during the fiscal year three years earlier of the teachers' retirement system.

(c) The Teachers' Retirement System Past Service Retirement Liability Account is established. Funds to carry out the provision of this section shall be included within the appropriation bill submitted by the governor under AS 37.07.020(a) (2) and may be appropriated annually by the legislature. If amounts in the account are insufficient for the purpose of providing the share to which an employer is entitled under this section, those funds that are available shall be distributed pro rata among the eligible employers.

(d) Funds in the Teachers' Retirement System Past Service Retirement Liability account which exceed the amount required for the payments authorized in this section revert to the general fund at the end of the fiscal year for which the money is appropriated.

(e) If an employer receives more state aid than it is entitled to receive under this chapter, the employer shall immediately remit the amount of overpayment to the commissioner, to be returned to the Teachers' Retirement System Past Service Retirement Liability account.

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

- (1) "total eligible payroll" means the payroll reported to the department of administration on which employer contributions are required.
- (2) "average past service cost rate" means the past service cost rate of all employers that have a past service liability.
- (3) "commissioner" means the commissioner of the department of revenue.

Sec. ____. **Effective Date.** Effective for 2008 budget.

APPENDIX 3

[Priority 2]

Appropriation for Increased Municipal Employer Costs

Sec. _____. Retirement system funding for increased employer costs for political subdivisions. (a) The sum of \$18,581,921 is appropriated from the general fund to the Department of Administration to reduce the liability to the public employees' retirement system of political subdivisions that are members of that system, in order to reduce the increased employer costs resulting from fiscal year 2007 employer contribution rate increases. The Department of Administration shall allocate the appropriation to the public employees' retirement system account of each political subdivision resulting from fiscal year 2007 employer contribution rate increases, as set out in this section. The appropriation made by this subsection is intended to reduce these increased employer costs.

For purposes of allocating the appropriation made by (a) of this section to the public employees' retirement system account of each member political subdivision the allocation is as follows:

AKUTAN, CITY OF	16,941
ALEUTIANS EAST BOROUGH	33,915
ALLAKAKET, CITY OF	3,056
ANCHORAGE, MUNICIPALITY OF	6,913,262
ANDERSON, CITY OF	2,149
ATKA, CITY OF	4,628
BARROW, CITY OF	47,355
BETHEL, CITY OF	282,716
BRISTOL BAY BOROUGH	81,472
CORDOVA, CITY OF	112,553
CRAIG, CITY OF	74,603
DELTA JUNCTION, CITY OF	13,507
DENALI BOROUGH	7,889
DILLINGHAM, CITY OF	110,426
EGEGIK, CITY OF	2,830
FAIRBANKS NORTH STAR BOROUGH	929,023
FAIRBANKS, CITY OF	333,653
FORT YUKON, CITY OF	24,209
GALENA, CITY OF	95,984
HAINES BOROUGH	85,814
HOMER, CITY OF	248,456
HOONAH, CITY OF	35,299
HOOPER BAY, CITY OF	1,576
HUSLIA, CITY OF	5,215
JUNEAU, CITY AND BOROUGH OF	1,397,093
KACHEMAK, CITY OF	1,193
KALTAG, CITY OF	870
KENAI PENINSULA BOROUGH	702,515

KENAI, CITY OF	235,223
KETCHIKAN GATEWAY BOROUGH	214,696
KETCHIKAN, CITY OF	400,460
KING COVE, CITY OF	50,001
KLAWOCK, CITY OF	31,917
KODIAK ISLAND BOROUGH	118,047
KODIAK, CITY OF	314,368
KOTZEBUE, CITY OF	169,920
KOYUK, CITY OF	1,664
LAKE AND PENINSULA BOROUGH	19,656
MATANUSKA-SUSITNA BOROUGH	583,491
MEKORYUK, CITY OF	611
MOUNTAIN VILLAGE, CITY OF	1,786
NENANA, CITY OF	12,244
NOME, CITY OF	123,946
NOORVIK, CITY OF	12,352
NORTH POLE, CITY OF	80,525
NORTH SLOPE BOROUGH	2,006,956
NORTHWEST ARCTIC BOROUGH	44,779
PALMER, CITY OF	154,333
PELICAN, CITY OF	7,657
PETERSBURG, CITY OF	206,671
QUINHAGAK, CITY OF	1,920
SAINT PAUL, CITY OF	74,829
SAND POINT, CITY OF	38,396
SAXMAN, CITY OF	5,637
SELDOVIA, CITY OF	2,405
SEWARD, CITY OF	186,026
SITKA, CITY AND BOROUGH OF	439,010
SKAGWAY, CITY OF	89,301
SOLDOTNA, CITY OF	136,756
TANANA, CITY OF	7,302
THORNE BAY, CITY OF	10,435
TOKSOOK BAY, CITY OF	583
UNALAKLEET, CITY OF	11,157
UNALASKA, CITY OF	520,772
VALDEZ, CITY OF	250,819
WASILLA, CITY OF	228,380
WHITTIER, CITY OF	49,904
WRANGELL, CITY OF	132,606
YAKUTAT, CITY AND BOROUGH OF	36,178

APPENDIX 4

[Priority 3]

**Legislative Appropriation to Fund Actuarially
Required Contribution - PERS**

Section _____. Retirement system funding to bring fiscal year 2007 contributions closer to actuarial rate. (a) The sum of \$109,836,677 is appropriated from the general fund to the Department of Administration to reduce the contribution shortfall to the public employees' retirement system resulting from an employers anticipated fiscal year 2007 contribution being less than the fiscal year 2007 rate calculated by the actuary. The Department of Administration shall allocate the appropriation to the public employees' retirement system account of each employer as follows:

ALASKA, STATE OF	66,452,622
ALEUTIANS WEST CRSA	978
ALLAKAKET, CITY OF	4,883
ANCHORAGE PARKING AUTHORITY	21,070
ANCHORAGE SD	3,388,980
ANCHORAGE, MUNICIPALITY OF	14,116,880
BRISTOL BAY BOROUGH	69,577
BRISTOL BAY BOROUGH SD	30,321
CHATHAM SD	42,576
CHUGACH SD	25,258
COPPER RIVER SD	49,787
CORDOVA CITY SD	104,731
CORDOVA COMMUNITY MEDICAL CENTER	37,587
CORDOVA, CITY OF	262,023
CRAIG CITY SD	16,897
CRAIG, CITY OF	28,200
DELTA/GREELY SD	36,430
DENALI BOROUGH	19,581
DENALI BOROUGH SD	67,666
DILLINGHAM CITY SD	17,944
DILLINGHAM, CITY OF	35,336
EGEGIK, CITY OF	11
FAIRBANKS NORTH STAR BOROUGH	243,404
FAIRBANKS NORTH STAR BOROUGH SD	1,274,328
FAIRBANKS, CITY OF	5,938,351
HAINES BOROUGH	67,621
HOMER, CITY OF	444,736
HOONAH CITY SD	3,007
HOONAH, CITY OF	6,636
HUSLIA, CITY OF	5,820
HYDABURG CITY SD	12,806
JUNEAU BOROUGH SD	310,143
JUNEAU, CITY AND BOROUGH OF	2,294,026

KACHEMAK, CITY OF	5,705
KALTAG, CITY OF	5,135
KENAI PENINSULA BOROUGH	827,562
KENAI PENINSULA BOROUGH SD	1,181,731
KENAI, CITY OF	524,077
KETCHIKAN GATEWAY BOROUGH	210,402
KETCHIKAN GATEWAY BOROUGH SD	125,090
KETCHIKAN, CITY OF	377,233
KING COVE, CITY OF	800
KODIAK ISLAND BOROUGH	420,248
KODIAK ISLAND BOROUGH SD	312,519
KODIAK, CITY OF	733,106
KUSPUK SD	52,049
LAKE AND PENINSULA BOROUGH	7,862
LAKE AND PENINSULA BOROUGH SD	50,153
LOWER YUKON SD	366,532
MATANUSKA-SUSITNA BOROUGH	378,102
MATANUSKA-SUSITNA BOROUGH SD	704,008
NOME, CITY OF	206,246
NORTH PACIFIC FISHERY MGMT COUNCIL	4,038
NORTH POLE, CITY OF	103,877
NORTH SLOPE BOROUGH SD	39,506
NORTHWEST ARCTIC BOROUGH SD	10,554
PALMER, CITY OF	172,544
PELICAN, CITY OF	567
PETERSBURG CITY SD	30,787
PETERSBURG, CITY OF	43,814
SAINT PAUL, CITY OF	5,537
SAND POINT, CITY OF	36,707
SAXMAN, CITY OF	7,982
SEWARD, CITY OF	205,373
SITKA BOROUGH SD	219,700
SITKA COMMUNITY HOSPITAL	69,453
SITKA, CITY AND BOROUGH OF	509,252
SKAGWAY CITY SD	12,046
SOLDOTNA, CITY OF	166,295
SOUTHEAST ISLAND SD	123,765
SOUTHEAST REGIONAL RESOURCE CENTER	29,559
SOUTHWEST REGION SD	31,368
UNALAKLEET, CITY OF	3,325

UNIVERSITY OF ALASKA	4,904,632
VALDEZ CITY SD	300,052
VALDEZ, CITY OF	563,340
WHITTIER, CITY OF	5,489
WRANGELL PUBLIC SU	54,982
WRANGELL, CITY OF	263,355

APPENDIX 5

[Priority 3]

**Legislative Appropriation to Fund Actuarially
Required Contribution - TRS**

Sec. _____ . Retirement system funding to bring fiscal year 2007 contributions closer to actuarial rate. (a) The sum of \$ 98,670,780 is appropriated from the general fund to the Department of Administration to reduce the contribution shortfall to the teachers' retirement system resulting from an employers anticipated fiscal year 2007 contribution being less than the fiscal year 2007 rate calculated by the actuary. The Department of Administration shall allocate the appropriation to the teachers' retirement system account of each employer as follows:

ALASKA DEPARTMENT OF EDUCATION	755,610
ALASKA GATEWAY SD	403,338
ALEUTIAN REGION SD	53,610
ALEUTIANS EAST BOROUGH SD	434,978
ANCHORAGE SD	31,080,150
ANNETTE ISLAND SD	257,550
BERING STRAIT SD	1,764,485
BRISTOL BAY BOROUGH SD	123,319
CHATHAM SD	169,010
CHUGACH SD	161,607
COPPER RIVER SD	404,773
CORDOVA CITY SD	313,449
CRAIG CITY SD	376,667
DELTA/GREELY SD	600,749
DENALI BOROUGH SD	353,802
DILLINGHAM CITY SD	438,146
FAIRBANKS NORTH STAR BOROUGH SD	9,664,455
GALENA CITY SD	704,214
HAINES BOROUGH SD	238,315
HOONAH CITY SD	168,485
HYDABURG CITY SD	117,656
IDITAROD AREA SD	273,013
JUNEAU BOROUGH SD	3,676,927
KAKE CITY SD	119,663
KASHUNAMIUT SD	279,614
KENAI PENINSULA BOROUGH SD	6,136,593
KETCHIKAN GATEWAY BOROUGH SD	1,653,943
KLAWOCK CITY SD	172,363
KODIAK ISLAND BOROUGH SD	2,203,895
KUSPUK SD	422,303
LAKE AND PENINSULA BOROUGH SD	649,593
LOWER KUSKOKWIM SD	3,759,830
LOWER YUKON SD	1,911,109
MATANUSKA-SUSITNA BOROUGH SD	10,161,431

NENANA CITY SD	244,134
NOME CITY SD	514,346
NORTH SLOPE BOROUGH SD	2,331,648
NORTHWEST ARCTIC BOROUGH SD	2,101,730
PELICAN CITY SD	20,744
PETERSBURG CITY SD	450,716
PRIBILOF SD	134,814
SAINT MARY'S SD	126,607
SITKA BOROUGH SD	1,174,120
SKAGWAY CITY SD	117,102
SOUTHEAST ISLAND SD	253,734
SOUTHEAST REGIONAL RESOURCE CENTER	134,813
SOUTHWEST REGION SD	854,893
SPECIAL EDUCATION SERVICE AGENCY	154,318
TANANA SD	51,103
UNALASKA CITY SD	440,981
UNIVERSITY OF ALASKA	6,934,933
VALDEZ CITY SD	704,644
WRANGELL PUBLIC SD	284,908
YAKUTAT SD	123,263
YUKON / KOYUKUK SD	726,339
YUKON FLATS SD	328,945
YUPIIT SD	457,301

State of Alaska Retirement Systems

Actuarial Presentation to the Alaska
Retirement Management Board and
Special Committee on Ways and Means

March 23 and 24, 2006

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Agenda

- Actuarial Process
- Review of Mercer's 2004 Actuarial Valuation
- 2005 Actuarial Valuation Results
- Questions

Actuarial Process

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State of Alaska Retirement Systems

- Alaska consists of four traditional defined benefit (DB) pension plans
 - Public Employees' Retirement System (PERS)
 - Teachers' Retirement System (TRS)
 - Judicial Retirement System (JRS)
 - National Guard and Naval Militia Retirement System (NGNMRS)
- In addition to the traditional DB plans, a defined contribution (DC) plan was added effective for new hires after July 1, 2006
- A postemployment healthcare plan covers all members in the DB and DC plans
- Actuarial valuations are performed annually as of June 30. The most recent is as of June 30, 2005 for PERS and TRS. JRS and NGNMRS are performed biannually with the next scheduled valuation to be performed June 30, 2006

Actuarial Valuation

- Quantifies the benefit obligation
 - Present value of future pension payments calculated using service at the valuation date
 - Also called Accrued Liability
- Determines actuarial soundness of statutory contribution
 - If not sound, additional contribution required by State
 - Measures current funded status
 - Early warning system for potential funding problems

Actuarial Valuation (cont'd)

- The process includes:
 - Membership data
 - Financial data
 - Benefit structure
 - Actuarial assumptions
 - Funding method
 - Asset valuation method
- Expected benefit payments over future years is calculated and discounted back to the valuation date
- Calculations are performed on each member and summed

Actuarial Assumptions

- Used to quantify amount and value of future benefit payments
 - Demographic (amount)
 - Economic (value)
 - Healthcare (combination of demographic and economic)
- Should be a realistic “best guess” based on:
 - Past history
 - Future expectations
 - Long time horizon (40+ years)
- Inflation should be consistently applied to salary increases/COLAs (liability), investment return (assets) and healthcare trend
- Assumptions are recommended by the Actuary, approved by the Alaska Retirement Management Board
- Should be explicit - each assumption individually reasonable
- Setting of assumptions is a blend of art and science

Summary of Current Economic Assumptions

	<u>PERS & TRS</u>
• Investment Return	8.25%
• Inflation	3.50%
• Interest on Contributions	4.50%
• Salary Increases	
– Inflation	3.50%
– Productivity	0.50%*
– Economic Portion	<u>4.00%*</u>
• Payroll Growth	4.25%
• COLAs	
– Post Retirement Pension Adjustments	1.75% at age 60 or after 5 years (8 years for TRS) of payments; 2.625% at age 65 or upon disability
– Alaska	10% for those living in Alaska
• Healthcare Trend	Medical trend starts at 9.5% and grades to 5% over 9 years; Prescription drug trend starts at 14% and grades to 5% over 9 years

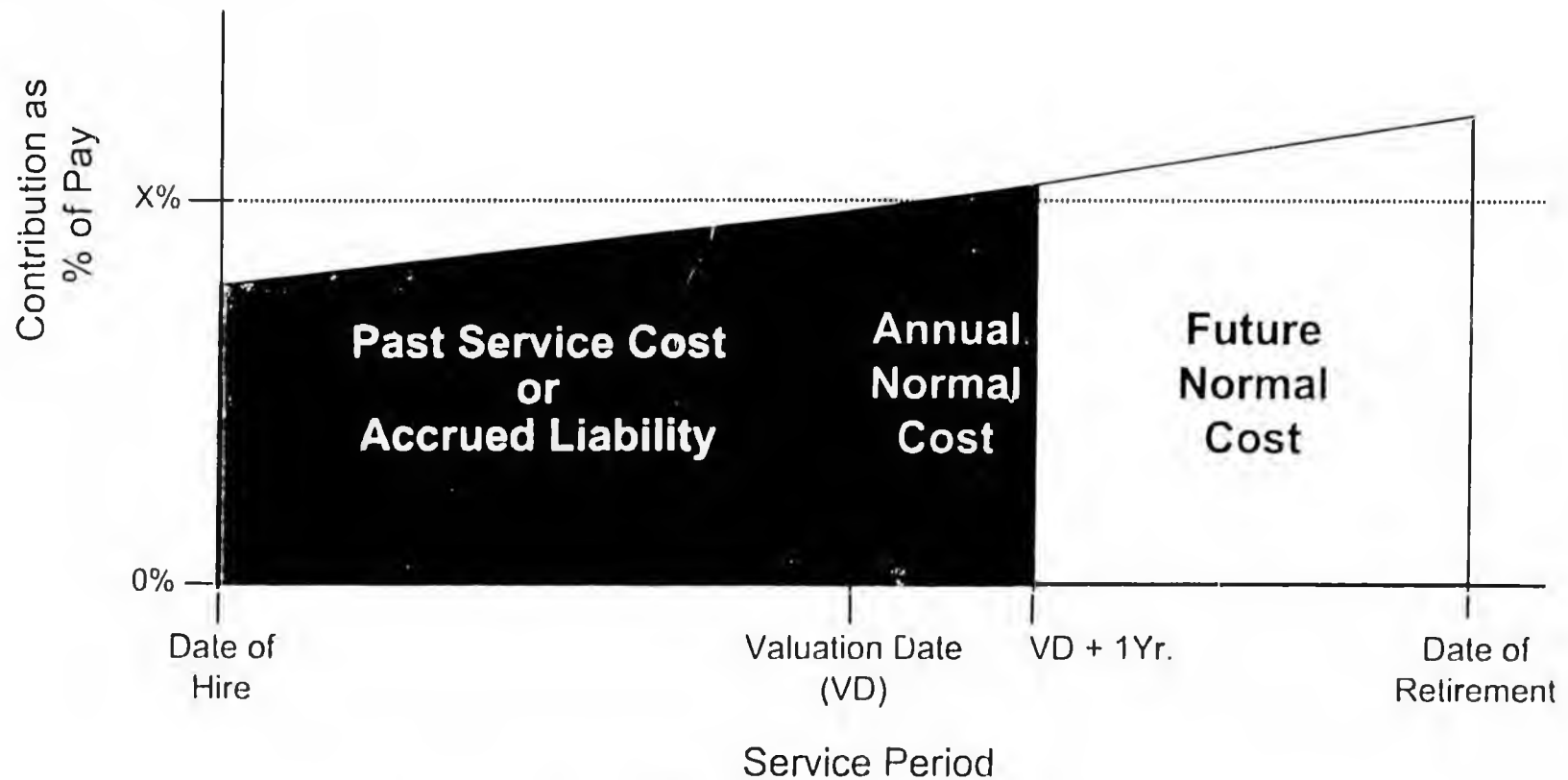
*Productivity for PERS Police/Fire is 1%, and the economic portion is 4.5%.

Actuarial Cost Method

- Used to allocate pension cost from year to year
- Determines pattern of funding - "Pay me now or pay me later"
- Projected Unit Credit Cost Method - Used to allocate cost between past and future service
 - Normal Cost - cost of benefits due to service during the year beginning on the valuation date and projecting salaries
 - Accrued Liability - represents present value of benefits credited with respect to service earned as of the valuation date
 - Unfunded Accrued Liability - Accrued liability minus actuarial value of assets
 - Actuarial Contribution - Normal cost plus amortization payment of unfunded liability (25 years) as a percent of pay

Funding Process

Projected Unit Credit Method

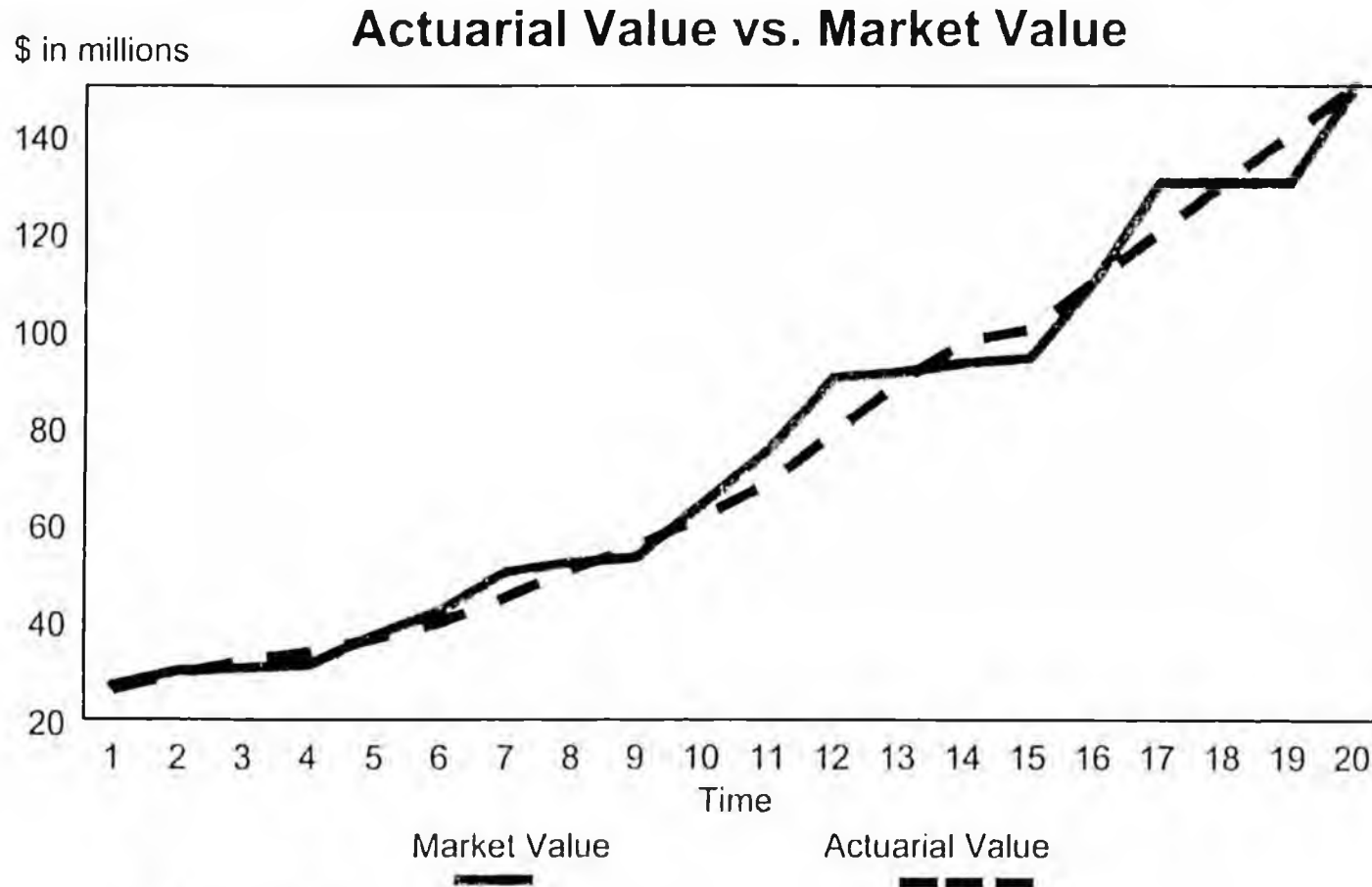


$$\text{Accrued Liability} - \text{Assets} = \text{Unfunded}/(\text{Surplus})$$

Asset Valuation Method

- 5-year smoothing of Market Value
- Each year, a base is determined equal to difference between expected and actual return
- 20% of each base over last 5 years is recognized in Actuarial Value
- Constrained to be within 80% and 120% of Market Value
- Reduces volatility on actuarial contribution, but does not eliminate volatility
- Asset value reinitialized at Market Value on June 30, 2002. Phase-in of 20% of each base occurs over five years

Example of Asset Smoothing Method




Actuarial Value is expected to be:

- *Below Market when market is doing well*
- *Above Market when market is doing poorly*

Review of Mercer's 2004 Actuarial Valuation

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Review of Mercer's 2004 Valuation

- Reviewed assumptions and methods
- Replicated the 2004 valuation results
- Completed PERS and TRS
- JRS and NGNMRS will be completed later this year

Comments on Actuarial Review

- Projected Unit Credit Method is more likely to produce increasing normal cost rates. Entry Age Method is expected to produce more stable normal cost rates
- Investment return assumption of 8.25% is reasonable long-term given current asset allocation policy
- Payroll growth assumption is overstated. We will recommend reducing from 4.25% to 4.0% for next valuation
- Demographic assumptions are generally reasonable, although we want to carefully review retirement rates during the experience analysis

Comments on 2004 Replication

- Buck results matched Mercer results closely for TRS
- Minor differences in valuation process on TRS “washed out,” so differences not material
- Mercer understated the healthcare benefits in the PERS valuation by 7%
- Minor differences in valuation process of PERS pension benefit not material

Replication of Mercer's Results

TRS (\$ in thousands)

	Mercer	Buck	%
Pension Accrued Liability	\$ 4,216,480	\$ 4,200,341	(0.38%)
Healthcare Accrued Liability	1,907,120	1,933,624	1.39%
Total	\$ 6,123,600	\$ 6,133,965	0.17%
Pension Normal Cost	\$ 71,119	\$ 70,264	(1.20%)
Healthcare Normal Cost	46,104	46,194	0.20%
Total	\$ 117,223	\$ 116,458	(0.65%)
Normal Cost Rate	13.76%	13.61%	(1.09%)
Past Service Rate	28.02%	28.14%	0.43%
Total Employer Contribution Rate	41.78%	41.75%	(0.07%)


Replication of Mercer's Results

PERS (\$ in thousands)

	Mercer	Buck	%
Pension Accrued Liability	\$ 6,711,507	\$ 6,676,235	(0.53%)
Healthcare Accrued Liability	4,732,409	5,088,308	7.52%
Total	\$11,443,916	\$11,764,543	2.80%
Pension Normal Cost	\$ 165,003	\$ 164,834	(0.10%)
Healthcare Normal Cost	131,483	144,123	9.61%
Total	\$ 296,486	\$ 308,957	4.21%
Normal Cost Rate	13.32%	14.16%	6.31%
Past Service Rate	14.87%	16.21%	9.01%
Total Employer Contribution Rate	28.19%	30.37%	7.73%

2005 Actuarial Valuation Results

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Changes Since Last Year

- No change in Benefit Provisions
- No change in Actuarial Assumptions
- No change in Asset Valuation Method
- No change in Funding Method
- Changes to assumptions and methods will be recommended in June with the results of the experience analysis

Public Employees' Retirement System

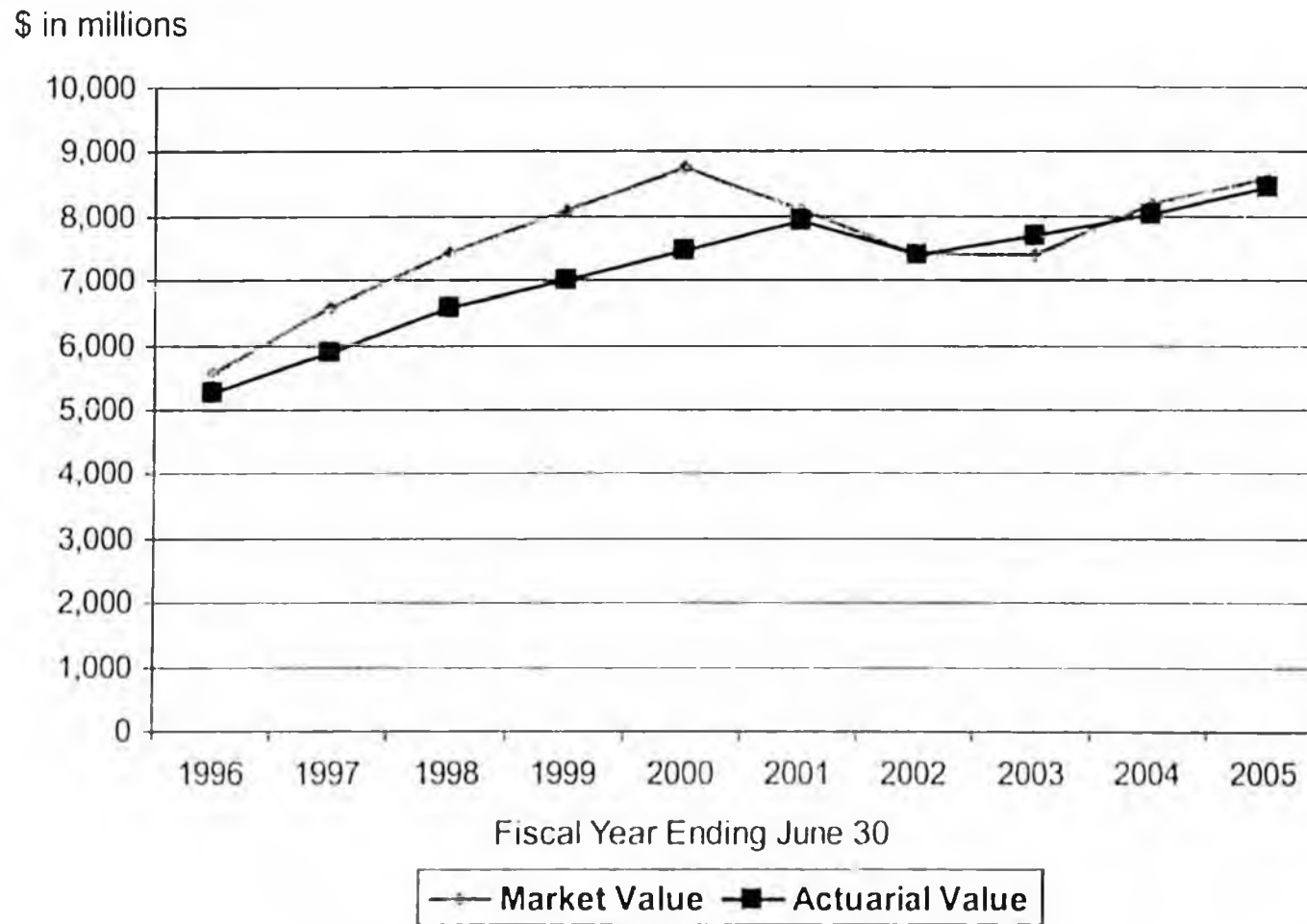
Police/Fire and Others Combined

Pension and Postemployment Healthcare

Total System Assets (\$ in millions)

	Year Ending	
	June 30, 2004	June 30, 2005
1. Actuarial Value (BOY)	\$7,687	\$8,030
Contributions	224	293
Disbursements	(498)	(567)
Expected Return on Market Value	599	663
2. Preliminary Actuarial Value (EOY)	\$8,012	\$8,419
3. 5-year Smoothing	18	24
4. Actuarial Value (EOY)	\$8,030	\$8,443
5. Future Smoothing Amount	147	148
6. Market Value (EOY)	\$8,177	\$8,591

Asset Smoothing for Public Employees' Retirement System Pension and Postemployment Healthcare 1996 – 2005



Public Employees' Retirement System

Police/Fire and Others Combined

Pension and Postemployment Healthcare

(\$ in millions)

	July 1, 2004	July 1, 2005
1. Number		
- Active	33,612	33,730
- Inactive Non Vested	11,860	12,761
- Vested Terminations	5,965	6,105
- Retired and beneficiaries	<u>19,572</u>	<u>20,703</u>
- Total	71,009	73,299
2. Annual Compensation	\$1,472	\$1,513
3. Assets		
- Market Value	\$8,177	\$8,591
- Actuarial Value	8,030	8,443
- % AV to MV	98.2%	98.3%
4. Annual Benefit Payments		
- Total	\$498	\$567
- % of Market Value	6.1%	6.6%
5. Accumulated Member Contributions		
- Total for Actives and Inactives	\$1,339	\$1,389
- Average (actual)	\$26,040	\$26,405

Public Employees' Retirement System

Police/Fire and Others Combined

Pension and Postemployment Healthcare

Actuarial Contribution Under Projected Unit Credit Method (\$ in millions)

Funding	July 1, 2004	July 1, 2005
1. Actuarial Accrued Liability	\$ 11,444	\$ 12,845
2. Actuarial Value of Assets	<u>8,030</u>	<u>8,443</u>
3. Unfunded Actuarial Accrued Liability	\$ 3,414	\$ 4,402
4. Funded Ratio	70.2%	65.7%
5. Annual Actuarial Contribution		
Normal Cost	\$ 296	\$ 338
Amortization of Unfunded (25) Years	<u>219</u>	<u>285</u>
Total Contribution	\$ 515	\$ 623
% of Pay	35.00%	39.27%
6. Member Contribution		
Amount	\$ 100	\$ 109
% of Pay	6.81%	6.84%
7. Employer Required Contribution		
Amount	\$ 415	\$ 514
% of Pay	28.19%	32.43%

Public Employees' Retirement System

Police/Fire and Others Combined

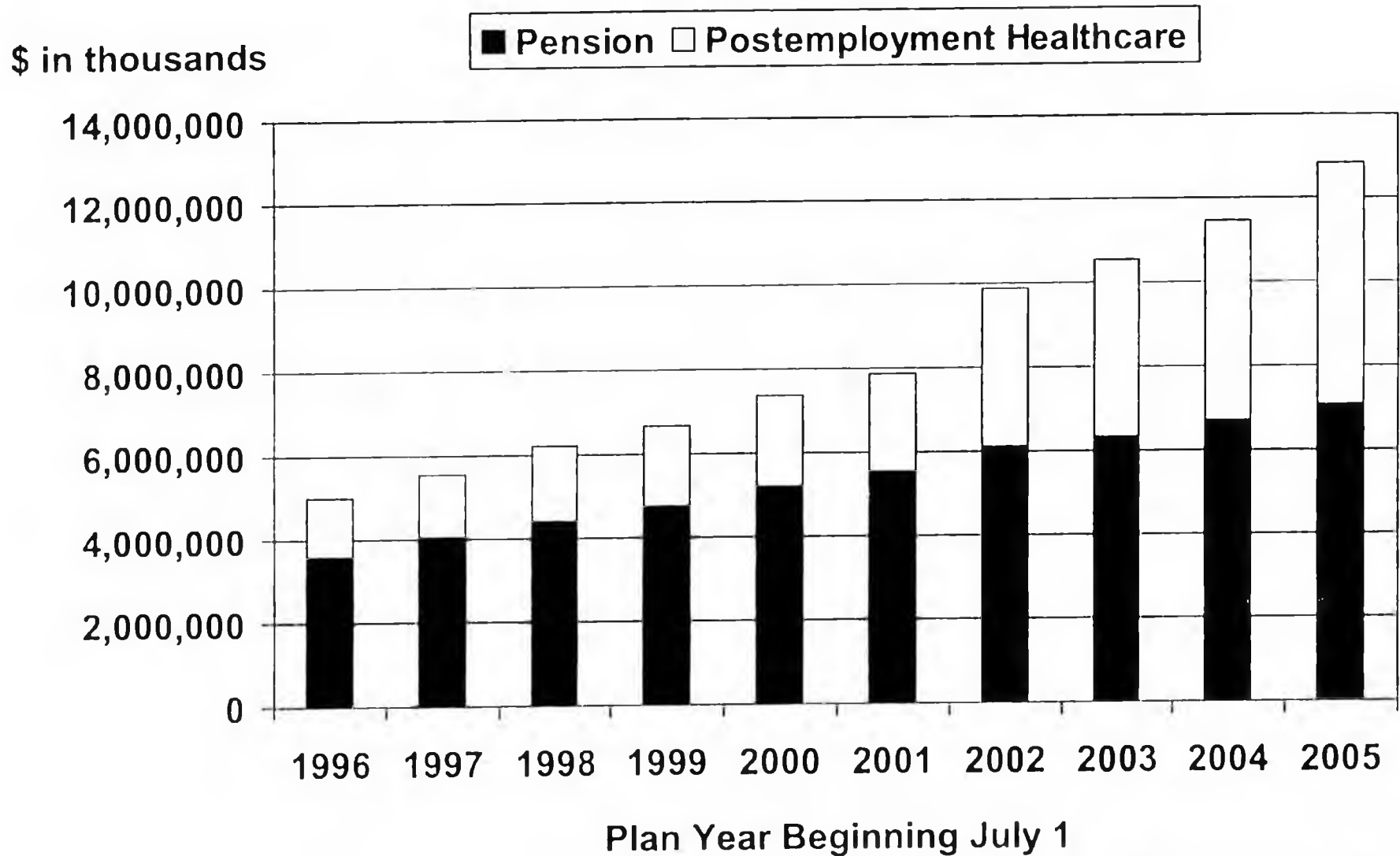
Pension and Postemployment Healthcare

Actuarial Contribution Under Projected Unit Credit Method
(\$ in millions)

§ Funding	Pension	Postemployment Healthcare	Total
1. Actuarial Accrued Liability	\$ 7,087	\$ 5,758	\$ 12,845
2. Actuarial Value of Assets	<u>6,017</u>	<u>2,426</u>	<u>8,443</u>
3. Unfunded Actuarial Accrued Liability	\$ 1,070	\$ 3,332	\$ 4,402
4. Funded Ratio	84.9%	42.1%	65.7%
5. Annual Actuarial Contribution			
- Normal Cost	\$ 181	\$ 157	\$ 338
- Amortization of Unfunded (25) Years	<u>70</u>	<u>215</u>	<u>285</u>
- Total Contribution	\$ 251	\$ 372	\$ 623
- % of Pay	15.83%	23.44%	39.27%
6. Member Contribution			
- Amount			\$ 109
- % of Pay			6.84%
7. Employer Required Contribution			
- Amount			\$ 514
- % of Pay			32.43%

PERS Actuarial Accrued Liability History

Pension and Postemployment Healthcare



CORRECTION

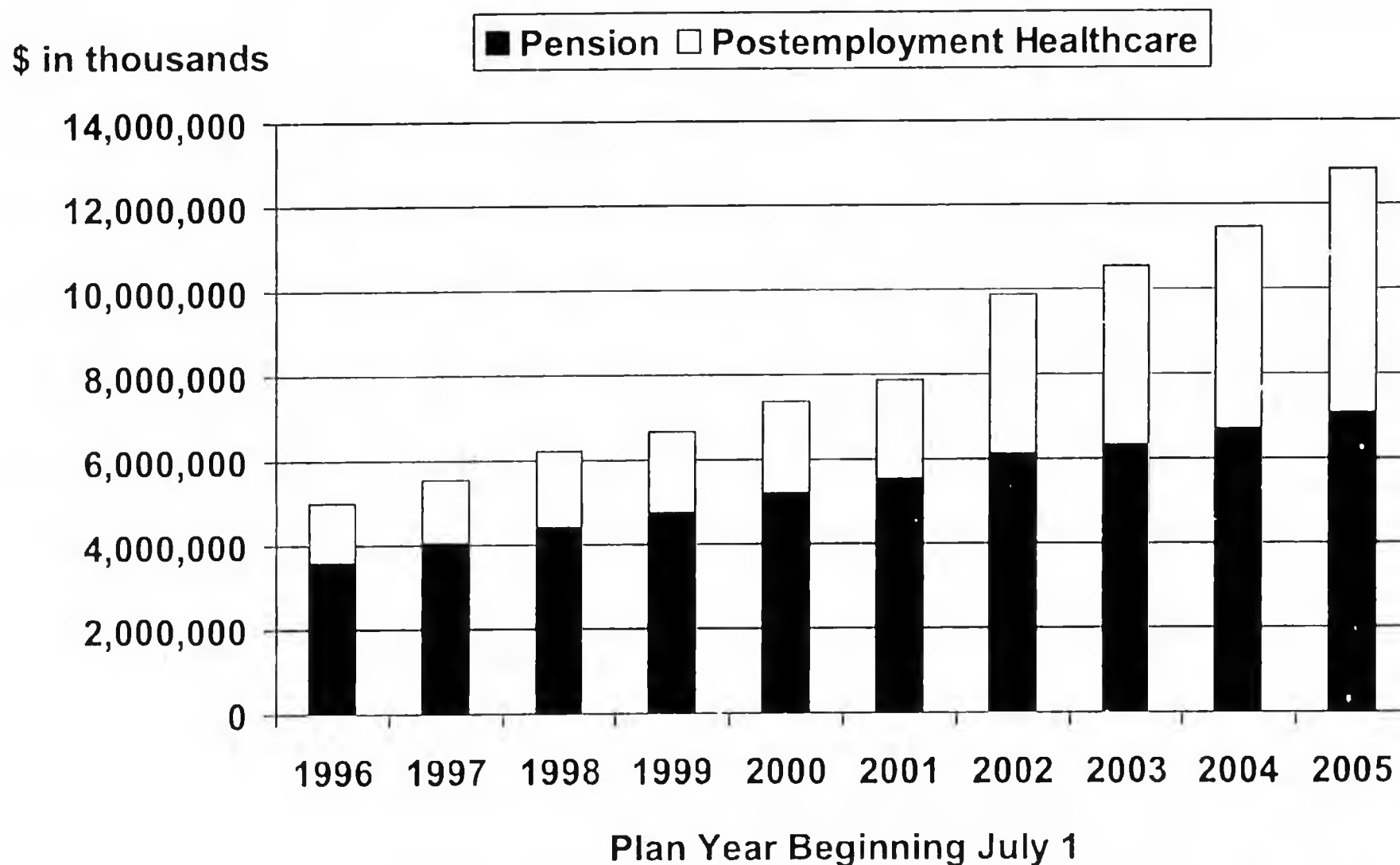
THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Central Microfilm Services
Department of Education & Early Development
State of Alaska

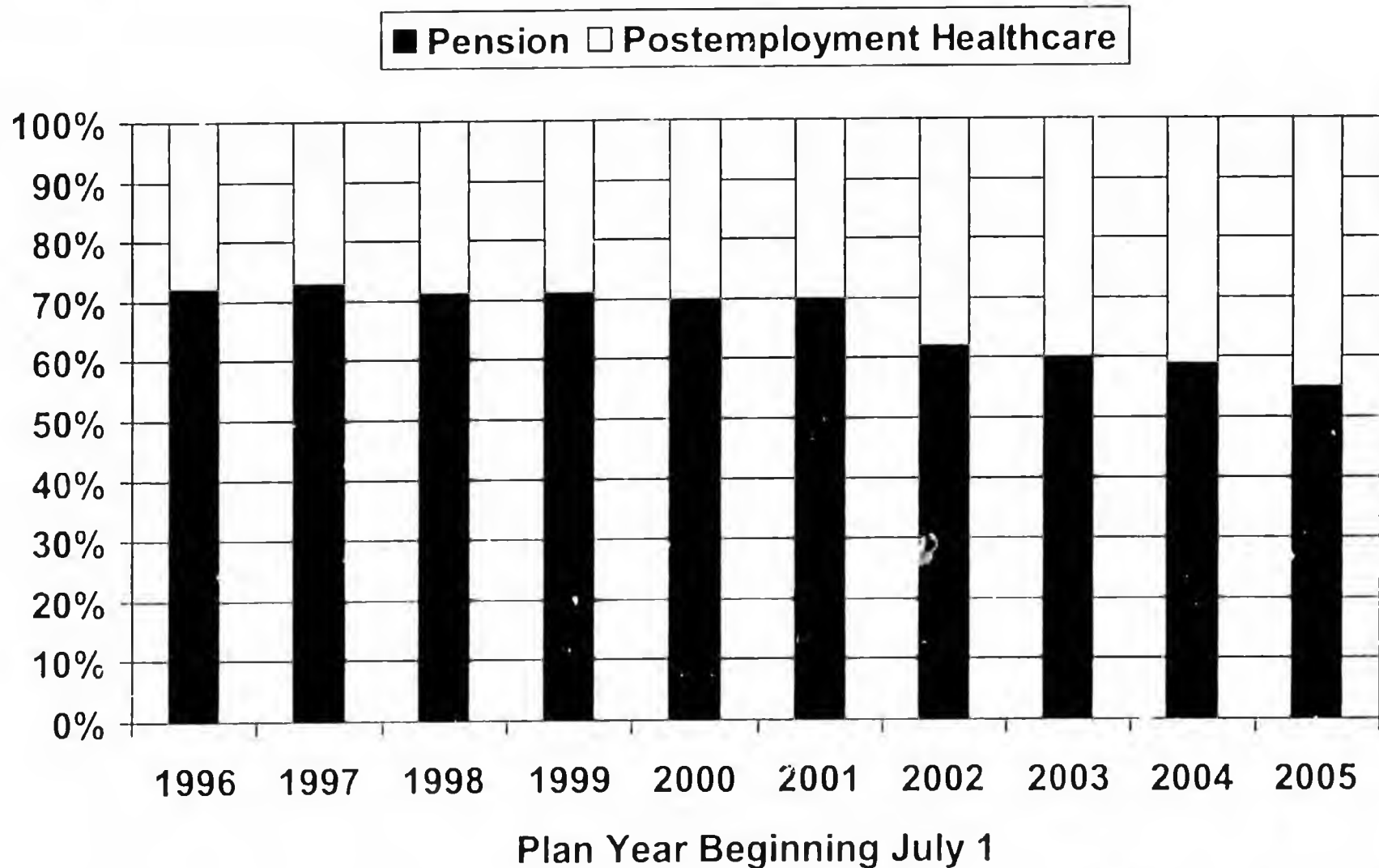
PERS Actuarial Accrued Liability History

Pension and Postemployment Healthcare



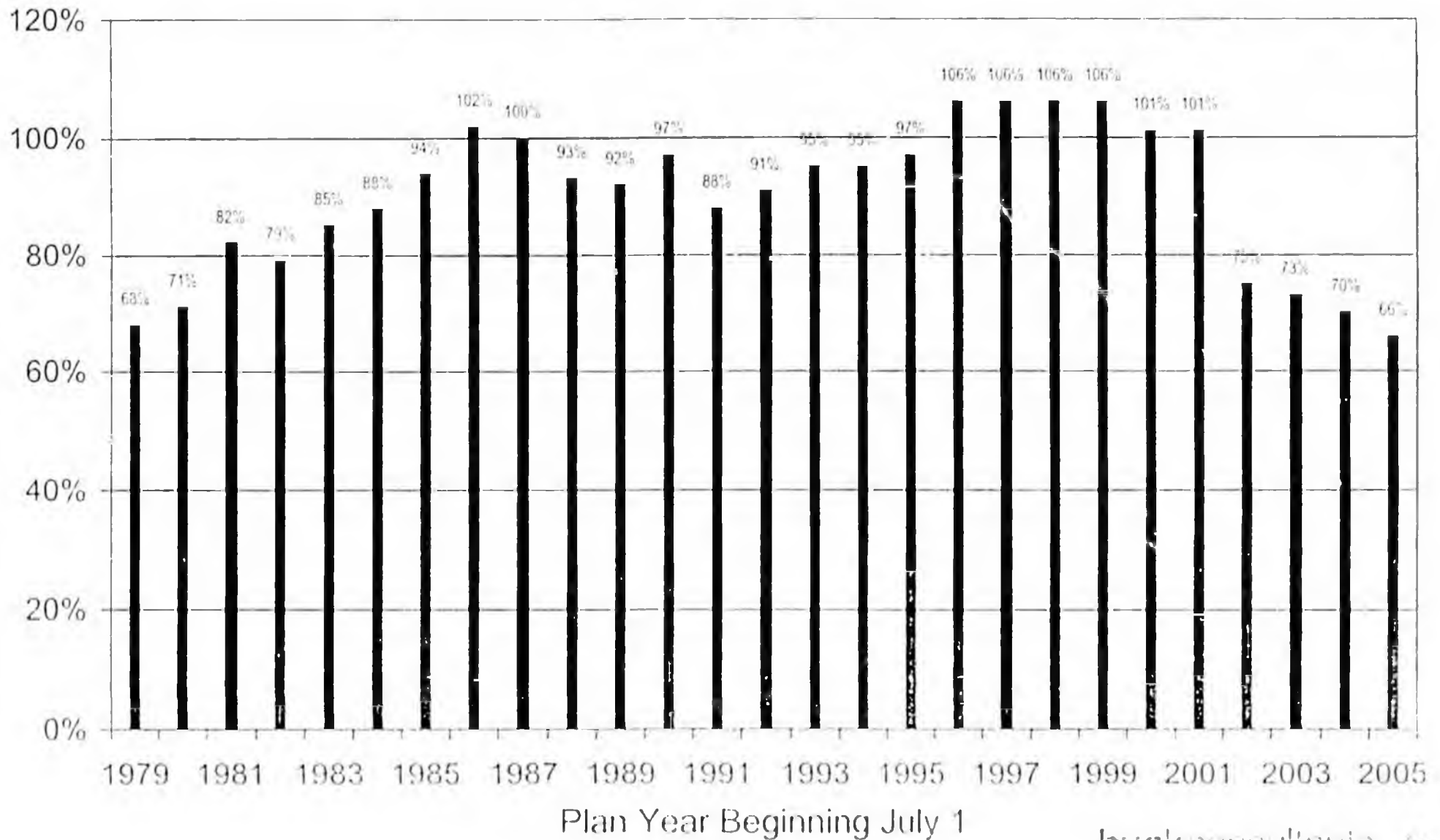
PERS Actuarial Accrued Liability History

Distribution % Between Pension and Postemployment Healthcare



PERS Funding Ratio History

Pension and Postemployment Healthcare Based on Valuation Assets



Teachers' Retirement System

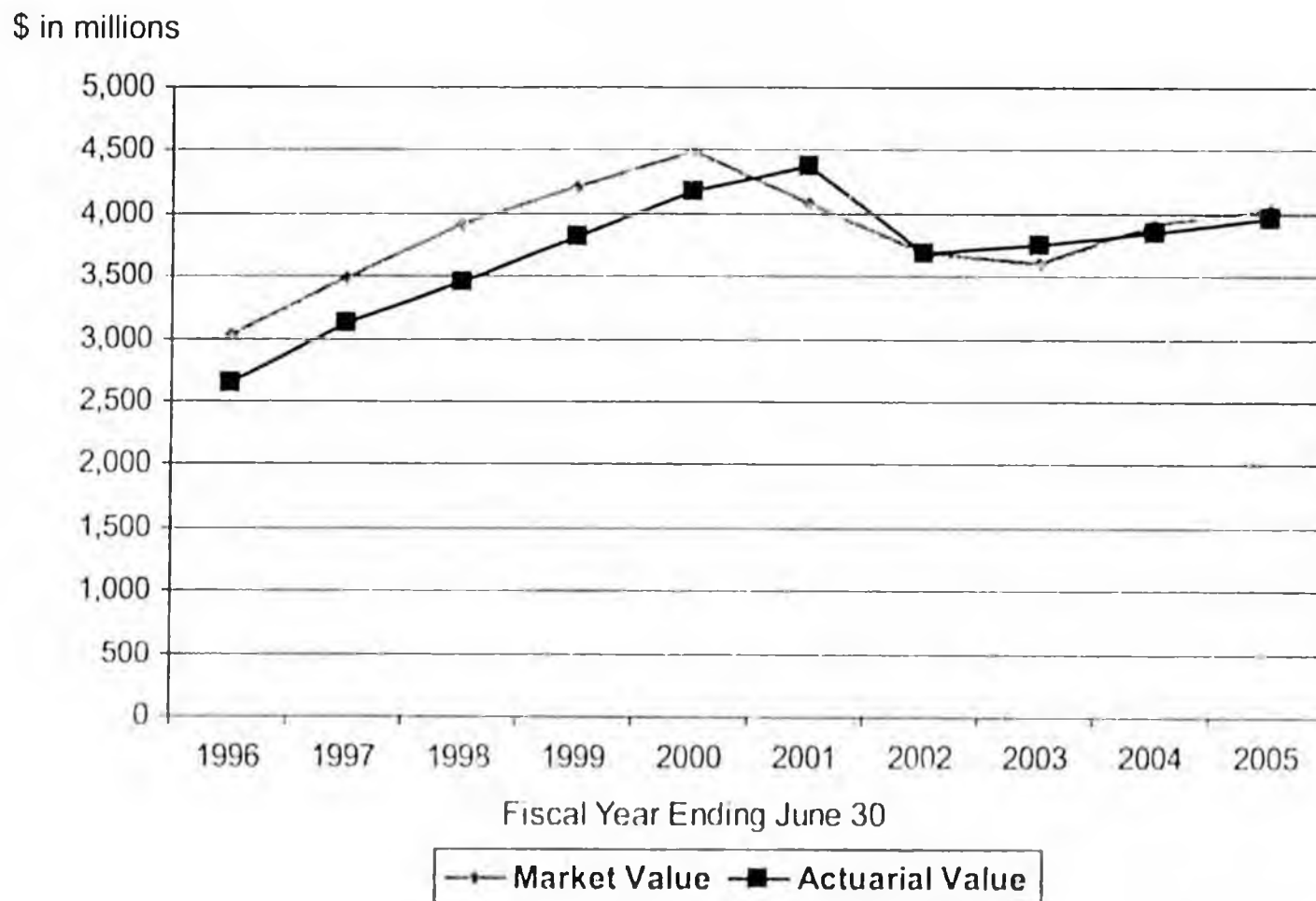
Pension and Postemployment Healthcare

Total System Assets (\$ in millions)

	Year Ending	
	June 30, 2004	June 30, 2005
1. Actuarial Value (BOY)	\$3,752	\$3,845
Contributions	126	150
Disbursements	(329)	(359)
Expected Return on Market Value	289	314
2. Preliminary Actuarial Value (EOY)	\$3,838	\$3,950
3. 5-year Smoothing	7	9
4. Actuarial Value (EOY)	\$3,845	\$3,959
5. Future Smoothing Amount	67	68
6. Market Value (EOY)	\$3,912	\$4,027

Asset Smoothing for Teachers' Retirement System

Pension and Postemployment Healthcare 1996 – 2005



Teachers' Retirement System

Pension and Postemployment Healthcare

(\$ in millions)

	July 1, 2004	July 1, 2005
1. Number		
- Active	9,688	9,656
- Inactive Non Vested	2,746	2,874
- Vested Terminations	724	826
- Retired and beneficiaries	<u>8,707</u>	<u>9,020</u>
- Total	21,865	22,376
2. Annual Compensation	\$522	\$536
3. Assets		
- Market Value	\$3,912	\$4,027
- Actuarial Value	3,845	3,959
- % AV to MV	98.3%	98.3%
4. Annual Benefit Payments		
- Total	\$329	\$359
- % of Market Value	8.4%	8.9%
5. Accumulated Member Contributions		
- Total for Actives and Inactives	\$647	\$672
- Average (actual)	\$49,203	\$50,300

Teachers' Retirement System

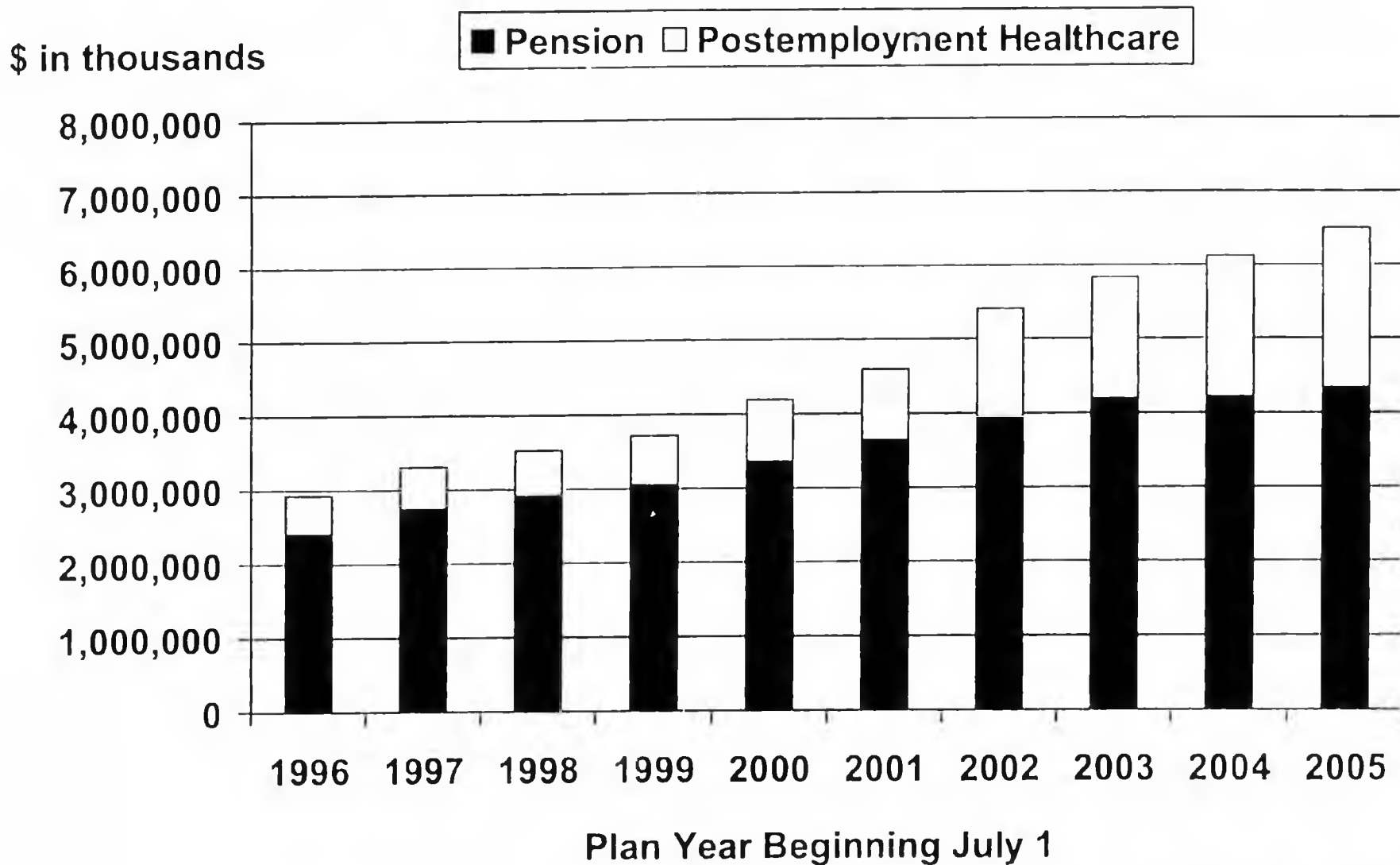
Pension and Postemployment Healthcare

Actuarial Contribution Under Projected Unit Credit Method (\$ in millions)

Funding	July 1, 2004	July 1, 2005
1. Actuarial Accrued Liability	\$ 6,123	\$ 6,499
2. Actuarial Value of Assets	<u>3,845</u>	<u>3,959</u>
3. Unfunded Actuarial Accrued Liability	\$ 2,278	\$ 2,540
4. Funded Ratio	62.8%	60.9%
5. Annual Actuarial Contribution		
Normal Cost	\$ 117	\$ 119
Amortization of Unfunded (25) Years	<u>146</u>	<u>166</u>
Total Contribution	\$ 263	\$ 285
% of Pay	50.46%	50.83%
6. Member Contribution		
Amount	\$ 45	\$ 49
% of Pay	8.68%	8.69%
7. Employer Required Contribution		
Amount	\$ 218	\$ 236
% of Pay	41.78%	42.14%

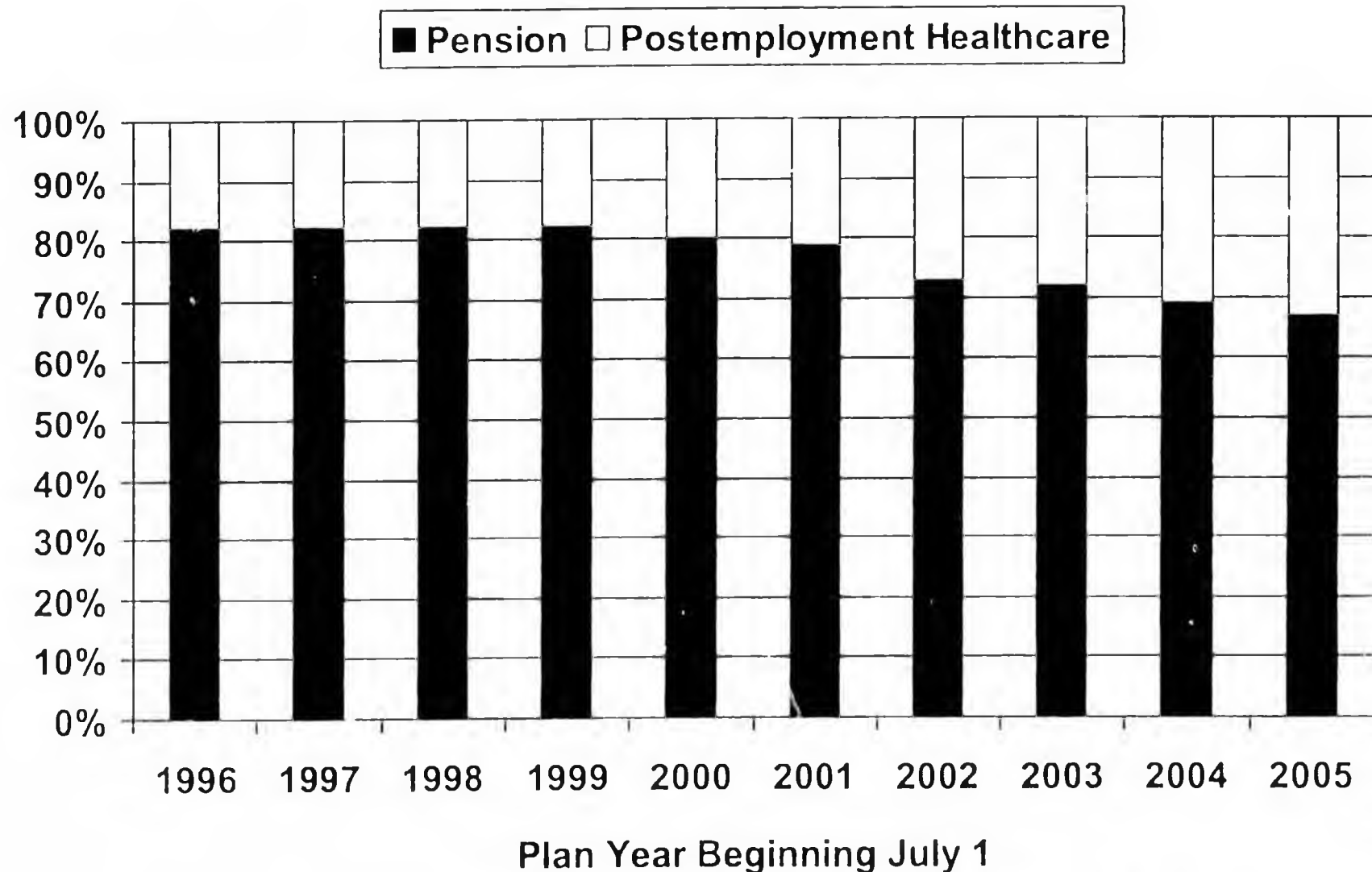
TRS Actuarial Accrued Liability History

Pension and Postemployment Healthcare



TRS Actuarial Accrued Liability History

Distribution % Between Pension and Postemployment Healthcare



Conclusions and Comments (cont'd)

- Changes in Unfunded Liability (\$ in millions)

	<u>PERS</u>	<u>TRS</u>
2004 Unfunded Liability	\$ 3,414	\$ 2,278
- Expected increase	65	41
- Asset (gain)	(35)	(15)
- Decremental and other losses	726	117
- Contribution shortfall	<u>232</u>	<u>119</u>
2005 Unfunded Liability	\$ 4,402	\$ 2,540

Conclusions and Comments (cont'd)

- Increased employer contribution rates required for PERS and TRS

	<u>PERS</u>	<u>TRS</u>
- 2004	28.19%	41.78%
- 2005	32.43%	42.14%
- Change	+4.24%	+0.36%

- Funded ratios declined over last year

	<u>PERS</u>	<u>TRS</u>
- 2004	70.2%	62.8%
- 2005	65.7%	60.9%
- Change	(4.5%)	(1.9%)

Questions?

explore
excellencesm

buckconsultants 

For the record, my name is Larry Semmens. I am a member of the Alaska Retirement Management Board.

The ARM Board was established in October 2005 as a result of the passage of Senate Bill 141. One of the most important provisions of SB 141 was direction to the board to prepare a report to the legislature with short-term and long-term recommendations for addressing the unfunded liability of the retirement plans. The ARM Board delivered our report to the House Ways and Means Committee April 18, 2006. The Board unanimously approved the Report. The legislation before you today is identified with the ARM Board's Priority One recommendation. In arriving at our recommendation the board has heard presentations from numerous experts on topics ranging from pension obligation bonds to natural gas leases. It was the board's goal to identify funding strategies to fully fund the retirement obligations to our public employees with a minimal impact on the services to the residents of Alaska. I would like to point out that one of the key assumptions in connection with this recommendation is that the ARM Board would set the FY 2008 employer contribution rate at the actuarially required rate.

As you have no doubt heard, the combined unfunded liability of the PERS/TRS systems has grown from \$5.7 billion to \$6.9 billion at June 30, 2005. Clearly the process of digging out of a \$6.9 billion hole will not be pleasant, but delaying action will only make things worse. Thank you for considering this legislation at this late date. We hope that it is adopted this session.

Mr. Gary Bader, Chief Investment Officer, Treasury Division of the Department of Revenue is present with you today to provide details and to answer questions. I will also stand by here in Kenai if you have any questions of me.

HB

377

HFIN

FILE

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REPRESENTATIVE KEVIN MEYER

HOUSE DISTRICT 30

SPONSOR STATEMENT

HB 377

"An Act relating to an exemption for certain registration and practice requirements for persons preparing drawings or specifications related to the construction of certain buildings."

State law requires that an engineer or architect prepare drawings or specifications for a residence if it is more than two stories high. However, the building codes adopted by the State Fire Marshall and many municipalities require an engineer or architect only if a residence is more than three stories high.

The process of consulting with an engineer or architect adds an unnecessary expense to the construction or renovation of a home. House Bill 377 amends Alaska statute to reflect the standard already present in the adopted codes across the state. HB 377 will allow contractors and homebuilders to build or expand a residence if it is not more than three stories high.

TABLE R301.2.2.4
WALL BRACING ADJUSTMENT FACTORS BY
ROOF COVERING DEAD LOAD^a

WALL SUPPORTING	ROOF/CEILING DEAD LOAD	ROOF/CEILING DEAD LOAD
	15 psf or less	25 psf
Roof only	1.0	1.2
Roof plus one story	1.0	1.1

For SI: 1 pound per square foot = 0.0479 kN/m².

a. Linear interpolation shall be permitted.

R301.2.2.4.1 Height limitations. Wood framed buildings shall be limited to three stories above grade or the limits given in Table R602.10.1. Cold-formed steel framed buildings shall be limited to two stories above grade in accordance with COFS/PM. Mezzanines as defined in Section 202 shall not be considered as stories.

R301.2.2.4.2 Anchored stone and masonry veneer. Buildings with anchored stone and masonry veneer shall be designed in accordance with accepted engineering practice.

Exceptions:

1. In Seismic Design Category D₁, exterior masonry veneer with a maximum nominal thickness of 4 inches (102 mm) is permitted in accordance with Section R703.7, Exception 3.
2. In Seismic Design Category D₂, exterior masonry veneer with a maximum actual thickness of 3 inches (76 mm) is permitted in accordance with Section R703.7, Exception 4.

R301.2.2.4.3 Masonry construction. Masonry construction in Seismic Design Category D₁ shall comply with the requirements of Section R606.11.3. Masonry construction in Seismic Design Category D₂ shall comply with the requirements of Section R606.11.4.

R301.2.2.4.4 Concrete construction. Buildings with above-grade concrete walls shall be in accordance with Section R611, R612, or designed in accordance with accepted engineering practice.

R301.2.2.4.5 Cold-formed steel framing in Seismic Design Category D₁ and D₂. In Seismic Design Category D₁ and D₂ in addition to the requirements of this code, cold-formed steel framing shall comply with the requirements of COFS/PM.

R301.2.3 Snow loads. Wood framed construction, cold-formed steel framed construction and masonry and concrete construction in regions with ground snow loads 70 psf (3.35 kN/m²) or less, shall be in accordance with Chapters 5, 6 and 8. Buildings in regions with ground snow loads greater than 70 psf (3.35 kN/m²) shall be designed in accordance with accepted engineering practice.

R301.2.4 Floodplain construction. Buildings and structures constructed in flood hazard areas (including A or V

Zones) as established in Table R301.2(1) shall be designed and constructed in accordance with Section R323.

Exception: All buildings and structures in identified floodways as established in Table R301.2(1) shall be designed and constructed as stipulated in the *International Building Code*.

R301.3 Story height. Buildings constructed in accordance with these provisions shall be limited to story heights of not more than the following:

1. For wood wall framing, the laterally unsupported bearing wall stud height permitted by Table R602.3(5) plus a height of floor framing not to exceed sixteen inches.

Exception: For wood framed wall buildings with bracing in accordance with Table R602.10.1, the wall stud clear height used to determine the maximum permitted story height may be increased to 12 feet without requiring an engineered design for the building wind and seismic force resisting systems provided that the length of bracing required by Table R602.10.1 is increased by multiplying by a factor of 1.20. Wall studs are still subject to the requirements of this section.

2. For steel wall framing, a stud height of 10 feet, plus a height of floor framing not to exceed 16 inches.
 3. For masonry walls, a maximum bearing wall clear height of 12 feet plus a height of floor framing not to exceed 16 inches.
- Exception:** An additional 8 feet is permitted for gable end walls.
4. For insulating concrete form walls, the maximum bearing wall height per story as permitted by Section 611 tables plus a height of floor framing not to exceed 16 inches.

Individual walls or wall studs shall be permitted to exceed these limits as permitted by Chapter 6 provisions, provided story heights are not exceeded. An engineered design shall be provided for the wall or wall framing members when they exceed the limits of Chapter 6. Where the story height limits are exceeded, an engineered design shall be provided in accordance with the *International Building Code* the overall wind and seismic force resisting systems.

R301.4 Dead load. The actual weights of materials and construction shall be used for determining dead load with consideration for the dead load of fixed service equipment.

R301.5 Live load. The minimum uniformly distributed live load shall be as provided in Table R301.5.

R301.6 Roof load. Roof shall be designed for the live load indicated in Table R301.6 or the snow load indicated in Table R301.2(1), whichever is greater.

R301.7 Deflection. The allowable deflection of any structural member under the live load listed in Sections R301.5 and R301.6 shall not exceed the values in Table R301.7.

TABLE R602.10.1
WALL BRACING

SEISMIC DESIGN CATEGORY OR WIND SPEED	CONDITION	TYPE OF BRACE ^{b,c}	AMOUNT OF BRACING ^{a,d,e}
Categories A and B ($S_s \leq 0.35g$ and $S_d1 \leq 0.33g$) or 100 mph and less	One story Top of two or three story	Methods 1, 2, 3, 4, 5, 6, 7 or 8	Located at each end and at least every 25 feet on center but not less than 16% of braced wall line.
	First story of two story Second story of three story	Methods 1, 2, 3, 4, 5, 6, 7 or 8	Located at each end and at least every 25 feet on center but not less than 16% of braced wall line for Method 3 and 25% of braced wall line for Methods 2, 4, 5, 6, 7 or 8.
	First story of three story	Methods 2, 3, 4, 5, 6, 7 or 8	Minimum 48-inch-wide panels located at each end and at least every 25 feet on center but not less than 25% of braced wall line for method 3 and 35% of braced wall line for Methods 2, 4, 5, 6, 7 or 8.
Category C ($S_s \leq 0.6g$ and $S_d1 \leq 0.53g$) or less than 110 mph	One story Top of two or three story	Methods 1, 2, 3, 4, 5, 6, 7 or 8	Located at each end and at least every 25 feet on center but not less than 16% of braced wall line for Method 3 and 25% of braced wall line for Methods 2, 4, 5, 6, 7 or 8.
	First story of two story Second story of three story	Methods 2, 3, 4, 5, 6, 7 or 8	Located at each end and at least every 25 feet on center but not less than 30% of braced wall line for Method 3 and 45% of braced wall line for Methods 2, 4, 5, 6, 7 or 8.
	First story of three story	Methods 2, 3, 4, 5, 6, 7 or 8	Located at each end and at least every 25 feet on center but not less than 45% of braced wall line for Method 3 and 60% of braced wall line for Methods 2, 4, 5, 6, 7 or 8.
Category D ₁ ($S_s \leq 1.25g$ and $S_d1 \leq 0.83g$) or less than 110 mph	One story Top of two or three story	Methods 2, 3, 4, 5, 6, 7 or 8	Located at each end and at least every 25 feet on center but not less than 20% of braced wall line for Method 3 and 30% of braced wall line for Methods 2, 4, 5, 6, 7 or 8.
	First story of two story Second story of three story	Methods 2, 3, 4, 5, 6, 7 or 8	Located at each end and not more than 25 feet on center but not less than 45% of braced wall line for Method 3 and 60% of braced wall line for Methods 2, 4, 5, 6, 7 or 8.
	First story of three story	Methods 2, 3, 4, 5, 6, 7 or 8	Located at each end and not more than 25 feet on center but not less than 60% of braced wall line for Method 3 and 85% of braced wall line for Method 2, 4, 5, 6, 7 or 8.
ANCHORAGE IS D ₂ Category D ₂ or less than 110 mph	One story Top of two story	Methods 2, 3, 4, 5, 6, 7 or 8	Located at each end and at least every 25 feet on center but not less than 25% of braced wall line for Method 3 and 40% of braced wall line for Methods 2, 4, 5, 6, 7 or 8.
	First story of two story	Methods 2, 3, 4, 5, 6, 7 or 8	Located at each end and not more than 25 feet on center but not less than 55% of braced wall line for Method 3 and 75% of braced wall line for Methods 2, 4, 5, 6, 7 or 8.
	Cripple walls	Method 3	Located at each end and not more than 25 feet on center but not less than 75% of braced wall line.

DOES NOT INCLUDE 3 STORIES

For SI: 1 inch = 25.4 mm, 1 foot = 304.8 mm, 1 pound per square foot = 0.0479 kN/m², 1 mile per hour = 1.609 km/h.

- a. Wall bracing amounts are based on a soil site class "D." Interpolation of bracing amounts between the S_d1 values associated with the Seismic Design Categories shall be permitted when a site specific S_d1 value is determined in accordance with Section 1615 of the *International Building Code*.
- b. Foundation cripple wall panels shall be braced in accordance with Section R602.10.2.
- c. Methods of bracing shall be as described in Section R602.10.3. The alternate braced wall panels described in Section R602.10.6 shall also be permitted.
- d. The bracing amounts for Seismic Design Categories are based on a 15 psf wall dead load. For walls with a dead load of 8 psf or less, the bracing amounts shall be permitted to be multiplied by 0.85 provided that the adjusted bracing amount is not less than that required for the site's wind speed. The minimum length of braced panel shall not be less than required by Section R602.10.3.
- e. When the dead load of the roof/ceiling exceeds 15 psf, the bracing amounts shall be increased in accordance with Section R301.2.2.4. Bracing required for a site's wind speed shall not be adjusted.

Alaska Association of Harbormasters and Port Administrators Deferred Maintenance Funding Summary

List of Communities That Have Accepted Harbor Ownership from the State of Alaska

Location	Facility	Sale Date/Type	*State Funds Already Provided	Cost Est Provided	Funds Required	Contact	Phone Number
Chitna	Oil Spill Response & Seaplane Float	10/8/1998 Bill of Sale	\$ 315,000		\$678,000	Olen Harris	562-1444
Cold Bay	Dock	6/30/1992 Bill of Sale	n/a	Eng Est 5/4/05	\$500,000	Bob Juetner	274-7555
Cordova	Small Boat Harbor	8/03/2003 Bill of Sale	\$ 4,876,000	Est 1/31/2006		Dale Muma	424-6400
Craig	Dock	12/19/2001 Bill of Sale					
	North Cove Small Boat Harbor	6/30/1992 Comm's Deed		Quote 2/1/2006	\$175,000	Michael Kampnich	826-1404
	South Cove Small Boat Harbor	9/14/1995 Comm's Deed	\$ 581,000				
Homer	Small Boat Harbor	4/30/1999 Bill of Sale	\$ 3,605,400	Est 10/2005	\$3,300,000	Steve Dean	235-3160
Juneau	Aurora Small Boat Harbor						
	Don Statter Small Boat Harbor						
	Douglas Dock	4/2/2003 Bill of Sale	\$ 7,119,000	Eng Report 3/04	\$17,100,000	John Stone	586-0291
	Douglas Small Boat Harbor						
	Harris Small Boat Harbor						
Ketchikan	Taku Small Boat Harbor						
	North Douglas Launch Ramp						
	Bar Harbor North	8/11/2004 Bill of Sale					
	Bar Harbor South	5/15/2002 Bill of Sale					
	City Float	1/1/1999 Bill of Sale	\$ 7,876,000	Est 9/1/05	\$13,450,000	Chris Brewton	228-5632
King Cove	Ryus Float	8/11/2004 Bill of Sale					
	Thomas Basin Small Boat Harbor	8/11/2004 Bill of Sale					
King Cove	Old Harbor	3/25/1995 Bill of Sale	\$ 352,000	Eng Est 2/3/06	\$4,592,000	David Bash	497-2237
Klawock	Small Boat Harbor	3/28/2003 Bill of Sale					
	Dock	5/16/1986 Quit Claim Deed	\$ 896,000		\$200,000	John Morris	755-2261
Kodiak	City Float						
	St. Herman's Small Boat Harbor	3/12/1999 Bill of Sale	\$ 7,775,500	Eng Rep 2/02	\$14,900,000	Marty Owen	486-8080
	St. Paul Small Boat Harbor			Update Est 2/06			
	Channel Transient Float						
Old Harbor	Dock	5/20/1993 Bill of Sale			\$1,000,000	Jim Neale	286-2204
	Float	5/20/1993 Bill of Sale	\$ 154,000				
Pelican	Small Boat Harbor & Seaplane Float	9/06/2001 Bill of Sale	\$ 1,451,142	1/30/2006	\$1,040,000	Patty Phillips	735-2202
	North Harbor	12/06/2005 Bill of Sale	\$ 2,500,000		\$4,000,000		
Petersburg	Middle Small Boat Harbor	6/03/2003 Bill of Sale	\$ 3,729,000	Eng Est 2/6/06	\$2,500,000	Jim Stromdahl	772-4688
	South Small Boat Harbor						
Sand Point	Small Boat Harbor	12/2/1992 Bill of Sale	n/a		\$2,100,000	Richard Kochuten, Sr	383-2696
Seldovia	Small Boat Harbor	5/18/2001 Bill of Sale	\$ 2,628,000		\$3,400,000	Ronda Hayes	234-7643
Seward	Small Boat Harbor	3/25/1999 Bill of Sale	\$ 3,134,700	Eng Est 2/06	\$7,693,000	Scott Ransom	224-3138
Sitka	Crescent Harbor (A-D, 1-4)	11/09/2001 Bill of Sale					
	Crescent Harbor (E-F, 5-7)	08/30/2004 Bill of Sale					
	Sealing Cove Small Boat Harbor	08/30/2004 Bill of Sale	\$ 6,468,000	Est 2/1/06	\$4,500,000	Ray Majeski	747-3470
	Thomsen Small Boat Harbor - Old ANS Float	08/30/2004 Bill of Sale					
Skagway	Small Boat Harbor	6/18/1992 Comm's Deed					
	Small Boat Harbor	10/21/2004 Bill of Sale	\$ 1,068,852	Est 1/1/06	\$ 2,575,000	Matthew O'Boyle	983-2628
Tanalek	Oil Spill Response and Ferry Dock	10/8/1998 Bill of Sale	\$ 315,000		\$270,000	Olen Harris	562-1444
Valdez	Small Boat Harbor	12/01/2003 Bill of Sale	\$ 3,013,300	Est 2/1/06	\$2,500,000	Alan Sorum	835-4981
Whittier	Passenger Loading Dock	5/15/2002 Bill of Sale					
	Small Boat Harbor	8/02/2004 Bill of Sale	\$ 2,479,000		\$4,890,000	Mark Earnest	472-2327x113
Wrangell	Fish & Game Float						
	Inner Small Boat Harbor						
	Reliance Small Boat Harbor	8/20/2003 Bill of Sale	\$ 3,492,000	Eng Est 2/2/06	\$6,200,000	Greg Messner	874-3736
	Shoemaker Bay Harbor						
Standard Oil Float							
Yakutat	Small Boat Harbor and Seaplane Float	8/8/2005 Bill of Sale	\$ 526,000	Eng Rep 12/04	\$ 2,295,000	Erving Grass	784-3323

Total State Funding Provided **\$64,354,394**

Funding Needed to Complete Repairs **\$99,858,000**

Spreadsheet prepared by Alan Sorum on 25 March 2005. Contact: (907) 835-4981
 *Revised by John Stone on Feb. 6, 2006 to show verified cost estimates, 907-586-0294

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 377(L&C)
(H) Publish Date: 3/6/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title: Exemption: Res. Bldg. Drawing & Specs RDU: Corp. Bus & Prof Licensing (117)
Component: Corp. Bus & Prof Licensing
Sponsor: Meyer
Requester: Labor and Commerce Component No.: 2360

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
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						
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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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						
1156 Receipt Supported Services						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 Budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation amends AS 08.48.331(a) by making an exemption from certain registration and practice requirements for persons preparing drawings or specifications related to the construction of certain buildings. New funds are not required to implement the provisions of this legislation.

Prepared by: Katherine Mason, Administrative Manager
Division: Corporations, Business and Professional Licensing
Approved by: William C. Noll, Commissioner
Agency: Commerce, Community, and Economic Development

Phone: (907) 465-2572
Date/Time: 2/23/06 3:05 PM
Date: 2/23/2006



DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Division of Corporations, Business and Professional Licensing

Frank H. Murkowski, Governor
William C. Noll, Commissioner
Rick Urian, Director

**BOARD OF REGISTRATION FOR ARCHITECTS, ENGINEERS
AND LAND SURVEYORS**

February 24, 2006

RE: HB 377

To Whom It May Concern:

The Board of Architects, Engineers, and Land Surveyors has become aware that the Alaska State Legislature is considering modifying AS 08.48.331(a)(6)(C) to allow three-story residences to be exempt from the requirement that they be designed by a registered design professional (Architect & Engineer).

This decision would allow a contractor to build a three-story home without the involvement of a professional architect or engineer.

This decision would put at risk of harm those that the statute (AS 08.48) was created to protect. The design loads on a structure can significantly increase with the addition of a third story. This affects placement of the structure on a lot, foundation, wall, ceiling and roof design, as well as the floor plan, placement of windows, doors, etc.

Special materials and construction techniques not typical to a two-story residence are often required to handle these increased loads. Assuming a contractor would be able to recognize the dangers, properly calculate the loads, and modify the design to prevent a structural failure is a dangerous assumption. Contractors are not required by the State of Alaska to have the education, training, and verification by exam to ensure they are capable of performing this work.

This statute sets forth the requirements for Architects and Engineers to ensure they are competent to design these structures in a manner that is safe for the public.

The Board of Registration for Architects, Engineers, and Land Surveyors (AELS Board) is opposed to the modification of this statute in the interest of public safety.

Sincerely,

Kenneth D. Maynard, Chair
AELS Board
(907) 343-5282
kmaynard@uskh.com



DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Division of Corporations, Business and Professional Licensing

Frank H. Murkowski, Governor
William C. Nall, Commissioner
Rick Union, Director

**BOARD OF REGISTRATION FOR ARCHITECTS, ENGINEERS
AND LAND SURVEYORS**

March 14, 2006

RE: HB 377

To Whom It May Concern:

The Board of Architects, Engineers, and Land Surveyors is aware the Alaska State Legislature is still considering modifying AS 08.48.331(a)(6)(C) to allow three-story residences to be exempt from the requirement that they be designed by registered design professional(s). The only change we see is reducing the exemption from four-family residences to two-family residences.

This change does not affect our opposition. This change would still put at risk those who the statute (AS 08.48) was created to protect. As commented before, the design loads on a structure significantly increase with the addition of a third story, not least of which are seismic loads.

Contractors and home builders are not required by the State of Alaska to have the education, training, verified by exam, to ensure they are capable of designing this size building. Design professionals are trained to ensure buildings are safe for human habitation.

In the interest of public safety, the Board of Registration for Architects, Engineers, and Land Surveyors (AELS Board) is still strongly opposed to the modification of this statute.

Sincerely,

Kenneth D. Maynard, Chair
AELS Board
(907) 343-5282
kmaynard@uskh.com

REPRESENTATIVE KEVIN MEYER

HOUSE DISTRICT 30

MEMORANDUM

DATE: February 15, 2006
TO: Representative Kevin Meyer
FROM: Mike Pawlowski
RE: Sectional Analysis for HB 377
(Version No. 24 - LSI-471\A)

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Amends the exemption to the requirements of title 8 chapter 48 in AS 08.48.331 (a) (6) (C) for residential buildings smaller than a four-plex to three from two stories.



February 15, 2006

Representative Kevin Meyer
 State Capitol, Room 515
 Juneau, AK 99801-1182
 FAX 907-465-3476

Dear Rep. Meyer:

Regarding legislation (HB 377) for stories above grade the Anchorage Home Builders Association fully endorses and supports this measure.

This is merely a housekeeping measure to align the state statute, the International Building Code and the International Residential Code. Currently the two are inconsistent. The state statute is two-stories and International Codes are 3-stories.

Sincerely,

Ray Hickett
 President
 Anchorage Home Builders Assn.

Larry Partusch
 Treasurer
 Anchorage Home Builders Assn.

Harley Sudsbury
 Past President
 Anchorage Home Builders Assn.

Eric Schach
 Vice President
 Anchorage Home Builders Assn.

Sue Wolfe
 Secretary
 Anchorage Home Builders Assn.

"Building Better Places to Live, Work and Play"

ANCHORAGE HOME BUILDERS ASSOCIATION, INC.

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