

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 3015

Hire Date* 7/1/2005
 Age at hire 25
 Age at retirement 55
 Subsidy Start Age 60
 Service 30

Salary \$53,925
 Wage Inflation 3.0%

HRA contribution rate 1.0%
 HRA accumulation rate 8.25%

Subsidy Base (7/1/2003) \$5,962
 Subsidy index 5%
 Subsidy percent 90%

HRA Fund at retirement \$89,321
 Total retiree contribution \$336,978
 Net retiree cost (w/HRA int) \$239,523

Assumes participant retires from system and is receiving system sponsored benefits
 Assumes only use of HRA funds is to pay for Not (after subsidy if applicable) retiree premium contributions
 Assumes 30 years to normal retirement
 Assumes demographic composition of pre-Medicare retiree group does not change from current

All estimates, based upon the information available at a point in time, are subject to unforeseen and random events. Therefore any projection must be interpreted as having a likely range of variability from the estimate.

Gross Retiree
 Premium Cost

Total State
 Subsidy

Total HRA
 Spend

\$537,717

\$200,739

\$97,454

Duration	Age	Salary	Contribution	End of Year HRA Balance	Pre MC Composite Premium	Pro MC Composite Trend	Retiree Med/Rx Premium	Subsidy Base	Retiree Subsidy	Retiree Contribution	Pay of Year HRA Balance	HRA Spend
1	25	\$53,925	\$539	\$561	\$7,318	1.23	\$0	\$7,318	\$0	\$0	\$0	\$0
2	26	\$55,543	\$555	\$1,185	\$8,107	1.11	\$0	\$7,684	\$0	\$0	\$0	\$0
3	27	\$57,209	\$572	\$1,878	\$8,937	1.10	\$0	\$8,068	\$0	\$0	\$0	\$0
4	28	\$58,925	\$589	\$2,646	\$9,802	1.10	\$0	\$8,471	\$0	\$0	\$0	\$0
5	29	\$60,693	\$607	\$3,496	\$10,695	1.09	\$0	\$8,895	\$0	\$0	\$0	\$0
6	30	\$62,514	\$625	\$4,435	\$11,608	1.09	\$0	\$9,340	\$0	\$0	\$0	\$0
7	31	\$64,389	\$644	\$5,471	\$12,532	1.08	\$0	\$9,807	\$0	\$0	\$0	\$0
8	32	\$66,321	\$663	\$6,612	\$13,456	1.07	\$0	\$10,297	\$0	\$0	\$0	\$0
9	33	\$68,311	\$683	\$7,868	\$14,369	1.07	\$0	\$10,812	\$0	\$0	\$0	\$0
10	34	\$70,360	\$704	\$9,249	\$15,258	1.06	\$0	\$11,352	\$0	\$0	\$0	\$0
11	35	\$72,471	\$725	\$10,767	\$16,112	1.06	\$0	\$11,920	\$0	\$0	\$0	\$0
12	36	\$74,645	\$746	\$12,431	\$16,916	1.05	\$0	\$12,516	\$0	\$0	\$0	\$0
13	37	\$76,884	\$769	\$14,257	\$17,764	1.05	\$0	\$13,142	\$0	\$0	\$0	\$0
14	38	\$79,191	\$792	\$16,257	\$18,652	1.05	\$0	\$13,799	\$0	\$0	\$0	\$0
15	39	\$81,566	\$816	\$18,447	\$19,585	1.05	\$0	\$14,489	\$0	\$0	\$0	\$0
16	40	\$84,013	\$840	\$20,843	\$20,564	1.05	\$0	\$15,213	\$0	\$0	\$0	\$0
17	41	\$86,534	\$865	\$23,463	\$21,592	1.05	\$0	\$15,974	\$0	\$0	\$0	\$0
18	42	\$89,130	\$891	\$26,326	\$22,672	1.05	\$0	\$16,773	\$0	\$0	\$0	\$0
19	43	\$91,804	\$918	\$29,453	\$23,805	1.05	\$0	\$17,611	\$0	\$0	\$0	\$0
20	44	\$94,558	\$946	\$32,866	\$24,996	1.05	\$0	\$18,492	\$0	\$0	\$0	\$0
21	45	\$97,395	\$974	\$36,591	\$26,245	1.05	\$0	\$19,416	\$0	\$0	\$0	\$0
22	46	\$100,316	\$1,003	\$40,654	\$27,558	1.05	\$0	\$20,387	\$0	\$0	\$0	\$0
23	47	\$103,326	\$1,033	\$45,083	\$28,936	1.05	\$0	\$21,407	\$0	\$0	\$0	\$0
24	48	\$106,426	\$1,064	\$49,909	\$30,382	1.05	\$0	\$22,477	\$0	\$0	\$0	\$0
25	49	\$109,618	\$1,096	\$55,167	\$31,901	1.05	\$0	\$23,601	\$0	\$0	\$0	\$0
26	50	\$112,907	\$1,129	\$60,893	\$33,496	1.05	\$0	\$24,781	\$0	\$0	\$0	\$0
27	51	\$116,294	\$1,163	\$67,127	\$35,171	1.05	\$0	\$26,020	\$0	\$0	\$0	\$0
28	52	\$119,783	\$1,198	\$73,911	\$36,930	1.05	\$0	\$27,321	\$0	\$0	\$0	\$0
29	53	\$123,376	\$1,234	\$81,293	\$38,776	1.05	\$0	\$28,687	\$0	\$0	\$0	\$0
30	54	\$127,078	\$1,271	\$89,321	\$40,715	1.05	\$0	\$30,121	\$0	\$0	\$0	\$0
31	55	\$0	\$0	\$52,211	\$42,751	1.05	\$42,751	\$31,627	\$0	\$42,751	\$89,321	\$42,751
32	56	\$0	\$0	\$9,815	\$44,888	1.05	\$44,888	\$33,209	\$0	\$44,888	\$52,211	\$44,888
33	57	\$0	\$0	\$0	\$47,133	1.05	\$47,133	\$34,869	\$0	\$47,133	\$9,815	\$9,815
34	58	\$0	\$0	\$0	\$49,490	1.05	\$49,490	\$36,612	\$0	\$49,490	\$0	\$0
35	59	\$0	\$0	\$0	\$51,964	1.05	\$51,964	\$38,443	\$0	\$51,964	\$0	\$0
36	60	\$0	\$0	\$0	\$54,562	1.05	\$54,562	\$40,365	\$36,229	\$18,234	\$0	\$0
37	61	\$0	\$0	\$0	\$57,290	1.05	\$57,290	\$42,383	\$38,145	\$19,145	\$0	\$0
38	62	\$0	\$0	\$0	\$60,155	1.05	\$60,155	\$44,503	\$40,052	\$20,102	\$0	\$0
39	63	\$0	\$0	\$0	\$63,163	1.05	\$63,163	\$46,728	\$42,055	\$21,108	\$0	\$0
40	64	\$0	\$0	\$0	\$66,321	1.05	\$66,321	\$49,064	\$44,158	\$22,163	\$0	\$0

Hire Date 7/1/2005
 Age at hire 40
 Age at retirement 60
 Subsidy Eligibility Age 60
 Service 20

Salary \$61,855
 Wage inflation 3.0%

HRA contribution rate 2.0%
 HRA accumulation rate 8.25%

Subsidy Base \$5,962
 Subsidy index 5%
 Subsidy percent 60%

HRA Fund at retirement \$75,399
 Total retiree contribution \$161,299
 Net retiree cost (w/HRA int) \$77,871

Assumes participant retires from system and is receiving system sponsored benefits
 Assumes only use of HRA funds is to pay for Net (after subsidy if applicable) retiree premium contributions
 Assumes 30 years to normal retirement
 Assumes demographic composition of pre-Medicare retiree group does not change from current
 Assumes spouse of equal age to retiree

All estimates, based upon the information available at a point in time, are subject to unforeseen and random events. Therefore any projection must be interpreted as having a likely range of variability from the estimate.

Gross Retiree
 Premium Cost

Total State
 Subsidy

Total HRA
 Spend

\$290,044

\$128,745

\$83,428

Duration	Age	Salary	Contribution	End of Year HRA Balance	Pre MC Composite Premium	Pre MC Composite Trend	Retiree Med/Rx Premium	Subsidy Base	Retiree Subsidy	Retiree Contribution	Beg of Year HRA Balance	HRA Spend
1	40	\$61,855	\$1,237	\$1,287	\$14,636	1.23	\$0	\$14,636	\$0	\$0	\$0	\$0
2	41	\$63,711	\$1,274	\$2,719	\$16,215	1.11	\$0	\$15,367	\$0	\$0	\$0	\$0
3	42	\$65,622	\$1,312	\$4,309	\$17,874	1.10	\$0	\$16,136	\$0	\$0	\$0	\$0
4	43	\$67,591	\$1,352	\$6,071	\$19,604	1.10	\$0	\$16,943	\$0	\$0	\$0	\$0
5	44	\$69,618	\$1,392	\$8,020	\$21,390	1.09	\$0	\$17,790	\$0	\$0	\$0	\$0
6	45	\$71,707	\$1,434	\$10,174	\$23,216	1.09	\$0	\$18,679	\$0	\$0	\$0	\$0
7	46	\$73,858	\$1,477	\$12,550	\$25,064	1.08	\$0	\$19,613	\$0	\$0	\$0	\$0
8	47	\$76,074	\$1,521	\$15,169	\$26,912	1.07	\$0	\$20,594	\$0	\$0	\$0	\$0
9	48	\$78,356	\$1,567	\$18,051	\$28,738	1.07	\$0	\$21,624	\$0	\$0	\$0	\$0
10	49	\$80,707	\$1,614	\$21,219	\$30,517	1.06	\$0	\$22,705	\$0	\$0	\$0	\$0
11	50	\$83,128	\$1,663	\$24,700	\$32,225	1.06	\$0	\$23,840	\$0	\$0	\$0	\$0
12	51	\$85,622	\$1,712	\$28,519	\$33,836	1.05	\$0	\$25,032	\$0	\$0	\$0	\$0
13	52	\$88,190	\$1,764	\$32,707	\$35,528	1.05	\$0	\$26,284	\$0	\$0	\$0	\$0
14	53	\$90,836	\$1,817	\$37,295	\$37,304	1.05	\$0	\$27,598	\$0	\$0	\$0	\$0
15	54	\$93,561	\$1,871	\$42,319	\$39,169	1.05	\$0	\$28,978	\$0	\$0	\$0	\$0
16	55	\$96,368	\$1,927	\$47,816	\$41,128	1.05	\$0	\$30,426	\$0	\$0	\$0	\$0
17	56	\$99,259	\$1,985	\$53,826	\$43,184	1.05	\$0	\$31,948	\$0	\$0	\$0	\$0
18	57	\$102,237	\$2,045	\$60,394	\$45,343	1.05	\$0	\$33,545	\$0	\$0	\$0	\$0
19	58	\$105,304	\$2,106	\$67,568	\$47,611	1.05	\$0	\$35,222	\$0	\$0	\$0	\$0
20	59	\$108,463	\$2,169	\$75,399	\$49,991	1.05	\$0	\$36,984	\$0	\$0	\$0	\$0
21	60	\$0	\$0	\$51,248	\$52,491	1.05	\$52,491	\$38,833	\$23,300	\$29,191	\$75,399	\$29,191
22	61	\$0	\$0	\$23,586	\$55,115	1.05	\$55,115	\$40,774	\$24,465	\$30,651	\$51,248	\$30,651
23	62	\$0	\$0	\$0	\$57,871	1.05	\$57,871	\$42,813	\$25,688	\$32,183	\$23,586	\$23,586
24	63	\$0	\$0	\$0	\$60,765	1.05	\$60,765	\$44,954	\$26,972	\$33,792	\$0	\$0
25	64	\$0	\$0	\$0	\$63,803	1.05	\$63,803	\$47,201	\$28,321	\$35,482	\$0	\$0

Hire Date 7/1/2005
 Age at hire 40
 Age at retirement 60
 Subsidy Start Age 60
 Service 20

Salary \$61,855
 Wage inflation 3.0%

HRA contribution rate 2.0%
 HRA accumulation rate 8.25%

Subsidy Base (7/1/2003) \$5,962
 Subsidy index 5%
 Subsidy percent 60%

HRA Fund at retirement \$75,399
 Total retiree contribution \$80,650
 Net retiree cost (w/HRA int) \$0

Assumes participant retires from system and is receiving system sponsored benefits
 Assumes only use of HRA funds is to pay for Not (after subsidy if applicable) retiree premium contributions
 Assumes 30 years to normal retirement
 Assumes demographic composition of pre-Medicare retiree group does not change from current

All estimates, based upon the information available at a point in time, are subject to unforeseen and random events. Therefore any projection must be interpreted as having a likely range of variability from the estimate.

Gross Retiree
 Premium Cost

Total State
 Subsidy

Total HRA
 Spend

\$145,022

\$64,373

\$80,650

Duration	Age	Salary	Contribution	End of Year HRA Balance	Pre MC Composite Premium	Prc MC Composite Trend	Retiree Med/Rx Premium	Subsidy Base	Retiree Subsidy	Retiree Contribution	Beg of Year HRA Balance	HRA Spend
1	40	\$61,855	\$1,237	\$1,287	\$7,318	1.23	\$0	\$7,318	\$0	\$0	\$0	\$0
2	41	\$63,711	\$1,274	\$2,719	\$8,107	1.11	\$0	\$7,684	\$0	\$0	\$0	\$0
3	42	\$65,622	\$1,312	\$4,309	\$8,937	1.10	\$0	\$8,068	\$0	\$0	\$0	\$0
4	43	\$67,591	\$1,352	\$6,071	\$9,802	1.10	\$0	\$8,471	\$0	\$0	\$0	\$0
5	44	\$69,618	\$1,392	\$8,020	\$10,695	1.09	\$0	\$8,895	\$0	\$0	\$0	\$0
6	45	\$71,707	\$1,434	\$10,174	\$11,608	1.09	\$0	\$9,340	\$0	\$0	\$0	\$0
7	46	\$73,858	\$1,477	\$12,550	\$12,532	1.08	\$0	\$9,807	\$0	\$0	\$0	\$0
8	47	\$76,074	\$1,521	\$15,169	\$13,456	1.07	\$0	\$10,297	\$0	\$0	\$0	\$0
9	48	\$78,356	\$1,567	\$18,051	\$14,369	1.07	\$0	\$10,812	\$0	\$0	\$0	\$0
10	49	\$80,707	\$1,614	\$21,219	\$15,258	1.06	\$0	\$11,352	\$0	\$0	\$0	\$0
11	50	\$83,128	\$1,663	\$24,700	\$16,112	1.06	\$0	\$11,920	\$0	\$0	\$0	\$0
12	51	\$85,622	\$1,712	\$28,519	\$16,918	1.05	\$0	\$12,516	\$0	\$0	\$0	\$0
13	52	\$88,190	\$1,764	\$32,707	\$17,764	1.05	\$0	\$13,142	\$0	\$0	\$0	\$0
14	53	\$90,836	\$1,817	\$37,295	\$18,652	1.05	\$0	\$13,799	\$0	\$0	\$0	\$0
15	54	\$93,561	\$1,871	\$42,319	\$19,585	1.05	\$0	\$14,489	\$0	\$0	\$0	\$0
16	55	\$96,368	\$1,927	\$47,816	\$20,564	1.05	\$0	\$15,213	\$0	\$0	\$0	\$0
17	56	\$99,259	\$1,985	\$53,826	\$21,592	1.05	\$0	\$15,974	\$0	\$0	\$0	\$0
18	57	\$102,237	\$2,045	\$60,394	\$22,672	1.05	\$0	\$16,773	\$0	\$0	\$0	\$0
19	58	\$105,304	\$2,106	\$67,568	\$23,805	1.05	\$0	\$17,611	\$0	\$0	\$0	\$0
20	59	\$108,463	\$2,169	\$75,399	\$24,996	1.05	\$0	\$18,492	\$0	\$0	\$0	\$0
21	60	\$0	\$0	\$66,434	\$26,245	1.05	\$26,245	\$19,416	\$11,650	\$14,596	\$75,399	\$14,596
22	61	\$0	\$0	\$55,970	\$27,558	1.05	\$27,558	\$20,387	\$12,232	\$15,325	\$66,434	\$15,325
23	62	\$0	\$0	\$43,845	\$28,936	1.05	\$28,936	\$21,407	\$12,844	\$16,092	\$55,970	\$16,092
24	63	\$0	\$0	\$29,883	\$30,382	1.05	\$30,382	\$22,477	\$13,486	\$16,896	\$43,845	\$16,896
25	64	\$0	\$0	\$13,890	\$31,901	1.05	\$31,901	\$23,601	\$14,160	\$17,741	\$29,883	\$17,741

Hire Date 7/1/2005
 Age at hire 40
 Age at retirement 60
 Subsidy Start Age 60
 Service 20

Salary \$61,855
 Wage inflation 3.0%

HRA contribution rate 1.0%
 HRA accumulation rate 8.25%

Subsidy Base (7/1/2003) \$5,962
 Subsidy index 5%
 Subsidy percent 60%

HRA Fund at retirement \$37,700
 Total retiree contribution \$80,650
 Net retiree cost (w/HRA int) \$38,936

Assumes participant retires from system and is receiving system sponsored benefits
 Assumes only use of HRA funds is to pay for Net (after subsidy if applicable) retiree premium contributions
 Assumes 30 years to normal retirement
 Assumes demographic composition of pre-Medicare retiree group does not change from current

All estimates, based upon the information available at a point in time, are subject to unforeseen and random events. Therefore any projection must be interpreted as having a likely range of variability from the estimate.

Gross Retiree
 Premium Cost

Total State
 Subsidy

Total HRA
 Spend

\$145,022

\$64,373

\$41,714

Duration	Age	Salary	Contribution	End of Year HRA Balance	Pre MC Composite Premium	Pre MC Composite Trend	Retiree Me I/Rx Premium	Subsidy Base	Retiree Subsidy	Retiree Contribution	Beg of Year HRA Balance	HRA Spend
1	40	\$61,855	\$619	\$644	\$7,318	1.23	\$0	\$7,318	\$0	\$0	\$0	\$0
2	41	\$63,711	\$637	\$1,360	\$8,107	1.11	\$0	\$7,684	\$0	\$0	\$0	\$0
3	42	\$65,622	\$656	\$2,154	\$8,937	1.10	\$0	\$8,068	\$0	\$0	\$0	\$0
4	43	\$67,591	\$676	\$3,035	\$9,802	1.10	\$0	\$8,471	\$0	\$0	\$0	\$0
5	44	\$69,618	\$696	\$4,010	\$10,695	1.09	\$0	\$8,895	\$0	\$0	\$0	\$0
6	45	\$71,707	\$717	\$5,087	\$11,608	1.09	\$0	\$9,340	\$0	\$0	\$0	\$0
7	46	\$73,858	\$739	\$6,275	\$12,532	1.08	\$0	\$9,807	\$0	\$0	\$0	\$0
8	47	\$76,074	\$761	\$7,584	\$13,456	1.07	\$0	\$10,297	\$0	\$0	\$0	\$0
9	48	\$78,356	\$784	\$9,025	\$14,369	1.07	\$0	\$10,812	\$0	\$0	\$0	\$0
10	49	\$80,707	\$807	\$10,610	\$15,258	1.06	\$0	\$11,352	\$0	\$0	\$0	\$0
11	50	\$83,128	\$831	\$12,350	\$16,112	1.06	\$0	\$11,920	\$0	\$0	\$0	\$0
12	51	\$85,622	\$856	\$14,260	\$16,918	1.05	\$0	\$12,516	\$0	\$0	\$0	\$0
13	52	\$88,190	\$882	\$16,353	\$17,764	1.05	\$0	\$13,142	\$0	\$0	\$0	\$0
14	53	\$90,836	\$908	\$18,648	\$18,652	1.05	\$0	\$13,799	\$0	\$0	\$0	\$0
15	54	\$93,551	\$936	\$21,160	\$19,585	1.05	\$0	\$14,489	\$0	\$0	\$0	\$0
16	55	\$96,368	\$964	\$23,908	\$20,564	1.05	\$0	\$15,213	\$0	\$0	\$0	\$0
17	56	\$99,259	\$993	\$26,913	\$21,592	1.05	\$0	\$15,974	\$0	\$0	\$0	\$0
18	57	\$102,237	\$1,022	\$30,197	\$22,672	1.05	\$0	\$16,773	\$0	\$0	\$0	\$0
19	58	\$105,304	\$1,053	\$33,784	\$23,805	1.05	\$0	\$17,611	\$0	\$0	\$0	\$0
20	59	\$108,463	\$1,085	\$37,700	\$24,996	1.05	\$0	\$18,492	\$0	\$0	\$0	\$0
21	60	\$0	\$0	\$25,624	\$26,245	1.05	\$26,245	\$19,416	\$11,650	\$14,596	\$37,700	\$14,596
22	61	\$0	\$0	\$11,793	\$27,558	1.05	\$27,558	\$20,387	\$12,232	\$15,325	\$25,624	\$15,325
23	62	\$0	\$0	\$0	\$28,936	1.05	\$28,936	\$21,407	\$12,844	\$16,092	\$11,793	\$11,793
24	63	\$0	\$0	\$0	\$30,382	1.05	\$30,382	\$22,477	\$13,486	\$16,896	\$0	\$0
25	64	\$0	\$0	\$0	\$31,901	1.05	\$31,901	\$23,601	\$14,160	\$17,741	\$0	\$0

Hire Date 7/1/2005
 Age at hire 25
 Age at retirement 55
 Subsidy Start Age 60
 Service 30

Salary \$61,855
 Wage inflation 3.0%

HRA contribution rate 2.0%
 HRA accumulation rate 8.25%

Subsidy Base (7/1/2003) \$5,962
 Subsidy index 5%
 Subsidy percent 90%

HRA Fund at retirement \$204,913
 Total retiree contribution \$336,978
 Net retiree cost (w/HRA int) \$83,752

Assumes participant retires from system and is receiving system sponsored benefits
 Assumes only use of HRA funds is to pay for Net (after subsidy if applicable) retiree premium contributions
 Assumes 30 years to normal retirement
 Assumes demographic composition of pre-Medicare retiree group does not change from current

All estimates, based upon the information available at a point in time, are subject to unforeseen and random events. Therefore any projection must be interpreted as having a likely range of variability from the estimate.

Gross Retiree
 Premium Cost

Total State
 Subsidy

Total HRA
 Spend

\$537,717

\$200,739

\$253,226

Duration	Age	Salary	Contribution	End of Year HRA Balance	Pre MC Composite Premium	Pre MC Composite Trend	Retiree Med/Rx Premium	Subsidy Base	Retiree Subsidy	Retiree Contribution	Beg of Year HRA Balance	HRA Spend
1	25	\$61,855	\$1,237	\$1,287	\$7,318	1.23	\$0	\$7,318	\$0	\$0	\$0	\$0
2	26	\$63,711	\$1,274	\$2,719	\$8,107	1.11	\$0	\$7,684	\$0	\$0	\$0	\$0
3	27	\$65,622	\$1,312	\$4,309	\$8,937	1.10	\$0	\$8,068	\$0	\$0	\$0	\$0
4	28	\$67,591	\$1,352	\$6,071	\$9,802	1.10	\$0	\$8,471	\$0	\$0	\$0	\$0
5	29	\$69,618	\$1,392	\$8,020	\$10,695	1.09	\$0	\$8,895	\$0	\$0	\$0	\$0
6	30	\$71,707	\$1,434	\$10,174	\$11,608	1.09	\$0	\$9,340	\$0	\$0	\$0	\$0
7	31	\$73,858	\$1,477	\$12,550	\$12,532	1.08	\$0	\$9,807	\$0	\$0	\$0	\$0
8	32	\$76,074	\$1,521	\$15,169	\$13,458	1.07	\$0	\$10,297	\$0	\$0	\$0	\$0
9	33	\$78,356	\$1,567	\$18,051	\$14,369	1.07	\$0	\$10,812	\$0	\$0	\$0	\$0
10	34	\$80,707	\$1,614	\$21,219	\$15,258	1.06	\$0	\$11,352	\$0	\$0	\$0	\$0
11	35	\$83,128	\$1,663	\$24,700	\$16,112	1.06	\$0	\$11,920	\$0	\$0	\$0	\$0
12	36	\$85,622	\$1,712	\$28,519	\$16,918	1.05	\$0	\$12,516	\$0	\$0	\$0	\$0
13	37	\$88,190	\$1,764	\$32,707	\$17,764	1.05	\$0	\$13,142	\$0	\$0	\$0	\$0
14	38	\$90,836	\$1,817	\$37,295	\$18,652	1.05	\$0	\$13,799	\$0	\$0	\$0	\$0
15	39	\$93,561	\$1,871	\$42,319	\$19,585	1.05	\$0	\$14,489	\$0	\$0	\$0	\$0
16	40	\$96,368	\$1,927	\$47,816	\$20,564	1.05	\$0	\$15,213	\$0	\$0	\$0	\$0
17	41	\$99,259	\$1,985	\$53,826	\$21,592	1.05	\$0	\$15,974	\$0	\$0	\$0	\$0
18	42	\$102,237	\$2,045	\$60,394	\$22,672	1.05	\$0	\$16,773	\$0	\$0	\$0	\$0
19	43	\$105,304	\$2,106	\$67,568	\$23,805	1.05	\$0	\$17,611	\$0	\$0	\$0	\$0
20	44	\$108,463	\$2,169	\$75,399	\$24,996	1.05	\$0	\$18,492	\$0	\$0	\$0	\$0
21	45	\$111,717	\$2,234	\$83,944	\$26,245	1.05	\$0	\$19,416	\$0	\$0	\$0	\$0
22	46	\$115,069	\$2,301	\$93,264	\$27,558	1.05	\$0	\$20,387	\$0	\$0	\$0	\$0
23	47	\$118,521	\$2,370	\$103,425	\$28,936	1.05	\$0	\$21,407	\$0	\$0	\$0	\$0
24	48	\$122,076	\$2,442	\$114,498	\$30,382	1.05	\$0	\$22,477	\$0	\$0	\$0	\$0
25	49	\$125,738	\$2,515	\$126,560	\$31,901	1.05	\$0	\$23,601	\$0	\$0	\$0	\$0
26	50	\$129,511	\$2,590	\$139,696	\$33,496	1.05	\$0	\$24,781	\$0	\$0	\$0	\$0
27	51	\$133,396	\$2,668	\$153,997	\$35,171	1.05	\$0	\$26,020	\$0	\$0	\$0	\$0
28	52	\$137,398	\$2,748	\$169,561	\$36,930	1.05	\$0	\$27,321	\$0	\$0	\$0	\$0
29	53	\$141,520	\$2,830	\$186,494	\$38,776	1.05	\$0	\$28,687	\$0	\$0	\$0	\$0
30	54	\$145,765	\$2,915	\$204,913	\$40,715	1.05	\$0	\$30,121	\$0	\$0	\$0	\$0
31	55	\$0	\$0	\$177,339	\$42,751	1.05	\$42,751	\$31,627	\$0	\$42,751	\$204,913	\$42,751
32	56	\$0	\$0	\$145,266	\$44,888	1.05	\$44,888	\$33,209	\$0	\$44,888	\$177,339	\$44,888
33	57	\$0	\$0	\$108,212	\$47,133	1.05	\$47,133	\$34,869	\$0	\$47,133	\$145,266	\$47,133
34	58	\$0	\$0	\$65,649	\$49,490	1.05	\$49,490	\$36,612	\$0	\$49,490	\$108,212	\$49,490
35	59	\$0	\$0	\$17,000	\$51,964	1.05	\$51,964	\$38,443	\$0	\$51,964	\$65,649	\$51,964
36	60	\$0	\$0	\$0	\$54,562	1.05	\$54,562	\$40,365	\$36,329	\$18,234	\$17,000	\$17,000
37	61	\$0	\$0	\$0	\$57,290	1.05	\$57,290	\$42,383	\$38,145	\$19,145	\$0	\$0
38	62	\$0	\$0	\$0	\$60,155	1.05	\$60,155	\$44,503	\$40,052	\$20,102	\$0	\$0
39	63	\$0	\$0	\$0	\$63,163	1.05	\$63,163	\$46,728	\$42,055	\$21,108	\$0	\$0
40	64	\$0	\$0	\$0	\$66,321	1.05	\$66,321	\$49,064	\$44,158	\$22,163	\$0	\$0

Hire Date 7/1/2005
 Age at hire 25
 Age at retirement 55
 Subsidy Start Age 60
 Service 30

Salary \$61,855
 Wage inflation 3.0%

HRA contribution rate 1.0%
 HRA accumulation rate 8.25%

Subsidy Base (7/1/2003) \$5,962
 Subsidy index 5%
 Subsidy percent 90%

HRA Fund at retirement \$102,457
 Total retiree contribution \$336,978
 Net retiree cost (w/HRA int) \$224,131

Assumes participant retires from system and is receiving system sponsored benefits
 Assumes only use of HRA funds is to pay for Net (after subsidy if applicable) retiree premium contributions
 Assumes 30 years to normal retirement
 Assumes demographic composition of pre-Medicare retiree group does not change from current

All estimates, based upon the information available at a point in time, are subject to unforeseen and random events. Therefore any projection must be interpreted as having a likely range of variability from the estimate

Gross Retiree
 Premium Cost

Total State
 Subsidy

Total HRA
 Spend

\$537,717

\$200,739

\$112,846

Duration	Age	Salary	Contribution	End of Year HRA Balance	Pre MC Composite Premium	Pre MC Composite Trend	Retiree Med/Rx Premium	Subsidy Base	Retiree Subsidy	Retiree Contribution	Beg of Year HRA Balance	HRA Spend
1	25	\$61,855	\$619	\$644	\$7,318	1.23	\$0	\$7,318	\$0	\$0	\$0	\$0
2	26	\$63,711	\$637	\$1,360	\$8,107	1.11	\$0	\$7,684	\$0	\$0	\$0	\$0
3	27	\$65,622	\$656	\$2,154	\$8,937	1.10	\$0	\$8,068	\$0	\$0	\$0	\$0
4	28	\$67,591	\$676	\$3,035	\$9,802	1.10	\$0	\$8,471	\$0	\$0	\$0	\$0
5	29	\$69,618	\$696	\$4,010	\$10,695	1.09	\$0	\$8,895	\$0	\$0	\$0	\$0
6	30	\$71,707	\$717	\$5,087	\$11,608	1.09	\$0	\$9,340	\$0	\$0	\$0	\$0
7	31	\$73,858	\$739	\$6,275	\$12,532	1.08	\$0	\$9,807	\$0	\$0	\$0	\$0
8	32	\$76,074	\$761	\$7,584	\$13,456	1.07	\$0	\$10,297	\$0	\$0	\$0	\$0
9	33	\$78,356	\$784	\$9,025	\$14,369	1.07	\$0	\$10,812	\$0	\$0	\$0	\$0
10	34	\$80,707	\$807	\$10,610	\$15,258	1.06	\$0	\$11,352	\$0	\$0	\$0	\$0
11	35	\$83,128	\$831	\$12,350	\$16,112	1.06	\$0	\$11,920	\$0	\$0	\$0	\$0
12	36	\$85,622	\$856	\$14,260	\$16,918	1.05	\$0	\$12,516	\$0	\$0	\$0	\$0
13	37	\$88,190	\$882	\$16,353	\$17,764	1.05	\$0	\$13,142	\$0	\$0	\$0	\$0
14	38	\$90,836	\$908	\$18,648	\$18,652	1.05	\$0	\$13,799	\$0	\$0	\$0	\$0
15	39	\$93,561	\$936	\$21,160	\$19,585	1.05	\$0	\$14,489	\$0	\$0	\$0	\$0
16	40	\$96,368	\$964	\$23,908	\$20,564	1.05	\$0	\$15,213	\$0	\$0	\$0	\$0
17	41	\$99,259	\$993	\$26,913	\$21,592	1.05	\$0	\$15,974	\$0	\$0	\$0	\$0
18	42	\$102,237	\$1,022	\$30,197	\$22,672	1.05	\$0	\$16,773	\$0	\$0	\$0	\$0
19	43	\$105,304	\$1,053	\$33,784	\$23,805	1.05	\$0	\$17,611	\$0	\$0	\$0	\$0
20	44	\$108,463	\$1,085	\$37,700	\$24,996	1.05	\$0	\$18,492	\$0	\$0	\$0	\$0
21	45	\$111,717	\$1,117	\$41,972	\$26,245	1.05	\$0	\$19,416	\$0	\$0	\$0	\$0
22	46	\$115,059	\$1,151	\$46,632	\$27,558	1.05	\$0	\$20,387	\$0	\$0	\$0	\$0
23	47	\$118,521	\$1,185	\$51,712	\$28,936	1.05	\$0	\$21,407	\$0	\$0	\$0	\$0
24	48	\$122,076	\$1,221	\$57,249	\$30,382	1.05	\$0	\$22,477	\$0	\$0	\$0	\$0
25	49	\$125,738	\$1,257	\$63,280	\$31,901	1.05	\$0	\$23,601	\$0	\$0	\$0	\$0
26	50	\$129,511	\$1,295	\$69,848	\$33,496	1.05	\$0	\$24,781	\$0	\$0	\$0	\$0
27	51	\$133,396	\$1,334	\$76,998	\$35,171	1.05	\$0	\$26,020	\$0	\$0	\$0	\$0
28	52	\$137,398	\$1,374	\$84,780	\$36,930	1.05	\$0	\$27,321	\$0	\$0	\$0	\$0
29	53	\$141,520	\$1,415	\$93,247	\$38,776	1.05	\$0	\$28,687	\$0	\$0	\$0	\$0
30	54	\$145,765	\$1,458	\$102,457	\$40,715	1.05	\$0	\$30,121	\$0	\$0	\$0	\$0
31	55	\$0	\$0	\$66,430	\$42,751	1.05	\$42,751	\$31,627	\$0	\$42,751	\$102,457	\$42,751
32	56	\$0	\$0	\$25,207	\$44,888	1.05	\$44,888	\$33,209	\$0	\$44,888	\$66,430	\$44,888
33	57	\$0	\$0	\$0	\$47,133	1.05	\$47,133	\$34,869	\$0	\$47,133	\$25,207	\$25,207
34	58	\$0	\$0	\$0	\$49,490	1.05	\$49,490	\$36,612	\$0	\$49,490	\$0	\$0
35	59	\$0	\$0	\$0	\$51,964	1.05	\$51,964	\$38,443	\$0	\$51,964	\$0	\$0
36	60	\$0	\$0	\$0	\$54,562	1.05	\$54,562	\$40,365	\$36,329	\$18,234	\$0	\$0
37	61	\$0	\$0	\$0	\$57,290	1.05	\$57,290	\$42,383	\$39,115	\$19,145	\$0	\$0
38	62	\$0	\$0	\$0	\$60,155	1.05	\$60,155	\$44,503	\$40,052	\$20,102	\$0	\$0
39	63	\$0	\$0	\$0	\$63,163	1.05	\$63,163	\$46,728	\$42,055	\$21,108	\$0	\$0
40	64	\$0	\$0	\$0	\$66,321	1.05	\$66,321	\$49,064	\$44,158	\$22,163	\$0	\$0

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 11,000

Hire Date 7/1/2005
 Age at hire 40
 Age at retirement 60
 Subsidy Eligibility Age 60
 Service 20

Salary \$42,245
 Wage inflation 3.0%

HRA contribution rate 2.0%
 HRA accumulation rate 8.25%

Subsidy Base \$5,962
 Subsidy index 5%
 Subsidy percent 60%

HRA Fund at retirement \$51,495
 Total retiree contribution \$161,299
 Net retiree cost (w/HRA int) \$106,736

Assumes participant retires from system and is receiving system sponsored benefits
 Assumes only use of HRA funds is to pay for Net (after subsidy if applicable) retiree premium contributions
 Assumes 30 years to normal retirement
 Assumes demographic composition of pre-Medicare retiree group does not change from current
 Assumes spouse of equal age to retiree

All estimates, based upon the information available at a point in time, are subject to unforeseen and random events. Therefore any projection must be interpreted as having a likely range of variability from the estimate.

Gross Retiree
 Premium Cost

Total State
 Subsidy

Total HRA
 Spend

\$250,044

\$128,745

\$54,563

Duration	Age	Salary	Contribution	End of Year HRA Balance	Pre MC Composite Premium	Pre MC Composite Trend	Retiree Med/Rx Premium	Subsidy Base	Retiree Subsidy	Retiree Contribution	Beg of Year HRA Balance	HRA Spend
1	40	\$42,245	\$845	\$879	\$14,636	1.23	\$0	\$14,636	\$0	\$0	\$0	\$0
2	41	\$43,512	\$870	\$1,857	\$16,215	1.11	\$0	\$15,367	\$0	\$0	\$0	\$0
3	42	\$44,818	\$896	\$2,943	\$17,874	1.10	\$0	\$16,136	\$0	\$0	\$0	\$0
4	43	\$46,162	\$923	\$4,146	\$19,604	1.10	\$0	\$16,943	\$0	\$0	\$0	\$0
5	44	\$47,547	\$951	\$5,478	\$21,390	1.09	\$0	\$17,790	\$0	\$0	\$0	\$0
6	45	\$48,974	\$979	\$6,919	\$23,216	1.09	\$0	\$18,679	\$0	\$0	\$0	\$0
7	46	\$50,443	\$1,009	\$8,572	\$25,064	1.08	\$0	\$19,613	\$0	\$0	\$0	\$0
8	47	\$51,956	\$1,039	\$10,360	\$26,912	1.07	\$0	\$20,594	\$0	\$0	\$0	\$0
9	48	\$53,515	\$1,070	\$12,328	\$28,738	1.07	\$0	\$21,624	\$0	\$0	\$0	\$0
10	49	\$55,120	\$1,102	\$14,492	\$30,517	1.06	\$0	\$22,705	\$0	\$0	\$0	\$0
11	50	\$56,774	\$1,135	\$16,869	\$32,225	1.06	\$0	\$23,840	\$0	\$0	\$0	\$0
12	51	\$58,477	\$1,170	\$19,478	\$33,836	1.05	\$0	\$25,032	\$0	\$0	\$0	\$0
13	52	\$60,231	\$1,205	\$22,338	\$35,528	1.05	\$0	\$26,284	\$0	\$0	\$0	\$0
14	53	\$62,038	\$1,241	\$25,472	\$37,304	1.05	\$0	\$27,598	\$0	\$0	\$0	\$0
15	54	\$63,899	\$1,278	\$28,903	\$39,169	1.05	\$0	\$28,978	\$0	\$0	\$0	\$0
16	55	\$65,816	\$1,316	\$32,657	\$41,128	1.05	\$0	\$30,426	\$0	\$0	\$0	\$0
17	56	\$67,791	\$1,356	\$36,762	\$43,184	1.05	\$0	\$31,948	\$0	\$0	\$0	\$0
18	57	\$69,825	\$1,396	\$41,247	\$45,343	1.05	\$0	\$33,545	\$0	\$0	\$0	\$0
19	58	\$71,919	\$1,438	\$46,147	\$47,611	1.05	\$0	\$35,222	\$0	\$0	\$0	\$0
20	59	\$74,077	\$1,482	\$51,495	\$49,991	1.05	\$0	\$36,984	\$0	\$0	\$0	\$0
21	60	\$0	\$0	\$25,372	\$52,491	1.05	\$52,491	\$38,833	\$23,300	\$29,191	\$51,495	\$29,191
22	61	\$0	\$0	\$0	\$55,115	1.05	\$55,115	\$40,774	\$24,465	\$30,651	\$25,372	\$25,372
23	62	\$0	\$0	\$0	\$57,871	1.05	\$57,871	\$42,813	\$25,688	\$32,183	\$0	\$0
24	63	\$0	\$0	\$0	\$60,765	1.05	\$60,765	\$44,954	\$26,972	\$33,792	\$0	\$0
25	64	\$0	\$0	\$0	\$63,803	1.05	\$63,803	\$47,201	\$28,321	\$35,482	\$0	\$0

Hire Date 7/1/2005
 Age at hire 40
 Age at retirement 60
 Subsidy Start Age 60
 Service 20

Salary \$42,245
 Wage inflation 3.0%

HRA contribution rate 2.0%
 HRA accumulation rate 8.25%

Subsidy Base (7/1/2003) \$5,962
 Subsidy index 5%
 Subsidy percent 60%

HRA Fund at retirement \$51,495
 Total retiree contribution \$80,650
 Net retiree cost (w/HRA int) \$21,114

Assumes participant retires from system and is receiving system sponsored benefits
 Assumes only use of HRA funds is to pay for Net (after subsidy if applicable) retiree premium contributions
 Assumes 30 years to normal retirement
 Assumes demographic composition of pre-Medicare retiree group does not change from current

All estimates, based upon the information available at a point in time, are subject to unforeseen and random events. Therefore any projection must be interpreted as having a likely range of variability from the estimate.

Gross Retiree
 Premium Cost

Total State
 Subsidy

Total HRA
 Spend

\$145,022

\$64,373

\$59,536

Duration	Age	Salary	Contribution	End of Year HRA Balance	Pre MC Composite Premium	Pre MC Composite Trend	Retiree Med/Rx Premium	Subsidy Base	Retiree Subsidy	Retiree Contribution	Beg of Year HRA Balance	HRA Spend
1	40	\$42,245	\$845	\$879	\$7,318	1.23	\$0	\$7,318	\$0	\$0	\$0	\$0
2	41	\$43,512	\$870	\$1,857	\$8,107	1.11	\$0	\$7,684	\$0	\$0	\$0	\$0
3	42	\$44,818	\$896	\$2,943	\$8,937	1.10	\$0	\$8,068	\$0	\$0	\$0	\$0
4	43	\$46,162	\$923	\$4,146	\$9,802	1.10	\$0	\$8,471	\$0	\$0	\$0	\$0
5	44	\$47,547	\$951	\$5,478	\$10,695	1.09	\$0	\$8,895	\$0	\$0	\$0	\$0
6	45	\$48,974	\$979	\$6,949	\$11,608	1.09	\$0	\$9,340	\$0	\$0	\$0	\$0
7	46	\$50,443	\$1,009	\$8,572	\$12,532	1.08	\$0	\$9,807	\$0	\$0	\$0	\$0
8	47	\$51,956	\$1,039	\$10,360	\$13,456	1.07	\$0	\$10,297	\$0	\$0	\$0	\$0
9	48	\$53,515	\$1,070	\$12,328	\$14,369	1.07	\$0	\$10,812	\$0	\$0	\$0	\$0
10	49	\$55,120	\$1,102	\$14,492	\$15,258	1.06	\$0	\$11,352	\$0	\$0	\$0	\$0
11	50	\$56,774	\$1,135	\$16,869	\$16,112	1.06	\$0	\$11,920	\$0	\$0	\$0	\$0
12	51	\$58,477	\$1,170	\$19,478	\$16,918	1.05	\$0	\$12,516	\$0	\$0	\$0	\$0
13	52	\$60,231	\$1,205	\$22,338	\$17,764	1.05	\$0	\$13,142	\$0	\$0	\$0	\$0
14	53	\$62,038	\$1,241	\$25,472	\$18,652	1.05	\$0	\$13,799	\$0	\$0	\$0	\$0
15	54	\$63,899	\$1,278	\$28,903	\$19,585	1.05	\$0	\$14,489	\$0	\$0	\$0	\$0
16	55	\$65,816	\$1,316	\$32,657	\$20,564	1.05	\$0	\$15,213	\$0	\$0	\$0	\$0
17	56	\$67,791	\$1,356	\$36,762	\$21,592	1.05	\$0	\$15,974	\$0	\$0	\$0	\$0
18	57	\$69,825	\$1,396	\$41,247	\$22,672	1.05	\$0	\$16,773	\$0	\$0	\$0	\$0
19	58	\$71,919	\$1,438	\$46,147	\$23,805	1.05	\$0	\$17,611	\$0	\$0	\$0	\$0
20	59	\$74,077	\$1,482	\$51,495	\$24,996	1.05	\$0	\$18,492	\$0	\$0	\$0	\$0
21	60	\$0	\$0	\$40,558	\$26,245	1.05	\$26,245	\$19,416	\$11,650	\$14,596	\$51,495	\$14,596
22	61	\$0	\$0	\$27,959	\$27,558	1.05	\$27,558	\$20,387	\$12,232	\$15,325	\$40,558	\$15,325
23	62	\$0	\$0	\$13,523	\$28,936	1.05	\$28,936	\$21,407	\$12,844	\$16,092	\$27,959	\$16,092
24	63	\$0	\$0	\$0	\$30,382	1.05	\$30,382	\$22,477	\$13,486	\$16,896	\$13,523	\$13,523
25	64	\$0	\$0	\$0	\$31,901	1.05	\$31,901	\$23,601	\$14,160	\$17,741	\$0	\$0

Hire Date 7/1/2005
 Age at hire 40
 Age at retirement 60
 Subsidy Start Age 60
 Service 20

Salary \$42,245
 Wage inflation 3.0%

HRA contribution rate 1.0%
 HRA accumulation rate 8.25%

Subsidy Base (7/1/2003) \$5,962
 Subsidy index 5%
 Subsidy percent 60%

HRA Fund at retirement \$25,748
 Total retiree contribution \$80,650
 Net retiree cost (w/HRA int) \$53,368

Assumes participant retires from system and is receiving system sponsored benefits
 Assumes only use of HRA funds is to pay for Net (after subsidy if applicable) retiree premium contributions
 Assumes 30 years to normal retirement
 Assumes demographic composition of pre-Medicare retiree group does not change from current

All estimates, based upon the information available at a point in time, are subject to unforeseen and random events. Therefore any projection must be interpreted as having a likely range ' variability from the estimate.

Gross Retiree
 Premium Cost

Total State
 Subsidy

Total HRA
 Spend

\$145,022

\$64,373

\$27,282

Duration	Age	Salary	Contribution	End of Year HRA Balance	Pre MC Composite Premium	Pre MC Composite Trend	Retiree Med/Rx Premium	Subsidy Base	Retiree Subsidy	Retiree Contribution	Beg of Year HRA Balance	HRA Spend
1	40	\$42,245	\$422	\$440	\$7,318	1.23	\$0	\$7,318	\$0	\$0	\$0	\$0
2	41	\$43,512	\$435	\$929	\$8,107	1.11	\$0	\$7,684	\$0	\$0	\$0	\$0
3	42	\$44,818	\$448	\$1,471	\$8,937	1.10	\$0	\$8,068	\$0	\$0	\$0	\$0
4	43	\$46,162	\$462	\$2,073	\$9,802	1.10	\$0	\$8,471	\$0	\$0	\$0	\$0
5	44	\$47,547	\$475	\$2,739	\$10,695	1.09	\$0	\$8,895	\$0	\$0	\$0	\$0
6	45	\$48,974	\$490	\$3,474	\$11,608	1.09	\$0	\$9,340	\$0	\$0	\$0	\$0
7	46	\$50,443	\$504	\$4,286	\$12,532	1.08	\$0	\$9,807	\$0	\$0	\$0	\$0
8	47	\$51,956	\$520	\$5,180	\$13,456	1.07	\$0	\$10,297	\$0	\$0	\$0	\$0
9	48	\$53,515	\$535	\$6,164	\$14,369	1.07	\$0	\$10,812	\$0	\$0	\$0	\$0
10	49	\$55,120	\$551	\$7,246	\$15,258	1.06	\$0	\$11,352	\$0	\$0	\$0	\$0
11	50	\$56,774	\$568	\$8,435	\$16,112	1.06	\$0	\$11,920	\$0	\$0	\$0	\$0
12	51	\$58,477	\$585	\$9,739	\$16,918	1.05	\$0	\$12,516	\$0	\$0	\$0	\$0
13	52	\$60,231	\$602	\$11,169	\$17,764	1.05	\$0	\$13,142	\$0	\$0	\$0	\$0
14	53	\$62,038	\$620	\$12,736	\$18,652	1.05	\$0	\$13,799	\$0	\$0	\$0	\$0
15	54	\$63,899	\$639	\$14,451	\$19,585	1.05	\$0	\$14,489	\$0	\$0	\$0	\$0
16	55	\$65,816	\$658	\$16,328	\$20,564	1.05	\$0	\$15,213	\$0	\$0	\$0	\$0
17	56	\$67,791	\$678	\$18,381	\$21,592	1.05	\$0	\$15,974	\$0	\$0	\$0	\$0
18	57	\$69,825	\$698	\$20,624	\$22,672	1.05	\$0	\$16,773	\$0	\$0	\$0	\$0
19	58	\$71,919	\$719	\$23,073	\$23,805	1.05	\$0	\$17,611	\$0	\$0	\$0	\$0
20	59	\$74,077	\$741	\$25,748	\$24,996	1.05	\$0	\$18,492	\$0	\$0	\$0	\$0
21	60	\$0	\$0	\$12,686	\$26,245	1.05	\$26,245	\$19,416	\$11,650	\$14,596	\$25,748	\$14,596
22	61	\$0	\$0	\$0	\$27,558	1.05	\$27,558	\$20,387	\$12,232	\$15,325	\$12,686	\$12,686
23	62	\$0	\$0	\$0	\$28,936	1.05	\$28,936	\$21,407	\$12,844	\$16,092	\$0	\$0
24	63	\$0	\$0	\$0	\$30,382	1.05	\$30,382	\$22,477	\$13,486	\$16,896	\$0	\$0
25	64	\$0	\$0	\$0	\$31,901	1.05	\$31,901	\$23,601	\$14,160	\$17,741	\$0	\$0

Hire Date 7/1/2005
 Age at hire 25
 Age at retirement 55
 Subsidy Start Age 60
 Service 30

Salary \$42,245
 Wage inflation 3.0%

HRA contribution rate 2.0%
 HRA accumulation rate 8.25%

Subsidy Base (7/1/2003) \$5,962
 Subsidy index 5%
 Subsidy percent 90%

HRA Fund at retirement \$139,949
 Total retiree contribution \$336,978
 Net retiree cost (w/ HRA int) \$176,399

Assumes participant retires from system and is receiving system sponsored benefits
 Assumes only use of HRA funds is to pay for Net (after subsidy if applicable) retiree premium contributions
 Assumes 30 years to normal retirement
 Assumes demographic composition of pre-Medicare retiree group does not change from current

All estimates, based upon the information available at a point in time, are subject to unforeseen and random events. Therefore any projection must be interpreted as having a likely range of variability from the estimate.

Gross Retiree
 Premium Cost

Total State
 Subsidy

Total HRA
 Spend

\$537,717

\$200,739

\$160,579

Duration	Age	Salary	Contribution	End of Year HRA Balance	Pre MC Composite Premium	Pre MC Composite Trend	Retiree Med/Rx Premium	Subsidy Base	Retiree Subsidy	Retiree Contribution	Beg of Year HRA Balance	HRA Spend
1	25	\$42,245	\$845	\$879	\$7,318	1.23	\$0	\$7,318	\$0	\$0	\$0	\$0
2	26	\$43,512	\$870	\$1,857	\$8,107	1.11	\$0	\$7,684	\$0	\$0	\$0	\$0
3	27	\$44,818	\$896	\$2,943	\$8,937	1.10	\$0	\$8,068	\$0	\$0	\$0	\$0
4	28	\$46,162	\$923	\$4,146	\$9,802	1.10	\$0	\$8,471	\$0	\$0	\$0	\$0
5	29	\$47,547	\$951	\$5,478	\$10,695	1.09	\$0	\$8,895	\$0	\$0	\$0	\$0
6	30	\$48,974	\$979	\$6,949	\$11,608	1.09	\$0	\$9,340	\$0	\$0	\$0	\$0
7	31	\$50,443	\$1,009	\$8,572	\$12,532	1.08	\$0	\$9,807	\$0	\$0	\$0	\$0
8	32	\$51,956	\$1,039	\$10,360	\$13,456	1.07	\$0	\$10,297	\$0	\$0	\$0	\$0
9	33	\$53,515	\$1,070	\$12,328	\$14,369	1.07	\$0	\$10,812	\$0	\$0	\$0	\$0
10	34	\$55,120	\$1,102	\$14,492	\$15,258	1.06	\$0	\$11,352	\$0	\$0	\$0	\$0
11	35	\$56,774	\$1,135	\$16,869	\$16,112	1.06	\$0	\$11,920	\$0	\$0	\$0	\$0
12	36	\$58,477	\$1,170	\$19,478	\$16,918	1.05	\$0	\$12,516	\$0	\$0	\$0	\$0
13	37	\$60,231	\$1,205	\$22,338	\$17,764	1.05	\$0	\$13,142	\$0	\$0	\$0	\$0
14	38	\$62,038	\$1,241	\$25,472	\$18,652	1.05	\$0	\$13,799	\$0	\$0	\$0	\$0
15	39	\$63,899	\$1,278	\$28,903	\$19,585	1.05	\$0	\$14,489	\$0	\$0	\$0	\$0
16	40	\$65,816	\$1,316	\$32,657	\$20,564	1.05	\$0	\$15,213	\$0	\$0	\$0	\$0
17	41	\$67,791	\$1,356	\$36,762	\$21,592	1.05	\$0	\$15,974	\$0	\$0	\$0	\$0
18	42	\$69,825	\$1,396	\$41,247	\$22,672	1.05	\$0	\$16,773	\$0	\$0	\$0	\$0
19	43	\$71,919	\$1,438	\$46,147	\$23,805	1.05	\$0	\$17,611	\$0	\$0	\$0	\$0
20	44	\$74,077	\$1,482	\$51,495	\$24,996	1.05	\$0	\$18,492	\$0	\$0	\$0	\$0
21	45	\$76,299	\$1,526	\$57,331	\$26,245	1.05	\$0	\$19,416	\$0	\$0	\$0	\$0
22	46	\$78,588	\$1,572	\$63,696	\$27,558	1.05	\$0	\$20,387	\$0	\$0	\$0	\$0
23	47	\$80,946	\$1,619	\$70,636	\$28,936	1.05	\$0	\$21,407	\$0	\$0	\$0	\$0
24	48	\$83,374	\$1,667	\$78,198	\$30,382	1.05	\$0	\$22,477	\$0	\$0	\$0	\$0
25	49	\$85,875	\$1,718	\$86,436	\$31,901	1.05	\$0	\$23,601	\$0	\$0	\$0	\$0
26	50	\$88,452	\$1,769	\$95,408	\$33,496	1.05	\$0	\$24,781	\$0	\$0	\$0	\$0
27	51	\$91,105	\$1,822	\$105,175	\$35,171	1.05	\$0	\$26,020	\$0	\$0	\$0	\$0
28	52	\$93,838	\$1,877	\$115,805	\$36,930	1.05	\$0	\$27,321	\$0	\$0	\$0	\$0
29	53	\$96,654	\$1,933	\$127,370	\$38,776	1.05	\$0	\$28,687	\$0	\$0	\$0	\$0
30	54	\$99,553	\$1,991	\$139,949	\$40,715	1.05	\$0	\$30,121	\$0	\$0	\$0	\$0
31	55	\$0	\$0	\$107,016	\$42,751	1.05	\$42,751	\$31,627	\$0	\$42,751	\$139,949	\$42,751
32	56	\$0	\$0	\$69,141	\$44,888	1.05	\$44,888	\$33,209	\$0	\$44,888	\$107,016	\$44,888
33	57	\$0	\$0	\$25,806	\$47,133	1.05	\$47,133	\$34,869	\$0	\$47,133	\$69,141	\$47,133
34	58	\$0	\$0	\$0	\$49,490	1.05	\$49,490	\$36,612	\$0	\$49,490	\$25,806	\$25,806
35	59	\$0	\$0	\$0	\$51,964	1.05	\$51,964	\$38,443	\$0	\$51,964	\$0	\$0
36	60	\$0	\$0	\$0	\$54,562	1.05	\$54,562	\$40,365	\$36,329	\$18,234	\$0	\$0
37	61	\$0	\$0	\$0	\$57,290	1.05	\$57,290	\$42,383	\$38,145	\$19,145	\$0	\$0
38	62	\$0	\$0	\$0	\$60,155	1.05	\$60,155	\$44,503	\$40,052	\$20,102	\$0	\$0
39	63	\$0	\$0	\$0	\$63,163	1.05	\$63,163	\$46,728	\$42,055	\$21,108	\$0	\$0
40	64	\$0	\$0	\$0	\$66,321	1.05	\$66,321	\$49,064	\$44,158	\$22,163	\$0	\$0

(11)

FURTHER REFERRALS:

Date of Committee Action: 5/2/05

CSSB 141(FIN)

PUBLIC EMPLOYEE/TEACHER RETIREMENT/BOARDS

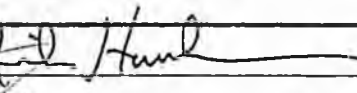
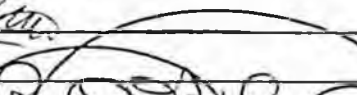

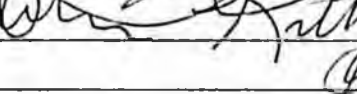

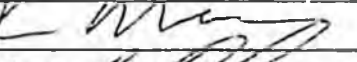

"An Act relating to the teachers' and public employees' retirement systems and creating defined contribution and health reimbursement plans for members of the teachers' retirement system and the public employees' retirement system who are first hired after July 1, 2005; relating to university retirement programs; establishing the Alaska Retirement Management Board to replace the Alaska State Pension Investment Board, the Alaska Teachers' Retirement Board, and the Public Employees' Retirement Board; adding appeals of the decisions of the administrator of the teachers' and public employees' retirement systems to the jurisdiction of the office of administrative hearings; providing for nonvested members of the teachers' retirement system defined benefit plans to transfer into the teachers' retirement system defined contribution plan and for nonvested members of the public employees' retirement system defined benefit plans to transfer into the public employees' retirement system defined contribution plan; providing for political subdivisions and public organizations to request to participate in the public employees' defined contribution retirement plan; and providing for an effective date."

Recommends it be replaced with [☒] HCS or [☐] CS for CS SB 141 (F, W)
For Senate Bills with new title: [☐] Technical Title [☐] New Title: HCR [☐] Same Title [☒] New Title

[] attach amendments
[] add new referral to _____ Committee
[] Letter of Intent _____ Committee

*List of
Abbrev
for
Depts.:*
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
HSS
LEG
LAW
LWF
MVA
DNR
DPS
REV
DOT
UA

[illegible][illegible]

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	Hawker				☆
	Holm			X	
	Foster	X			
	Kelly	X			
	Moses			X	
Chair: 					
Chairs: 	Chumwalt	X			

MERCER

Human Resource Consulting

One Union Square
600 University Street, Suite 3200
Seattle, WA 98101-3137
206 808 8800 Fax 206 382 0627

Memo

To: **Melanie Millhorn**
Date: **May 2, 2005**
From: **Sam Martin**
Subject: **AS 24.08.036 Fiscal Notes on Bills Affecting State Retirement Systems, requires an additional analysis of the long term and short term costs to the state if a bill is adopted, as well as the impact of the bill on the actuarial soundness of the funds.**

As compared to the current PERS and TRS plans, House CS for CS for Senate Bill Number 141 (STA) Version X, will serve to significantly reduce the volatility of future costs associated with new hires, and the employer contribution rates for these new hires will be more predictable. The bill will have no negative impact on the actuarial soundness of the systems.

The major cost components as amended by House Finance include the following:

- 8% Employee contribution amount for PERS police and firefighter and "all others" and TRS
- 5% DC
- 2.5% Health Reimbursement Arrangement
- 2.5% Medical Claims*
- Death and disability benefits for all PERS members in accordance with current statute provisions

* Note: House Finance adopted a modified Tier medical plan that includes pre-65 and post-65 medical coverage. Based on the changes made from the original medical Tier design a preliminary estimate would be between 2.5% and 3.75%. It is anticipated under the House Finance medical component that there may be an offsetting savings to the initial projection of 3.75%. A follow-up analysis will be forthcoming to confirm the amount.



FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 10
Bill Version: HCS CSSB 141(FIN)
(H) Publish Date: 5/2/05

Revision Date/Time (Note if correction):
Title: An Act relation to TRS and PERS creating a defined contribution and health reimbursement plans.....
Sponsor: Senate Finance Committee
Requester: Senate Finance Committee
Dept. Affected: Administration
RDU: Centralized Administrative Services
Component: Retirement and Benefits
Component No. 64

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	276.5	227.5	163.1	163.1	163.1	163.1
Travel	37.5	17.5	3.5	5.0	5.0	5.0
Contractual	667.0	327.0	352.0	397.0	397.0	397.0
Supplies	18.0	5.0	5.0	5.0	5.0	5.0
Equipment	30.0					
Land & Structures						
Grants & Claims						
Miscellaneous (Board Restructure)	(12.5)	(41.5)	(41.5)	(41.5)	(41.5)	(41.5)
TOTAL OPERATING	1,016.5	535.5	482.1	528.6	528.6	528.6

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1,029.0	577.0	392.7	285.1	142.5	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
1029 PERS	(2.0)	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)
1034 TRS	(10.5)	(37.4)	(37.4)	(37.4)	(37.4)	(37.4)
Other (Specify Type--Do not abbreviate)			130.9	285.0	427.6	570.1
TOTAL	1,016.5	535.5	482.1	528.6	528.6	528.6

Estimate of any current year (FY2005) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal: ☐

POSITIONS

Full-time	2	2	2	2	2	2
Part-time	0	0	0	0	0	0
Temporary	3	2	1	1	1	1

ANALYSIS: (Attach a separate page if necessary)

This bill will create a new defined contribution retirement plan and a health reimbursement arrangement for new employees of the PERS and TRS hired after the effective date of July 1, 2005. As the new plan significantly differs from the current defined benefit plans, the division will be required to reprogram its computer systems, set up and account for two new plans, create new plan publications and forms, train staff, employer contacts and new members, create new employee benefit education methods on the web, benefit seminars and one on one appointments, and to contract for financial planning services for members of the new plan. The fiscal note assumes fund manager fees, custody, and record keeper's individual account fees are separate. It further assumes that cost reductions for the PERS and TRS Boards will be partially offset by payments to the Office of Administrative Hearings to conduct disability hearings, previously conducted by the boards.

Prepared by: Melanie Millhorn, Director
Division: Retirement and Benefits
Approved by: Mike Tibbles, Deputy Commissioner
Agency: Department of Administration
Phone: 465-4408
Date/Time: 4/22/05 3 29 PM
Date: 4/22/2005

FISCAL NOTE #10

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. HCS CSSB 141(FIN)

ANALYSIS CONTINUATION

The estimated administrative costs to the division by fiscal year are as follows:

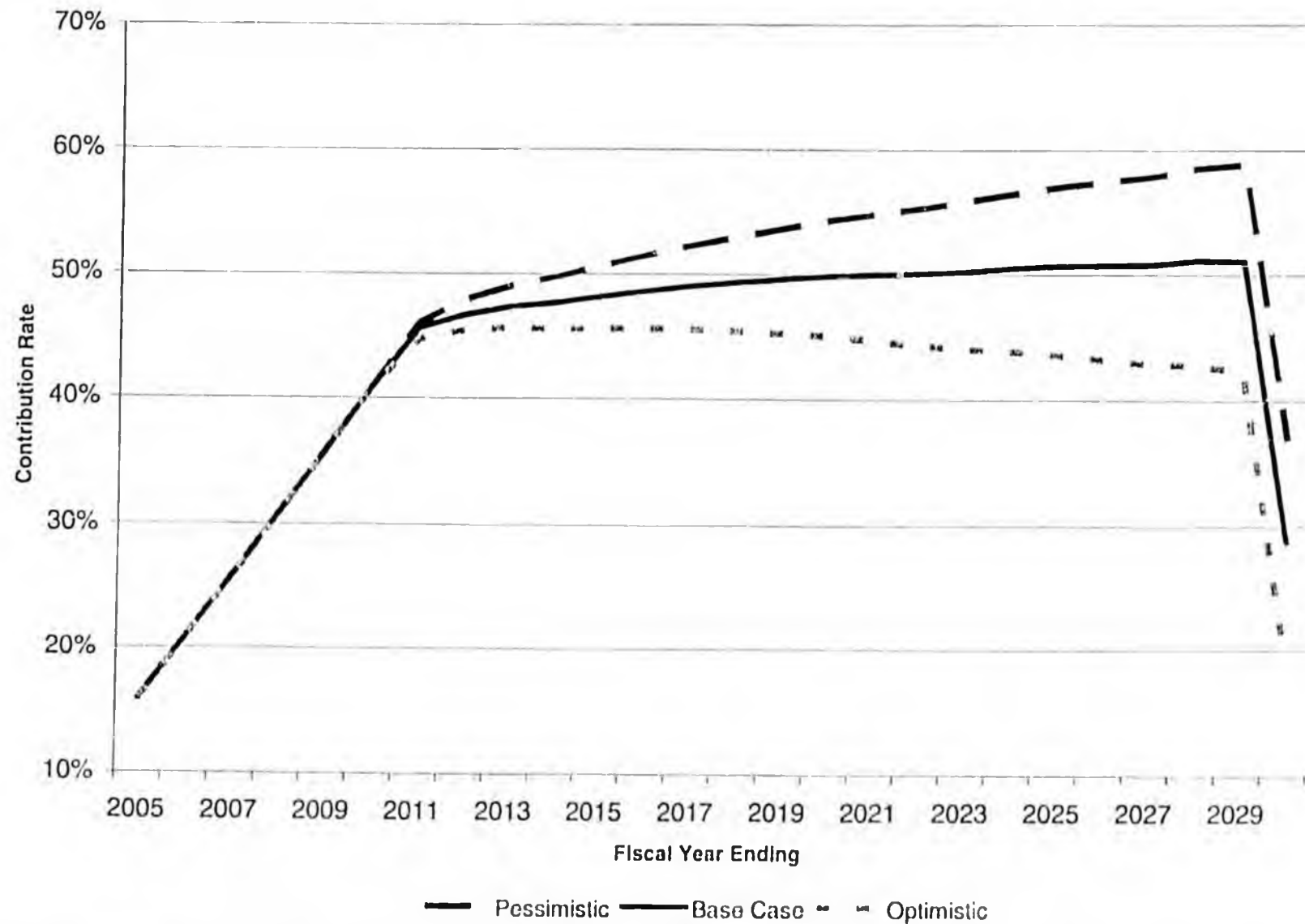
	FY 2006	FY 2007	FY 2008	FY 09-11
PERSONAL SERVICES:				
1 - Non Perm Analyst-Pgmr III - DC-Benefits Sys - R 16	64.4	64.4	64.4	64.4
1 - Accountant II - Range 16	52.0	52.0	52.0	52.0
1 - R&B Tech I/II - ER Rptg / Contrib. Recon. - Range 12	46.7	46.7	46.7	46.7
1-Non Permanent Publications Tech II or Spec I - Range 13	49.0	0.0	0.0	0.0
1-Non Permanent Retirement Counselor - Range 18	64.4	64.4	0.0	0.0
	276.5	227.5	163.1	163.1
TRAVEL:				
Employer Reporting Software Upgrade Install & Help	30.0	15.0	0.0	0.0
Employer Plan Education	7.5	0.0	0.0	0.0
Regional Counselor travel	0.0	2.5	3.5	5.0
	37.5	17.5	3.5	5.0
CONTRACTUAL:				
Communications & Postage	82.0	17.0	17.0	17.0
Computer System Redesign (Est. 2,500 hours in FY06)	320.0	30.0	30.0	30.0
Audit, Accting, Tax, Benefits Consulting, Legal	100.0	75.0	50.0	50.0
Training \ Risk Management	15.0	5.0	5.0	0.0
Employee financial planning services	150.0	200.0	250.0	300.0
	667.0	327.0	352.0	397.0
SUPPLIES: Office supplies, calculators, desk-top software	18.0	5.0	5.0	5.0
EQUIPMENT: Workstation & cubicle, chairs, file cabinets, compu. telephone, set-up costs	30.0	0.0	0.0	0.0
MISCELLANEOUS (BOARD RECONFIGURATION, HEARINGS)				
Board Member Election 2006/2008	0.0	0.0	0.0	0.0
Board Training	-15.0	-15.0	-15.0	-15.0
Board Attorney	-40.5	-40.5	-40.5	-40.5
Travel Members/Staff	-24.0	-24.0	-24.0	-24.0
Honorarium/Board Members	-29.0	-29.0	-29.0	-29.0
National Seminars (NASRA - NCTR)	-20.0	-20.0	-20.0	-20.0
Disability Hearings--Office of Administrative Hearings	116.0	87.0	87.0	87.0
	-12.5	-41.5	-41.5	-41.5
TOTAL	1,016.5	535.5	482.1	528.6

The above funding source is initially listed as General Fund because the exiting tiers of PERS / TRS are Defined Benefit plans, and the present DC plans, SBS and DCP are legally separate from the intended plan. It is assumed that by FY2008, as more employees are hired into the new tiers, that program costs will be funded through an assessment on DC accounts, similar to the SBS program currently in place. General funds will be reduced 25% per year from FY2008-2011.

The new plan effective date is July 1, 2005. Therefore, startup costs will start in FY 05. The startup costs are not costs of the PERS and TRS Defined Benefit plans. Tiers 1, 2, and 3 are logically related; however, tier 4 PERS and Tier 3 TRS would not be. The purpose of the bill is to separate the DB and DC side. A legal opinion was sought to determine how the funding and accounting needs to occur for the new DC plan.

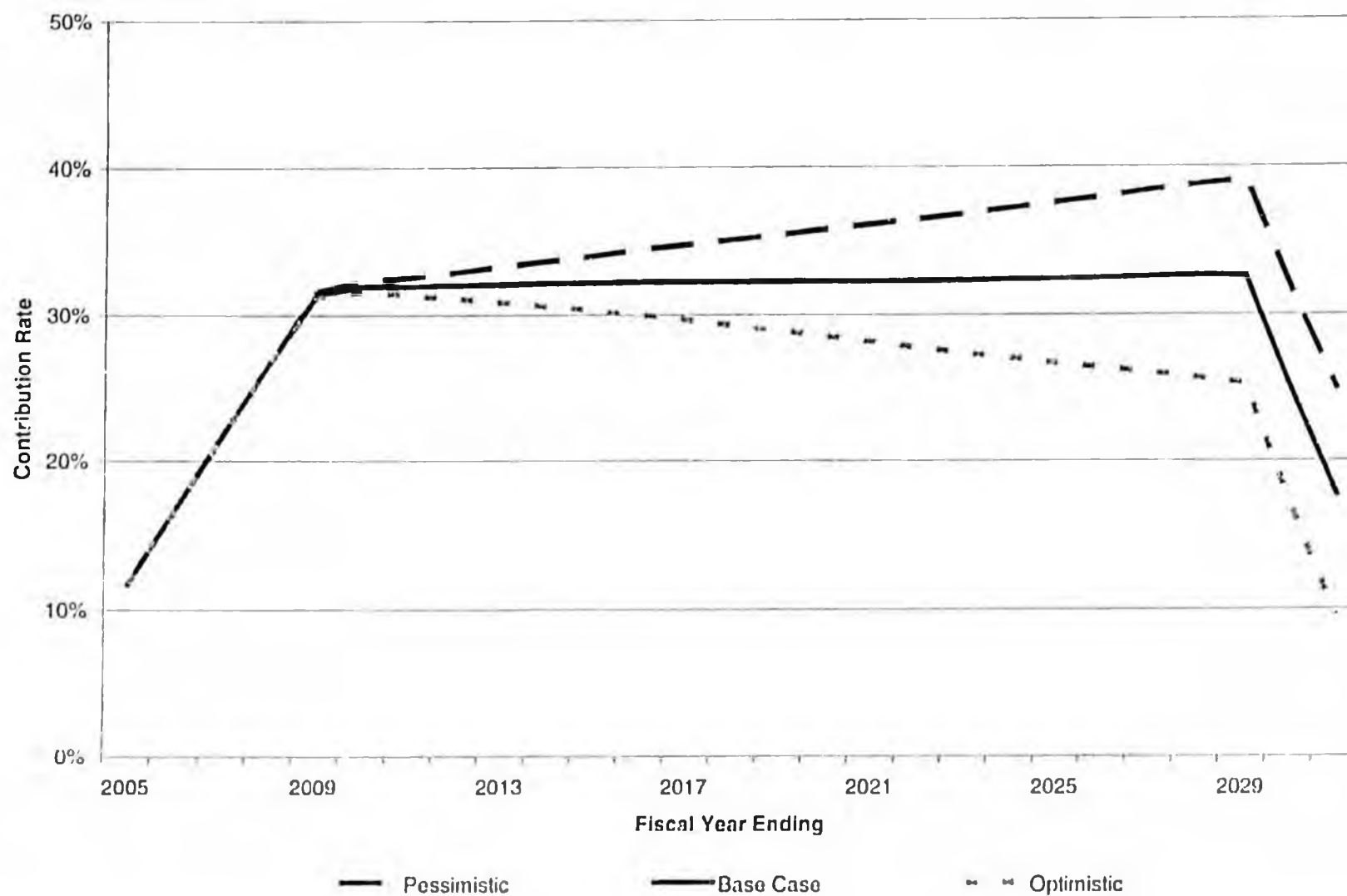
1.5(c) Actuarial Projections – Effect of Economic Scenarios (continued)

Contribution Rate



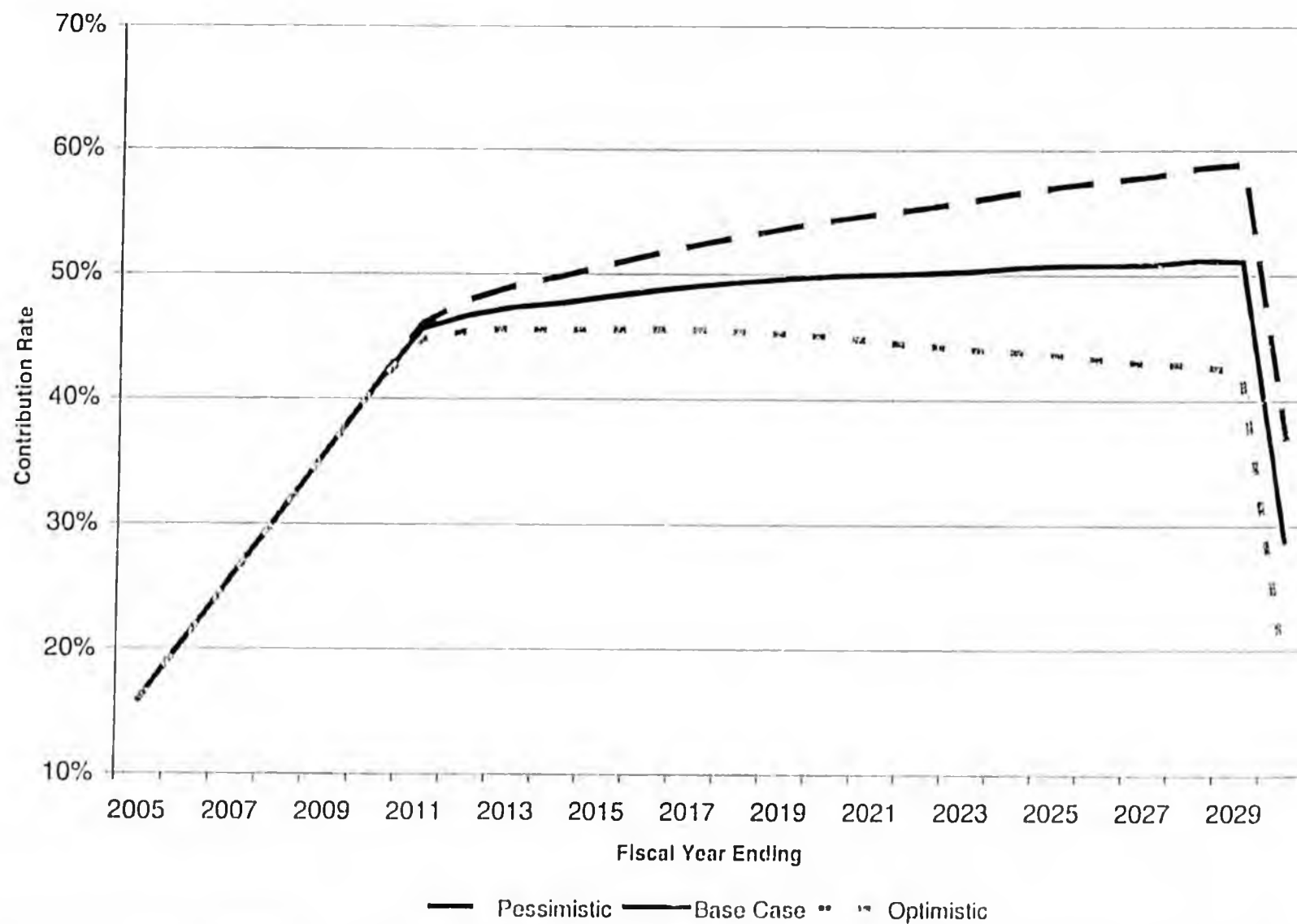
1.5(c) Actuarial Projections – Effect of Economic Scenarios (continued)

Contribution Rate



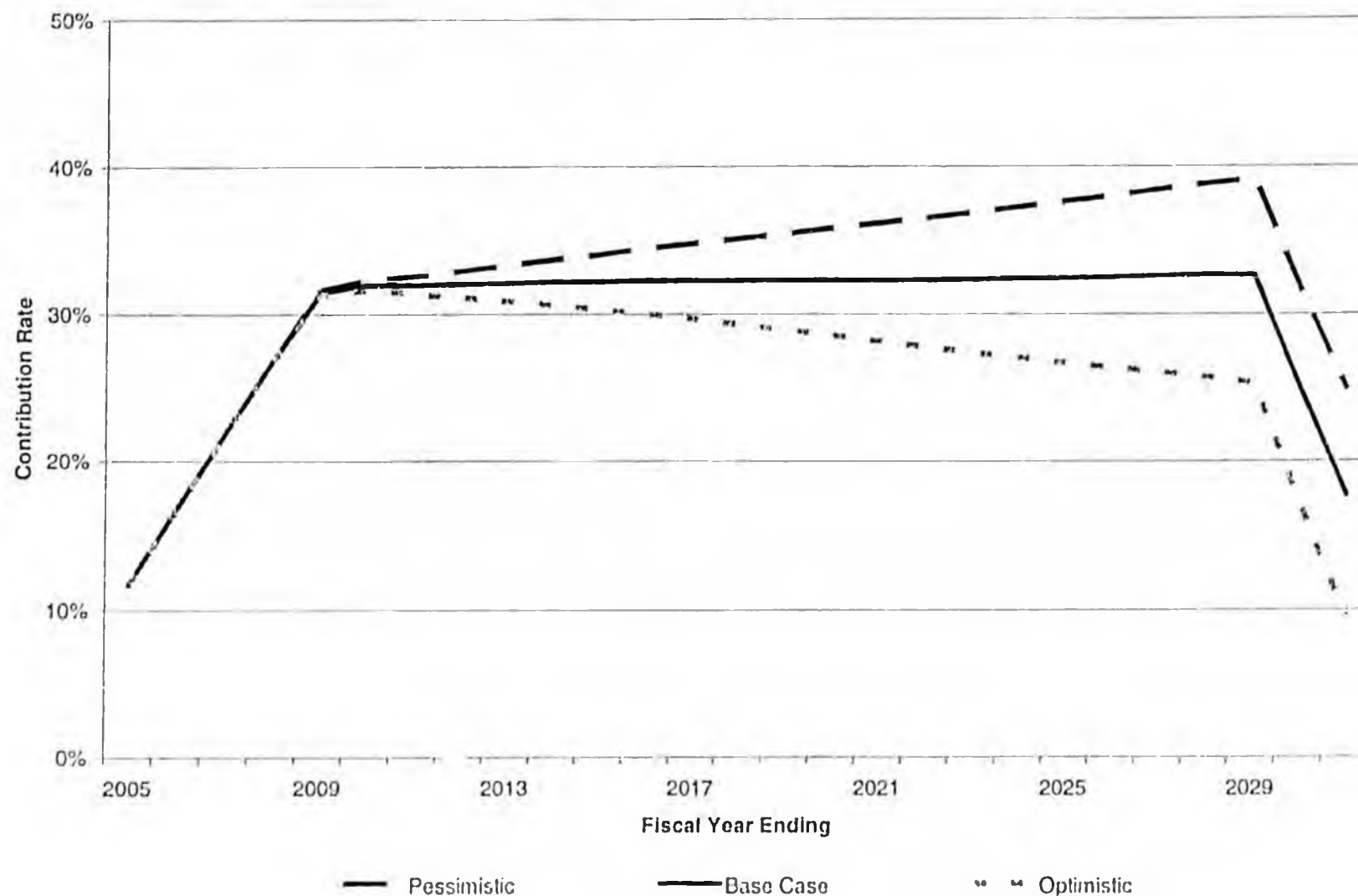
1.5(c) Actuarial Projections – Effect of Economic Scenarios (continued)

Contribution Rate



1.5(c) Actuarial Projections – Effect of Economic Scenarios (*continued*)

Contribution Rate

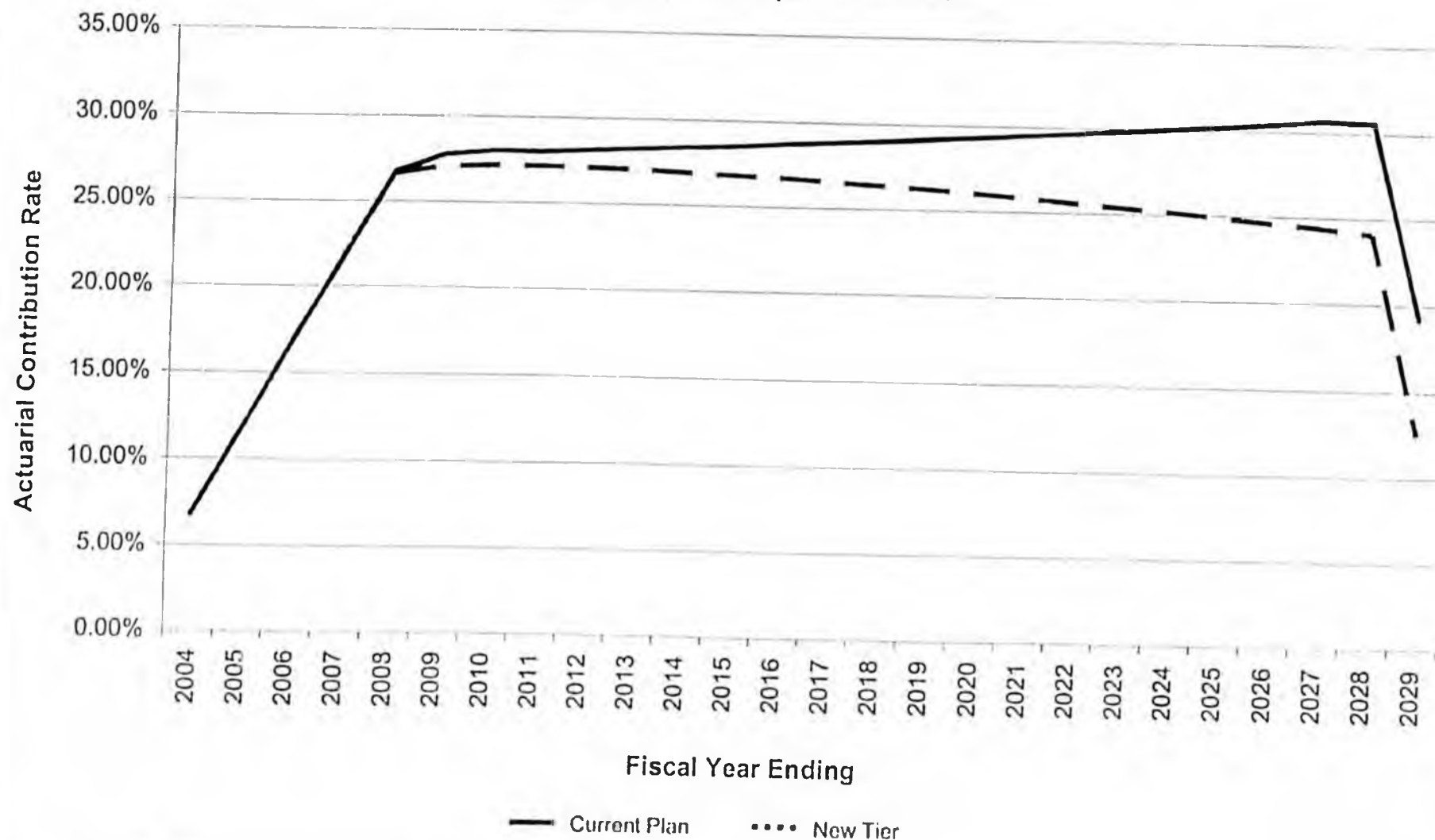




Proposed Alternatives

Cost Projections - PERS

Contribution Comparison – PERS

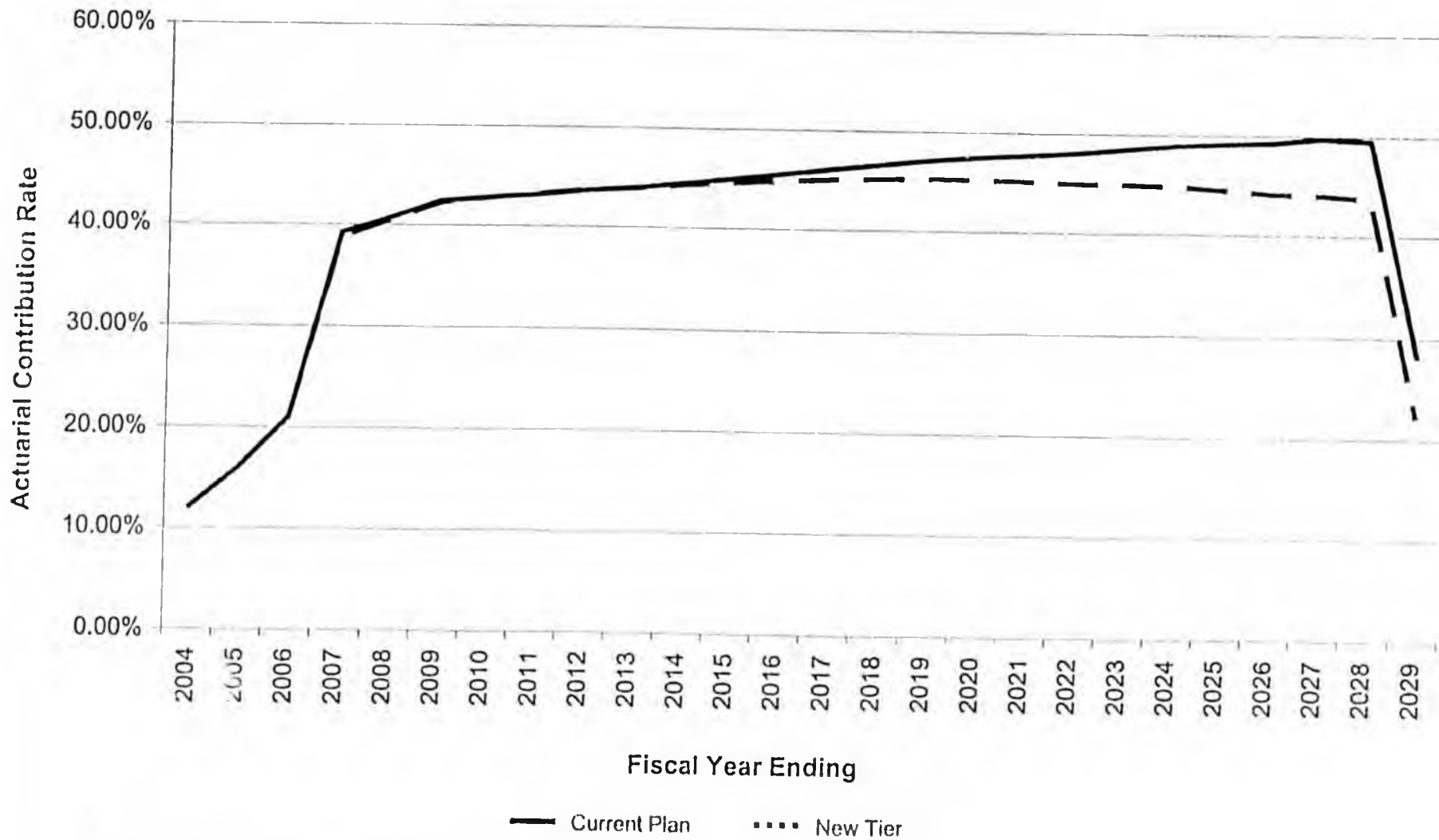




Proposed Alternatives

Cost Projections - TRS

Contribution Comparison – TRS



SB 14

10



By: The Senate Finance Committee
Date: April 23rd, 2005

TRANSACTION REPORT

P. 01

APR-23-05 SAT 11:40 AM

DATE START RECEIVER

TX TIME PAGES TYPE

NOTE

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TOTAL :

OS PAGES: 0

Comparison of the States Normal Retirement by Age/Service

A = Any

Rule: Age+Service = Number

State	Teachers				Other*			
Georgia	60/10		A/30		65/10		A/30	
Indiana	65/10	60/15	55/30		65/10	60/15		Rule 85
Massachusetts	65/10		A/20		65/10		A/20	
Colorado					65/5	50/30		Rule 80
Idaho					65/5	60/5		
Missouri	60/5		A/30	Rule 80	65/5	60/15		Rule 80
Nebraska	65/5		A/35	Rule 85	65/5			
Nevada					65/5	60/10	A/30	
New Mexico	65/5	60/15	A/25		65/5	60/20	A/25	
North Carolina					65/5	60/25	A/30	
South Carolina					65/5		A/28	
Virginia					65/5	50/30		
Washington	65/A				65/5			
Utah					65/4		A/30	
North Dakota	65/A			Rule 85	65/3			Rule 85
South Dakota					65/3			Rule 85
Maryland	65/2	62/5	A/30		65/2	62/5	A/30	
Minnesota	65/3	62/30			65/1			
Arizona					65/A	62/10		Rule 80
Iowa					65/A	62/20		Rule 88
Kansas					65/A	62/10		Rule 85
Kent.	55/5		60/27		65/A		A/27	
Montana	60/5		A/25		65/A	60/5	A/30	
Vermont	62/A		A/30		65/A		A/30	
Wisconsin					65/A			
Hawaii					62/10	55/30		
Malta								

ALASKA PROFESSIONAL FIRE FIGHTERS LEGISLATIVE FACT SHEET

Released 4/28/2005

SB 141 PERS Tier IV

BACKGROUND

Alaska PERS has been actuarially estimated to be billions of dollars under-funded. This is due to many reasons including, poor stock market performance, unrealistic actuary statistics used in past audits, increased un-funded benefits, and most importantly, the rising cost of medical coverage. This has led to a strong movement by some to address the under-funding this session.

SB 141 Sponsored by the Senate Finance Committee, this legislation would create a Tier IV in PERS and Tier III in TRS. The new Tiers would change the pension system from a Defined Benefit to a Defined Contribution System. This is much like a traditional 401K savings account. The legislation provides for the following contributions:

- + 8.0% Employee Mandatory Contribution
- +4.5% Employer Mandatory Contribution
- +1.75% Employer Contribution to medical plan
- +3.0% Employer Contribution to HRA (Health Reimbursement Account) based on average employee compensation

The Alaska Professional Fire Fighters Association's POSITION

The AKPFFA strongly opposes this bill and believes that our state should continue to seek a solution that addresses both the participating employers' fiscal needs and the participating employees' retirement security.

AKPFF ARGUEMENTS

- The DC plan would essentially eliminate a pension system as we know it. The employee would have to link their retirement date to the performance of the stock market and the cost of the medical plan premiums. The employee bears 100% of the investment risk.
- Fire Fighters often have to retire early because of the demands of the job or injury. It is impossible to link this to stock market performance. This would force Fire Fighters to work beyond when it is safe or healthy for them to do so.
- Currently DB plan death and disability benefits are not subject to federal income taxes under Code Sections 101(h) "Fallen Hero's" and 101(a)(1). If these benefits are provided using an employer or employee sponsored insurance plan, employees will be taxed upon the amounts provided to the employee in the case of on duty injury and will be taxed on the premium payments that the employer makes for death insurance. This further erodes the disability benefit, and takes money from the pockets of employees for death benefits.
- The proposed legislation contains inadequate financial security for the families of firefighters injured or killed in the line of duty. This inadequate security is unacceptable for public safety workers who risk their lives to protect the lives of other Alaskan's.
- It is unclear what the legal ramifications on current negotiated labor agreements might be. SB 141 may force employers and employee groups to renegotiate existing labor agreements based upon the significant loss of benefits to future employees that would have been covered under these contracts.

KODIAK ISLAND BOROUGH
RESOLUTION NO. FY2005-23

A RESOLUTION OF THE KODIAK ISLAND BOROUGH ASSEMBLY URGING
THE ALASKA STATE HOUSE AND SENATE TO APPROVE THE GOVERNOR'S
PROPOSED \$37.5 MILLION APPROPRIATION TO OFFSET THE COST OF
STATE REQUIRED MUNICIPAL PERS INCREASES FOR THE NEXT TWO YEARS

WHEREAS, the State has notified the Kodiak Island Borough that its' PERS rate will increase from 5% in FY2005 to 10% in FY2006, and will continue to increase until it reaches a total rate of 28.34%; and

WHEREAS, PERS is a single employer retirement system and the Kodiak Island Borough has an unfunded liability of \$4,119,487, not shared with other PERS employers; and

WHEREAS, mandatory State PERS increases on top of the loss of municipal revenue sharing as well as fuel, insurance and other cost increases leave many municipalities without the resources to fully fund schools, police, or other basic services; and

WHEREAS, the Kodiak Island Borough would have to raise its' mill levy close to 1 mill to fully fund its state mandated PERS costs but has a tax cap that precludes such increases and will require the Borough to make deeper cuts to local basic services; and

WHEREAS, the Alaska Municipal League and many municipal elected officials and finance directors have been "at the table" to help the State adopt a new PERS/TRS "tier" to help control future costs; and

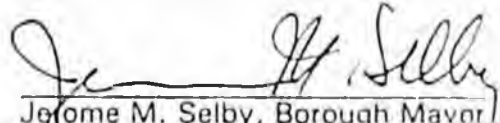
WHEREAS, the State has received a huge increase in oil revenue while communities are facing steeply higher expenses. For every \$1 increase in the price of a barrel of oil the State government receives an additional \$65 million of new revenue per year while Alaskan cities, boroughs, schools, businesses, other organizations, and families pay \$20 million of higher new costs for fuel, transportation, etc. based on federal fuel usage figures for Alaska; and

WHEREAS, if the State fails to share a small portion of its huge oil revenue increases with our community/local taxpayers to offset State required PERS payment increases for at least the next two years, the impact on Kodiak Island Borough will be higher taxes plus a reduction in the ability to pay for education, planning and zoning, health, and other basic Borough functions.

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH that the members of the Alaska State House and Senate are strongly urged to approve the Governor's proposed \$37.5 million appropriation to offset the cost of State required municipal PERS increases for the next two years. This action will avoid large local tax increases and/or large cuts to local services including schools, maintenance of Borough buildings and other improvements, planning and zoning, equity in Borough property assessments, and other services.

ADOPTED BY THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH
THIS SEVENTH DAY OF APRIL 2005

KODIAK ISLAND BOROUGH


Jerome M. Selby, Borough Mayor

ATTEST:


Judith A. Nielsen, CMC, Borough Clerk

Requested by: Mayor Keller
Adopted: April 11, 2005
Vote: Unanimous

CITY OF WASILLA
RESOLUTION SERIAL NO. 05-16

A RESOLUTION OF THE WASILLA CITY COUNCIL SUPPORTING PUBLIC
EMPLOYEE RETIREMENT SYSTEM (PERS) EARLY FUNDING NEEDED FOR THE
CITY OF WASILLA TO AVOID LOCAL TAX INCREASES.

WHEREAS, the State has notified communities that rates for the State Public Employee Retirement System (PERS) will increase by more than 400 percent. PERS rates have been increasing by 5 percent of total salaries paid by municipalities and will reach approximately 30 percent of the salary of every public employee for the next 25 years to pay the "unfunded liability" of the State PERS program; and

WHEREAS, mandatory State PERS increases on top of the loss of municipal revenue sharing, and fuel, insurance and other cost increases leaves many municipalities without the resources to fully fund schools, police, or other basic services; and

WHEREAS, municipalities with property taxes face 1 to 6 mill property tax increases just to pay state mandated PERS costs over the next three years (average 1.65 mills), however, many municipalities have local tax caps that preclude such increases which will require municipalities to make deeper cuts to local basic services.

WHEREAS, the Alaska Municipal League and many municipal elected officials and finance directors have been "at the table" to help the State adopt a new PERS/TRS "tier" to help control future costs; and

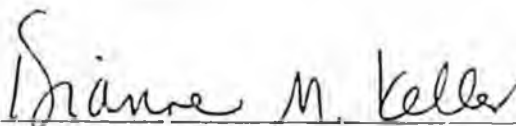
WHEREAS, the State has received a huge increase in oil revenue while communities face steeply higher expenses. For every \$1 increase in the price of a barrel of oil the State government receives an additional \$65 million of new revenue per year while Alaskan cities, boroughs, schools, businesses, other organizations, and families pay \$20 million of higher new costs for fuel, transportation, etc. based on federal fuel usage figures for Alaska; and

WHEREAS, if the State fails to share a small portion of its huge oil revenue increases with our community/local taxpayers to offset State required PERS payment increases for at least the next two years, the impact on the City of Wasilla will have an upward affect on property taxes or lower the service level that we provide to our citizens.


NOW THEREFORE BE IT RESOLVED, that the Wasilla City Council strongly urges the members of the Alaska State House and Senate to approve the Governor's proposed \$37.5 million appropriation to offset the cost of State required municipal PERS increases for the next two years; and

BE IT FURTHER RESOLVED, this action will avoid higher local taxes and/or large cuts to local services.

ADOPTED by the Wasilla City Council on April 11, 2005.


DIANNE M. KELLER, Mayor

ATTEST:


KRISTIE SMITHERS, MMC
City Clerk

[SEAL]



Anchorage
Police
Department
Employees
Association

Phone (907) 561-7500
PO. Box 230330
Anchorage, Alaska 99523
500 West International Airport Road
Anchorage, Alaska
www.apdea.org

April 27, 2005

Mayor Mark Begich
P.O. Box 196650
Anchorage, AK 99519-6650

Dear Mayor Begich:

In keeping with the spirit of communication between the APDEA and the Municipality, the APDEA wants to let you know of the potentially serious financial side effects of SB 141, now pending in the Legislature. SB 141 would amend the PERS system to create a "Tier 4" retirement group effective July 1, 2005. The financial risks to the Municipality posted by SB 141 may not be well understood by the Legislature and, to our knowledge, have not been carefully analyzed.

Whether SB 141 is successful in its passage or not, the Municipality is required to maintain existing levels of benefits provided to APDEA members, without regard to when they are hired. AMC Chapter 3.70, which sets forth the general rules regarding collective bargaining, mandates that:

- (1) "the Municipality shall ensure that, where matters of wages, hours and other terms and conditions of employment are involved, all written agreements are observed," AMC § 3.70.040(B); and
- (2) "[t]he Municipality or its agents may not: * * * (5) refuse to bargain collectively in good faith over wages, hours and other terms and conditions of employment . . ." AMC § 3.70.140(A).

While not expressly addressed by the AMC or Alaska courts, it is generally held that "terms and conditions of employment" includes pension and retirement benefits. Courts are rather matter-of-fact in this regard. See *Vermeer v. Tomken Const., Inc.*, 49 Or. App. 37, 41, 618 P.2d 1301, 1303 (1980) ("[P]ensions and insurance benefits are part of 'wages' and as such are subjects of mandatory collective bargaining."); *Sheeran v. General Elec. Co.*, 593 F.2d 93, 96 (9th Cir. 1979) ("[P]ension rights are within the scope of the terms 'wages' and 'conditions of employment' and therefore are mandatory subjects for collective bargaining."); *Keystone Steel & Wire, Div. of Keystone Consol. Industries, Inc. v. N.L.R.B.*, 606 F.2d 171, 178 (7th Cir. 1979) ("[T]he term 'wages' . . . must be construed to include emoluments of value, like pension and insurance benefits, which may accrue to employees out of their employment relationship.").

Employers may not unilaterally implement changes on bargainable topics. *N.L.R.B. v. Katz*, 369 U.S. 736 (1962). Because retirement benefits are a term and condition of employment, an employer may not unilaterally change the retirement benefits it provides to the members of a labor organization. *Malone*

v. White Mortor Corp., 435 US 497, 98 S.Ct. 1185, 55 L.Ed.2d 443 (1978); *National Labor Relations Board v. Black Clouston Co.*, 210 F.2d 523 (6th Cir. 1954); *Mississippi Power Co. v. NLRB*, 248 F.3d 605 (5th Cir. 2002).

An external change in the law, such as SB 141, in no way extinguishes the Municipality's obligation to bargain in good faith with respect to its contractual obligations. See generally *University of Hawaii's Professional Assembly v. Cayetano*, 183 F.3d 1096, 1102 (9th Cir. 1999). The only exception to the general proposition that an external change in the law does not alter the nature of contractual obligations is those circumstances where the intervening law makes a contract unenforceable due to its illegality. See *Price v. S.S. Fuller, Inc.*, 639 P.2d 1003 (Alaska 1982).

In *Price*, the Alaska Supreme Court stated that when evaluating whether a contract is unenforceable because of an intervening change in the law, "it is necessary to ascertain whether the Legislature intended to make unenforceable contracts entered into in violation of the statute." *Id.* at 1004 (citing *Gates v. Rivers Constr. Co.*, 515 P.2d 1020 (Alaska 1973)). SB 141 in no way limits the ability of contracting parties to provide differing or higher levels of retirement benefits. As such, the legislation is not a bar to maintaining the current retirement levels for Union members.

The APDEA's contract with Anchorage captures these very sentiments. Article V, section 2(N) of the contract, as well as corresponding language in the IAFF contract, states that it is a violation of the respective collective bargaining agreements to implement a change over which the employer has a mandatory obligation to bargain. As indicated above, retirement benefits are considered such a subject.

It should be clear by now that should SB 141 pass, the Municipality would be obligated to provide what were PERS Tier 3 benefits to all employees hired on or after July 1, 2005, without regard to what Tier 4 benefits are. This would place the Municipality in the anomalous provision of being required by state law -- SB 141 -- to provide a defined contribution retirement plan, and also being required to provide a Tier 3 look-alike defined benefit retirement plan to the very same employees. Needless to say, this would be quite costly.

I look forward to discussing this issue with you.

Sincerely,



Everett Robbins
APDEA President

April 25, 2005

VIA FACSIMILE & HAND-DELIVERY

Fax 343-4499

The Honorable Mark Begich, Mayor
Municipality of Anchorage
P.O. Box 196650
Anchorage, AK 99519-6650

Re: Municipal Liability for Changes in PERS

Dear Mayor Begich:

I represent the International Association of Fire Fighters Local 1264, which in turn represents the fire and emergency medical services bargaining unit of the City of Anchorage. We have become aware that the Alaska Legislature is considering material changes in both the contribution and benefit structure of retirement system for present and future members of our bargaining unit. The legislation is generally referred to as SB 141. The purpose of this letter is to advise you of serious financial risks associated with the legislation. These risks may not be well understood by the legislature and, to our knowledge, have not been carefully analyzed. Here is the analysis:

1. Under the Alaska Constitution, employee participation in a retirement system is contractual and accrued benefits are protected. Article XII, § 7, Constitution of Alaska. *See also, Hammond v. Hoffbeck*, 627 P.2d 1052 (Alaska 1981).

2. Retirement benefits are regarded as an element of the bargained for consideration given in exchange for an employee's assumption and performance of duties as a state employee. *Hammond v. Hoffbeck* at 1057 quoted in *Duncan v. Retired Public Employees of Alaska, Inc.*, 71 P.3d 882, 886 (Alaska 2003).

3. Retirement systems are typically considered to be a package of available services and benefits, not simply a monthly contribution rate or a monthly pension check. *Duncan* at 893. Although the courts allow modifications as long as the modifications are reasonable, one condition of reasonableness is that disadvantageous changes must be offset by comparable new beneficial changes. *Duncan* at 889 citing *Hammond* at 1057. As we understand SB 141, there are no offsetting benefits.

4. An employer's statutory duty to bargain in good faith requires it to negotiate with the Union concerning changes in pensions and retirement plans. *Malone v. White Mortor Corp.*, 435 US 497, 98 S.Ct. 1185, 55 L.Ed.2d 443 (1978); *National Labor Relations Board v. Black Clawson Co.*, 210 F.2d 523 (6th Cir. 1954); *Mississippi Power Co. v. NLRB*, 248 F.3d 605 (5th Cir. 2002).

5. AS 01.10.100(a) provides that the repeal...of any law does not release or extinguish any...liability incurred or right accruing or accrued under such law. *State ex. rel. Hammond v. Allen*, 625 P.2d 844 (Alaska 1981). Thus, the repeal or amendment of PERS does not release or extinguish the liability which the Municipality of Anchorage has already incurred to provide retirement benefits during the term of the existing collective bargaining agreements.

6. The management rights which the Municipality has reserved to itself do not include any right to make material unilateral changes in employee retirement contributions and benefits during the term of an existing collective bargaining agreement. AMC 3.70.040. *See also*, AMC 3.70.020.A.

CONCLUSIONS

1. There is serious question as to whether the State can unilaterally repudiate a pension system for governmental employees during the term of a negotiated agreement.

2. More importantly, if the State does repudiate the pension system without providing offsetting benefits then represented employees may seek damages and/or additional contract benefits from the City or State for the diminished value of the pension system imposed unilaterally upon them during the term of their collective bargaining agreement. I don't need to tell you that the monetary issues could be substantial.

Thank you for your attention to this.

Sincerely,

JERMAIN, DUNNAGAN & OWENS, P.C.

Charles A. Dunnagan

CAD\jrg

cc: Fred Boness, Municipal Attorney
David Otto, Director of Labor Relations
Dan Joyner, IAFF Local 1264
Everett Robbins, APDEA
Will Aitchison, APDEA General Counsel

Anril 25, 2005

**To: Everett Robbins, President
Anchorage Police Department Employees Association**

**From: Robert D. Klausner, General Counsel
National Conference on Public Employees Retirement Systems**

Re: Proposed Changes to PERS

This is in response to your request for information concerning the issues arising from the conversion of PERS to a defined contribution plan (HCS for CS for SB141).

As I am sure you are aware, a number of states have explored this alternative and found it to be unsatisfactory. The State of Florida spent \$70 million establishing a defined contribution alternative to the Florida Retirement System. Following its adoption, less than 7% of participants elected to transfer. During the process of selecting the managers, the State encountered endless threats of litigation from potentially disqualified providers, bringing the process to a grinding halt on more than one occasion.

The State of Nebraska abandoned its defined contribution plan on favor of a defined benefit plan after a study commissioned by the State Legislature determined that the plan failed to provide an adequate retirement benefit for its employees. The Legislature's findings embodied in that bill (LB 687) are outlined below:

**Chairperson: Senator Jon C. Bruning
Committee: Nebraska Retirement Systems
Date of Hearing: February 28, 2001**

**Principal Introducer:
Senator Jon C. Bruning, Chairperson
Committee on Nebraska Retirement Systems**

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB 687 provides that State and County plans do not meet the adequacy needs and that the systems rank below the median in the amount of initial normal retirement benefits. As such, it has been recommended that a defined benefit element be added to the state and county plans. This would be accomplished by giving employees the choice between a traditional defined benefit plan or cash balance plan, and the current defined contribution plan.

Moreover, this bill adds a guaranteed income option for retiring employees. This would be a self-funded approach to the purchase of an annuity in which the employee could elect an annuity, with or without a COLA adjustment built into the payments, using his or her account balance at retirement.

Lastly, this bill states that the county employees' contribution will be increased from 4.5% to 4.8%, and all state employees will contribute 4.8% and deletes the provision that had state employees contributing 4.33% of the first 19,954. The changes to the county

plan would go into effect in January, 2004 and the changes to the state plan would go into effect in January, 2003.

The State of Louisiana has considered the question of a defined contribution versus a defined benefit plan this year and rejected the notion as unsatisfactory for the state's public employees. The respected public interest group, The Public Affairs Research Council of Louisiana (PAR). The findings by PAR related to the choice between DB and DC plans are set forth below:

Defined Benefit Plan is Best Fit for Louisiana

Nearly all states use DB plans as their primary pension plans. A DB plan is the appropriate vehicle for providing most public sector pensions. It encourages career employment, and public employees are less mobile than private sector workers. The DB plan can provide better benefits than an equally funded DC plan, because a pension system can spread risk and invests more effectively than most individuals, who tend to invest more conservatively. The DB plan provides security, whereas a DC plan, particularly one without social security participation, would leave employees vulnerable. Recent studies show that employees tend to cash out DC accounts, fail to reinvest with their new employer's plan and spend lump-sum distributions, leaving them with much reduced retirements. The DC plan serves well for certain short term positions and as a supplement to a DB plan, but is inadequate as a general primary pension plan.

The Pension Research Council of the Wharton School of Business, University of Pennsylvania produced a report in 2004 entitled "Profitable Prudence, The Case for Public Employer Defined Benefit Plans." The report notes that the majority of the cost of maintaining a defined benefit plan comes from market return. The report's conclusions are set forth below:

Conclusions

The economic boost of public pension benefits is likely to grow as public employees of the Baby Boomer cohort begin to retire, and public retirement systems begin to pay out increasingly larger benefit amounts. In our view, public pension plans are in a strong position to handle the coming influx of retirees, since, unlike social security (mainly a pay-as-you-go program); public pensions are rather well funded (approximately 95 percent in 2003). Investing the \$2.3 trillion in public pension assets and the flow of benefit payments to annuitants promises a continuous, predictable, and growing source of economic stimulus. Moreover, through efficient asset management and pooling of resources, public defined benefit pension plans have a significant, positive effect on financial markets and the economy.

In general, public employers recognize that DC plans have many positive attributes, but to make them work well, many factors must fall into place: participants must consistently make sound investment decisions over their working and retired lives; they must remain in the workforce steadily, avoiding lengthy time off for having children, raising a family,

completing an education, or for illness; they must have a sufficient amount withheld from their pay; they must avoid borrowing against and spending their retirement assets; and they must make appropriate decisions regarding withdrawal rates during retirement. Even then, employees might exhaust their assets after retirement. Hence having a DB plan as the primary retirement benefit protects public sector employees against many of these problems. Public DB pension plans have also enabled public employers to achieve important objectives related to the recruitment and retention of quality workers. These plans create financial security in retirement and reduce reliance on public assistance programs. The fact that these plans have evolved relatively independently of the federal regulatory structure governing private pensions has allowed the public plans to engage in an ongoing process of creating and modifying plan designs and governance structures to meet the unique needs of public sector employers. The independence, flexibility, and profitable prudence of these plans will continue to support public employers in their ongoing mission to serve taxpayers, while providing financial security to retired public employees and significant economic benefits to their communities.

Public plans are, indeed, a useful component of the new retirement paradigm of the future.

The conclusions expressed in the Pension Research Council report have proven to be particularly applicable to Alaska PERS. A review of PERS prior actuarial reports indicates that of 1.4 billion dollars in payouts in 2002-2003, only 20% resulted from taxpayer contributions. An equal sum came from employees and the remaining 60% came from investment return. In a DC plan, no investment return is available to offset employer cost.

I have also reviewed SB 141 as it relates to death and disability benefits for police officers and firefighters. The current design of the bill passed by the Senate and pending before the House would not permit the payment of a disability or death benefit annuity such as that currently enjoyed by current employees. You have advised that there is consideration of adding an insurance-based death and disability program.

When this issue was recently considered in California, the Los Angeles County Firefighters sought quotes for such coverage. No such coverage was available. The National Conference on Public Employee Retirement Systems gave assistance to the firefighters by engaging its own group insurance consultant, Gallagher Byerly of Colorado to design and price a program. Gallagher also advised that, to their knowledge, such an insurance plan was unavailable in the current group market. The results of that study are expected in the next week.

Another issue also warrants consideration. You have advised that Alaska does not participate in the Social Security System pursuant to a Section 218 agreement. In order to maintain the exemption, an employer must provide a comparable retirement benefit. The proposed DC plan may not meet that minimum. This could expose participating employers to a requirement to also pay the employer matching contributions to Social Security as well as the retirement plan.

It should also be noted that disability benefits provided from an employer provided insurance policy will not be exempt from Federal Income Taxation under Internal Revenue Code Section 104(a) and the accompanying Treasury Regulations. This reduces

their effective value by a minimum of 28%. Death benefits should continue to enjoy tax favored status under the post-9/11 Hometown Heroes Act.

It is the view of NCPERS and its Executive Board, which includes an advisory committee of nationally known business and investment executives, that the proposed plan would likely diminish the ability of Alaska public agencies to attract and retain qualified employees, particularly in the field of public safety.

Additionally, the loss of new entrants to the existing DB Plan will make elimination of any unfunded liability costlier to Alaska taxpayers. The loss of new members and their contributions will diminish the cash flow to PERS. This will require a greater percentage of plan assets to be invested in low income, short term securities in order to meet cash requirements, thereby restricting the Plan's ability to meet its actuarial requirements. Further, the change on the workforce may require changes to actuarial assumptions further increasing long term costs. For example, actuarial studies of the effect of the closure of California's DB plans showed that such an action would actually have cost taxpayers tens of billions of additional dollars. No contribution relief would have been realized for 20 years.

We believe that the loss of a meaningful retirement system for future Alaska public employees will diminish public safety and government efficiency for all Alaskans and NCPERS strongly urges the Alaska Legislature to reject this rush to judgment.

TO: Alaska House of Representatives Finance Committee

FROM: Gerald P. Goupee - PERS Member
Beverly J. Goupee - PERS Member

DATE: April 27, 2005

RE: SB 1141

Both my husband and I retired from the State of Alaska after nearly twenty years of service; and are PERS members.

We are both absolutely appalled this bill is even being considered and oppose passage of this bill. The retirement trust fund belongs to the Alaska State retirees. We (at least the majority of us) worked long and hard and with steadfast dedication to our employer to earn our retirement package.

The PERS Board, TRS Board, and ASPIB Board are comprised of individuals dedicated to making the system work and suppressing costs. They have put great thought into and made recommendations to the Senate Finance and House State Affairs Committees for instilling changes.

We would request you please give consideration to opposing the passage of Bill SB1141.

Gerald P. Goupee
Beverly J. Goupee



Alaska State Legislature

Please enter into the record my testimony to the House Finance Committee
committee name

Committee on SB 141 Public Employee/Teacher dated 4/25/05
bill #/subject Retirement/Boards

From: Elvia Torres [torres@mail.ssd.k12.ak.us]
Sent: Wednesday, April 20, 2005 5:19 PM
To: LIO Sitka
Subject: Bill 141 Pers/Trs

I am against combining these two bargaining units together. I belong to both and feel that each needs to have it's own separate boards to make decisions for their members. It is my understanding that this look at changing the current system is very unfair, undemocratic, and should be part of a negotiated agreement between the parties who are affected.

It seems that the bargaining units have previously work for the good of all employees to provide the best feasible system only to have it done away with in one quick session. I am totally opposed to change of the system so quickly. If indeed a change needs to be made because of fiscal reasons....then let's take into consideration your public employees who have made their plans according to the previous system. And let's get these bargaining units involved directly before enacting change that will affect us all.

Signed: Elvia Torres
Testifier

Representing (Optional)

103 Cathedral Way #3, Sitka, AK 99835
Address

Phone Number

torres@mail.ssd.k12.ak.us
email address

SB

141

(FILE 2)

HF IN

FILE

THE
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DOCUMENT(S)
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Alaska State Legislature

Please enter into the record my testimony to the

CS SB 141

committee name

committee on

SB 141

, dated

4/22/05

bill/subject

PLEASE SLOW DOWN -- why the rush!!
We need time to READ the info/bill
and digest it & understand it before
it goes any further!

When so many are effected by this
bill, we need "TIME" to give it
the proper consideration.

Thank you for ^{your} consideration of
this MATTER - It's "Very" IMPORTANT!

Signed:

Jodi Fite, Elem Teacher

Testifier

Concerned Community Member & educator.

Representing (Optional)

P.O. Box 1232 Delta Jet, AK

Address

907-895-4060

Phone No.

99737



Alaska State Legislature

Please enter into the record my testimony to the _____

committee on PERS/TRS, dated 4/22/05
bill/subject retirement committee name

Do not pass the bill
on TRS. More time is
needed to fully appreciate the
possible ramifications of
this bill.

Signed: Bruce Rente
Testifier

Representing (Optional)

Box 1039 Delta AK 99737

Address

Delta 895-4774

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the _____

committee on SB 141, dated 4/22/05, committee name _____
bill/subject _____

Dear Committee Members;

I am very concerned about the passage of SB141 and its effect on our state in Education. I've been a resident of this state for 36 years and have witnessed quite an erosion of state support for education. This only makes matters worse.

I fully encourage you to delay the passage of this bill until its effects can be more fully explored.

Signed: _____

Testifier

Representing (Optional)

Address

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the CSSB 141
committee name
committee on SB 141, dated 4-22-05
bill/subject

Please take the time to work
on an acceptable solution.
I feel that this bill -
effecting so many people - has not
had adequate time for public
awareness and comment.
Thank you for your Consideration.

Signed: Sheryl L. Mills
Testifier
State of Alaska Public School Teacher, parent
Representing (Optional) Community member
4912 Iamarac Way
POB 433, Delta Jct.
Address
907-895-1948
Phone No.



Alaska State Legislature

Please enter into the record my testimony to the CSSB 141
committee name
committee on SB 141 , dated 4-22-05
bill/subject

Please don't change our retirement system in the way the bill 141 proposes. It is not fair to new employees and will not attract quality teachers to our state. As a current teacher, I'd like my pension to have a cost of living adjustment so I CAN retire!

Signed: Janet Reiter
Testifier

Representing (Optional)

P.O. Box 1039 Delta AK 99737

Address

895-4774

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the House of Finance
committee name
committee on CSSB-141, dated 04.22.05.
bill/subject

Please, take more time to
look through to decide on
Retirement and Benefits plan.

Signed: Kurlakevich
Testifier

Representing (Optional)
HC-60 Box 4430
Address
(907) 895-4785
Phone No.



Alaska State Legislature

Please enter into the record my testimony to the House Finance
committee name
committee on SB141 TERS/PERS, dated 4-22-05
bill/subject

Don't act hastily! Please take time to
review SB141 and give the public an
opportunity to speak to the committee on
issues concerning HB141.

Signed: _____

Testifier

Representing (Optional)

P.O. Box 5 Delta Jct, AK 99737

Address

(907)-895-2285

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the House Finance
committee name
committee on S.B. 141 PERS/TERS, dated 4-22-05
bill/subject

Please take time to review the retirement system. Don't act until the public has an opportunity to address the bill!

Signed: Michael R. LaDucce-Berto
Testifier

Representing (Optional)
P.O. Box 905 Delta Jct, AK 99737
Address
907-895-4757
Phone No.



Alaska State Legislature

Please enter into the record my testimony to the

HOUSE FINANCE

committee name

committee on

SB141

, dated

4/22/05

bill/subject

PLEASE STOP! AND TAKE
SOME TIME TO ADDRESS
THE REAL PROBLEM! DO NOT PUSH
THIS THROUGH AS IS!

Signed:

Testifier

Don Egerton GEN. ELECTION

Representing (Optional)

P.O. Box 722 DELTA SC. AK

Address

895-4322 + 895-4893 w

Phone No.

Apr. 21. 2005 9:02PM

NO. 1304 P. 1



Alaska State Legislature

Please enter into the record my testimony to the

House Finance

committee name

committee on

SB 141

dated

4/21/05

bill/subject

* Teacher's Retirement system and
health care for retired teachers.

As a person about to retire
from a 28 year teaching career,
I request that the current
retirement system be the same
as it has been since I began
working in Alaska. As a single
person with no other retirement
to draw from, I request
that grandfather rights be used
for all who began teaching prior to
1980.

Thank you,
Brenda

Signed:

Brenda Carverough - Carverough

Testifier

myself

Representing (Optional)

Box 1205

Address

Delta Jet, AK 99737

Phone No.

(907) 895-4296



Alaska State Legislature

Please enter into the record my testimony to the House Finance Committee
COMMITTEE NAME
committed on SB 141, dated 4-23-05.
BILL / SUBJECT TODAY'S DATE

Please carefully consider any changes to the current system of governing the use of the Retiree Trust Fund.

Please consider public input and other options to the changes proposed in this bill, SB 141. I understand that this bill would eliminate the current Defined Benefit Retirement Program and replace it with a Defined Contribution Program. I also understand that →

Sheryl Baechler

TESTIFY

REPRESENTING

ADDRESS

PHONE NO.

myself as future retiree of ~~XXXXXX~~

295 E. Fairview Ave., Homer, AK

907-235-7084

TRS

49603

Sheryl Beechler

Page 2 of 2

The PERS/TRS and ASPIB Boards would be eliminated and be replaced by another type of board that appears to be more responsive to the needs of the retirees.

This bill appears to make drastic changes in the PERS/TRS that have been in place for 50 years. Please consider any changes carefully with public input, thank you.



Alaska State Legislature

Please enter into the record my testimony to the House - Finance
committee name
committee on SB 141, dated 4/23/05
bill/subject

Before a decision is made quickly,
please work with NEH-Alaska and others
who are informed about successful retirement
systems to find a solution that will work
and be fair for all employees. Slow down
and do more research - please!

As a teacher with 10 years left before
I retire, I'm concerned. I'm also concerned that
teachers will not come to or stay in Alaska if the

Signed: Jeanne S. [unclear]
Testifier

Educators / Myself
Representing (Optional)

PO Box 916 Delta Jet, AK 99737
Address

(907) 895-5044
Phone No.

retirement system
changed or drastically

APR 21. 2005 2:13AM:46 PM LJO

No. 1290 P. 4

9078955017

P. 02



Alaska State Legislature

Please enter into the record my testimony to the House FINANCE
committee name

committee on SB 141, dated 4-22-05
bill/subject

HOUSE FINANCE COMMITTEE. PROBLEMS WITH
THE RETIREMENT SYSTEM ARE LONG TERM AND A
QUICK FIX IS NOT THE ANSWER. SLOW DOWN
AND ADDRESS THE PROBLEM FULLY. WATERING DOWN
RETIREMENT BENEFITS WILL ONLY DO ONE THING,
CAUSE QUALIFIED PEOPLE TO LOOK ELSEWHERE
FOR WORK.

Signed: Louis E. STOCKWELL, Chairman & Staff
Testifier

Representing (Optional)

P.O. Box 759, Delta Jet, AK 99737
Address

895-5035 WK, 895-4094 HOME
Phone No.

Alaska Legislative Information Office

Dear Legislators,

RE: SB 141 TRS/PERS Retirement System Legislation

PLEASE DO NOT SUPPORT THIS BILL!

Why?

- This is a critical piece of legislation which impacts the lives of hard-working, dedicated Alaska public employees and teachers. *It needs further study and research.* The initial draft of this bill was presented only one month ago, clearly not enough time to adequately consider the drastic nature of changes in public employee retirement.
- The passage of this legislation would also impact everyone else in Alaska, because it would change the ability of public employees and teachers to contribute to the health of the economy of the state as the result of a reduction in retirement and benefits. *There would be an adverse "filter down" affect of such a drain on retirement benefits.*
- It will take at least a decade to realize funding savings, if any, as a result of such legislation. *There are no guarantees of funding savings and there will be no short-term benefit.*
- Teachers and Public Employees on the whole do not support this legislation. The best way to gain support for such legislation is to involve employed and retired public employees in the process and ask for their input. If you want support, then *seek involvement from those impacted by such legislation.* Do not rely just on testimony alone. *Seek active involvement from these individuals in drafting sound, effective legislation.*
- This type of legislation impacts the lives of elders at a time when they are less able to care for themselves. That is why they have worked so hard to develop an adequate state retirement. *How would you react if you worked hard for 30 years contributing to a stable retirement system only to find out when you retired that you can not depend on that major source of income?*
- As state retirees, we cannot rely on any Social Security contributions we made during employment which was not state employment. Not only have retirees contributed to a Federal system for which they will receive ABSOLUTELY NO BENEFITS, but the State of Alaska now diminishes the contributions they are making for state retirement benefits through SB 141. *Broken promises breed public mistrust.*

- Maintain the Alaska State Pension Investment Board, the Alaska Teachers' Retirement Board, and the Public Employees' Retirement Board. Replacing these with the newly proposed Alaska Retirement Management Board will only further remove retirees from managing their own retirement and making important decisions that need to be made. *The Alaska Retirement Management Board will only further separate the people from those who make critical decisions about their lives.*
- Passage of SB 141 will have a *major adverse affect on the ability of the state to recruit teachers and public employees throughout the state, particularly in rural areas.*
- *A Defined Contribution Plan IS NOT THE ANSWER!* My foremost question is: *WHO WILL BENEFIT FROM THESE CHANGES?* It will not be the retiree!!!

Have you ever been a public employee or a teacher in the state of Alaska? Then you know how difficult it can be at times to be so completely dedicated and committed to one's job to hang in there until retirement age or until the sufficient number of years have been worked. Living in a rural community simply adds to the difficulty of remaining a dedicated public employee. Yes, many of us manage to invest privately for our future, but we also rely heavily on the promises of this state to provide an adequate retirement with medical benefits. As a result, we forfeit our right to any Social Security benefits, despite the fact that we may have years of contribution into that system (I have over 10 years into the social security system from which I will never be able to draw a single benefit. Is this fair?).

As a retired teacher in this state, *I ask you NOT to support SB 141.* This issue of change must be carefully and thoroughly studied and researched so there is minimal adverse affect on current and future retirees. Although many retirees leave the state, more remain in the state. That means *retirees must be able to continue to contribute to the economic health of the state throughout their lives and not become economic burdens on society. By providing an adequate and stable retirement, this will happen. Under SB 141, this will not!*

PLEASE - DO NOT SUPPORT SB 141!!

Donna Van Luchene

P.O. Box 1938

Nome, AK 99762

(907)-443-2979

donnavan@pci.net

Retired Alaska Teacher

Donna M. Van Luchene

4-22-05

To: The House Finance Committee Hearing on SB 141**Fax #: 1-907-465-6813**

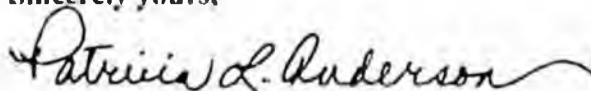
From: Patricia L. Anderson, retiree, State of Alaska
3849 Apollo Drive, Anchorage, Alaska 99504
Phone: 907-333-2495, e-mail: andynpat@pci.net

I object to bill SB 141 for the following reasons:

- 1) Alaska laws and other public policies contributed to the retirement fund shortfalls, yet these bad policies have not been addressed. This bill will have no impact on the shortfalls. These shortfall policies should be fixed before any changes to the current plan, or Retirement Trust Fund takes place.**
- 2) There has been no public consideration given to the costs of changing to another system. These big change costs should not come from the existing Retirement Trust Fund.**
- 3) This new proposed 'mega board' which would replace the PERS/TRS and ASPIB Board, would have all appeals handled by a single administrative law judge in the Department of Administration. We would have no board responsible to the people to go to for help in getting fair treatment of appeals.**
- 4) This places incredible power in the hands of the governor through his power of appointment. Where would the checks and balances be on which our government was established?**
- 5) Serious consideration of other options must be made before this bill is rammed through with minimal public input. The State, School Districts and Political Subdivisions are finding it extremely difficult now to recruit even with a much more superior current Defined Benefit Plan.**

I am a 39 year resident of Alaska, and a SOA retiree. I am very concerned about this bill which could jeopardize my future.

Sincerely yours,



Patricia L. Anderson

APR-22-2005 FRI 12:45 PM L10
APR-22-2005 12:51 PM DELTA DOT
APR. 21. 2005 2:13AM:45 PM L10

9078955017

P. 01

907 895 1028

P. 01

9078955017

No. 1290 P. 4

P. 02



Alaska State Legislature

Please enter into the record my testimony to the HOUSE FINANCE
committee on SB141 , dated 4/22/05
bill/subject committee name

PLEASE STOP! AND TAKE
SOME TIME TO ADDRESS
THE REAL PROBLEM! DO NOT PUSH
THIS THROUGH AS IS!

Signed: [Signature]
Testifier GEORGE ECKSTON

Representing (Optional)
P.O. Box 722 DELTA AK
Address
895-4322 + 895-4893 W
Phone No.



Alaska State Legislature

Please enter into the record my testimony to the CSSB 141
committee name
 committee on SB 141, dated 4-22-05
bill/subject

Please take the time to work
 on an acceptable solution.
 I feel that this bill -
 effecting so many people - has not
 had adequate time for public
 awareness and comment.
 Thank you for your Consideration.

Signed:

Sheryl L. Mills

Testifier

State of Alaska Public School Teacher, parent

Representing (Optional)

POB 433, Delta Jct.

Address

907-895-1948

Phone No.



Alaska State Legislature

HF 14

Please enter into the record my testimony to the Finance
committee name

committee on CSSB 141, dated April 23, 2005
bill/subject

I encourage the committee to postpone action on CSSB 141 this session in order to allow more time to study the benefits and costs of the Defined Contribution Plan.

This is a complex issue which requires careful study and accurate data with time to consider all ramifications.

Signed: GEORGE STUART
Testifier

Representing (Optional)
PO Box 1804 PALMER, ALASKA
Mailing Address
907-745-7119
Phone Number

APR. 22. 2005 2:43AM
HKG-21-2005 THU 12:45 PM L10

9078955017

No. 1309

P. 3
r. 02

Alaska State Legislature

Please enter into the record my testimony to the CS5B141
committee name
committee on SB14, dated 4/22/05
bill/subject

PLEASE SLOW DOWN -- why the rush!!
we need time to READ the info/bill
and digest it & understand it before
it goes any further!

When so many are effected by this
bill, we need "TIME" to give it
the proper consideration.

Thank you for ^{your} consideration of
this MATTER - It's "Very" IMPORTANT!

Signed: Jodi Hite, Elem. Teacher
Testifier Concerned Community Member & Educator

Representing (Optional)

P.O. Box 1232 Delta Jet AK
Address 907-895-4060 99737

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the _____

committee on PERS/TRS, dated 4/22/05 :
bill/subject retirement

Do not pass the bill
on TRS. More time is
needed to fully appreciate the
possible ramifications of
this bill.

Signed: _____

Testifier

Representing (Optional)

Rox 1039 Delta AK 99737

Address

~~Delta~~ 895-4774

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the _____

committee on SB 141 , dated 4/22/05 ^{committee name}
bill/subject

Dear Committee Members;

I am very concerned about the passage of SB141 and its effect on our state in Education. I've been a resident of this state for 36 years and have witnessed quite an erosion of state support for education. This only makes matters worse.

I fully encourage you to delay the passage of this bill until its effects can be more fully explored.

Signed: _____

Testifier

Representing (Optional)

Address

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the CSSB 141
committee on SB 141 , dated 4-22-05
bill/subject committee name

Please don't change our retirement system in the way the bill 141 proposes. It is not fair to new employees and will not attract quality teachers to our state. As a current teacher, I'd like my pension to have a cost of living adjustment so I CAN retire!

Signed: Janet Reiter
Testifier

Representing (Optional)

PO Box 1039 Delta AK 99737

Address

895-4774

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the House of Finance
committee name
committee on CSSB-141, dated 04.22.05
bill/subject

Please, take more time to
look through to decide on
Retirement and Benefits plan.

Signed: _____

Testifier

Representing (Optional)

HC-60 Box 4430

Address

(907) 895-4785

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the House Finance
committee name
committee on SB141 TERS/PERS, dated 4-22-05
bill/subject

Don't act hastily! Please take time to
review SB141 and give the public an
opportunity to speak to the committee on
issues concerning HB141.

Signed: _____

Testifier

Representing (Optional)

P.O. Box 5 Delta Jct. AK 99737

Address

(907) 895-2285

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the House Finance
committee name

committee on SB 141 PERS/TERS, dated 4-22-05
bill/subject

Please take time to review the retirement system. Don't act until the public has an opportunity to address the bill!

Signed:

Nicholas R. LaDouceur-Berto
Testifier

Representing (Optional)

P.O. Box 905 Delta Jet, AK 99737
Address

Phone No.

907-895-4757

April 22, 2005

Members of the Finance Committee
Alaska State House of Representatives
Juneau, Alaska

Reference: Testimony on SB 141
House Public Hearing, April 23, 2005

As I am unable to attend your hearing in person, I submit the following comments:

Having closely followed the activities of the PERS/TRS and ASPIB boards over the past four years and noting the recent prestigious national award received by the ASPIB, I question the current legislative efforts to eliminate those boards, especially as they will be replaced with one board appointed by the governor.

I note that there is also a legislative effort to change the control of the investment of the Permanent Fund and place those investments more completely under the control of the governor.

Therefore, considering the huge amounts of money represented by these two funds, I wonder: What is going on? Who is behind this? Who or what is benefiting? What is happening to a system of checks and balances to protect these funds?

Our legislators are on the verge of destroying a system that has worked well since statehood and it is being done based on faulty and, in some cases, I believe, false information. Many Alaskans, far more knowledgeable than I have pointed this out over and over again, and I know you are aware of it. The question, then, is why this push to get rid of these boards based on this false information? Who is going to benefit from this new monolithic body?

As a resident of Alaska since 1963, and an Administrative Generalist with the University of Alaska Fairbanks with a vested interest in your actions, I want you to know that with the provisions of SB 141 you are gambling with the future of my retirement fund and my medical benefits. This is of grave concern to me as my salary is not large to begin with, and has certainly not kept pace with cost of living increases. My husband and I will never be wealthy and are counting on having good health benefits and a secure monthly retirement in our "golden years."

The present retirement system is not broken. It is working well considering the obstacles the PERS/TRS boards have had to deal with as they have endeavored to protect the retirement fund. If you want to lay blame for problems, I suggest you look elsewhere than the PERS/TRS boards.

THIS IS NOT POLITICS AS USUAL, THIS IS A POWER GRAB THAT WILL IMPACT EVERY ALASKAN! Stop messing with our state retirement system and deal with the real issues our state is facing.

Sincerely,



Linda A. Harriger
PO Box 81116
Fairbanks, AK 99708
(907) 479-5449

Post-It® Fax Note	7071	Date	4/22/05	# of pages	1
To	L10	From	LINDA Harriger		
Co. Dept.		Co.			
Phone #		Phone #	479-5449		
Fax #	1-907-465-6813	Fax #			

Katie Shows

From: Rep. Paul Seaton
Sent: Tuesday, April 19, 2005 11:37 AM
To: Katie Shows
Subject: FW: PERS/TERS Legislation - SB 141

Ian Laing
Rep. Paul Seaton
Legislative Staff
(800) 665-2689

From: Rachel Boyd [mailto:rboyd@co.fairbanks.ak.us]
Sent: Tuesday, April 19, 2005 10:19 AM
To: Rep. Paul Seaton
Subject: PERS/TERS Legislation - SB 141

Dear Legislator,

PLEASE DO NOT be herded into passing bad legislation! The consequences of this bill have not been fully defined, but they will be drastic. Raise the contribution rate in the interim so you do not feel so pressured (although this means a de facto cut in pay for all PERS/TERS employees), but please take time for SERIOUS study of the ramifications of any proposed solution. Employees will live with the results for the remainder of their lives. This is too weighty for knee-jerk reaction.

Employees did not cause this problem, but it looks as though most of the burden for recovery will be placed on them.

Please oppose replacing and combining the boards. As I understand it, these boards are largely policy and appeals boards. Each system needs its own board that is intimately familiar with that plan.

Defined contribution plans place ALL the risk on the employee. Judging from the status of my IRA, I would guess you are going to find a lot of future retirees on welfare after their 401K plans run out of money if you pass this legislation.

Placing retirement money in 401K plans will further impact the present PERS/TERS fund as all these future hires will not be contributing.

The plan does not include any death or disability insurance. Many workers are in hazardous situations. It is irresponsible for the State to pull the rug out from under all future employees.

Please pull your support from all the current PERS/TERS bills unless they are drastically amended. This bill will impact thousands of people. Please take the time to do it right.

I appreciate your consideration.

Sincerely,

Rachel Boyd, Secretary
FNSB, Dept of Community Planning

4/19/2005

By contrast, the fund that pays for the system's traditional pensions, which is handled by professional money managers, had a five-year return of 3.52%.

Personal accounts have also had relatively few takers in the state's other big plan, the State Teachers Retirement System of Ohio, where 12,500 of the plan's 225,000 members — less than 6% — have chosen personal accounts, said Laura Ecklar, spokeswoman for the teachers' system.

Ecklar said it was impossible to tell how personal account holders had fared, because no single investment option offered by the teachers' retirement system was so favored by participants that it could serve as a representative for all.

During his Ohio appearance, the president was accompanied by several retirement plan participants.

Among them was a University of Cincinnati employee who said she was making 6% on a "guaranteed" account that sets a floor under and a cap on what people can make. Another person said he was making 7.1% on a hybrid plan.

In a pitch directed to Democratic lawmakers, who are nearly unanimous in opposing Bush's plan to create Social Security personal accounts, the president called for "political amnesty" for those who joined his drive to retool the retirement program.

"All ideas are on the table," he asserted at several points in his remarks.

His declaration appeared to reinforce a suggestion made Thursday by his top economic advisor, Allan B. Hubbard, that the voluntary retirement accounts might be acceptable to Bush even if they were offered as an "add-on" to Social Security, instead of being financed by current payroll taxes, as the president was advocating.

If you want other stories on this topic, search the Archives at latimes.com/archives

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TESTIMONY ON LEGISLATION REGARDIN RETIREMENT LEGISLATION

I am Merritt Olson, a 51-year resident of Alaska who has had a long connection with education and the state's pension program. At Anchorage's West High School I taught mathematics and business subjects and later served as chair of the guidance department and coordinated the Honors and Advanced Placement programs.

In 1977 Governor Hammond appointed me to the Teachers' Retirement Board, a position that I held for some fifteen years serving as the chair. When the Alaska State Pension Investment Board was created by the legislature in 1992 I was elected to serve as one of the four members designated to represent the teachers and public employees. Currently I am serving on that board.

My concerns are that replacing the defined benefit program with a defined contribution plan will be a deterrent to attracting quality teachers and public employees to the state. In the case of teachers, employment in Alaska is no longer attractive when compared with many states. From providing the highest salaries of the 50 states, Alaska has in recent years dropped to the mid-rankings. School districts are finding a dearth of applicants as a result. Adopting a defined contribution plan exacerbates the the problem. Members will no longer have assurances of a pension that adequately provides for them at retirement. Many teachers who have had little or no experience in making wise choices in personal investments will be lost without so. tion. Will the state be prepared to provide education in basic investments for ho are in need of such?

Spiraling health care costs and the poor market returns of 2001 and 2002 certainly have strongly affected the funding ratio. But also contributing to the deficits we now experience are the actions of past legislatures, actuaries, employers and employees, as well, who yielded to pressures to lower normal retirement age limits and to offer incentives in the form of attractive bonuses for early retirement. Some of us argued with the actuaries, but to no avail, that their cost estimates for these freebies were far too conservative. Now we must face up to the extravagance of these actions.

The sizeable unfunded liability of the pension system is sufficiently large to demand attention but it is not a crisis situation as some would make it out to be. When I went on the TRS Board in 1977 the pension plan was little more than 50% funded but the funding status continued to improve and by the '90s it was fully funded. Optimist that I am, I believe that can happen again based on rising markets, consistent and improved actuarial advice and a handle on medical costs.

Legislation that would replace the three boards (PERS, TRS and ASPIB) with a single nine-member board appointed by the governor is also a concern. A board with all its members subject to appointment by the governor could very well have frequent turnover of some, or all, of the trustees as administrations and part control

change. For an efficient operation of the boards a certain continuity of service is desirable.

|| Dr. Merritt C. Olson
1032 W. 11th Avenue, #203
Anchorage, AK 99501

From: Angie Hellickson [tinydancer21@yahoo.com]

Sent: Tuesday, April 19, 2005 9:17 AM

To: Rep. Paul Seaton; Rep. Carl Gatto; Rep. Jim Elkins; Rep. Bob Lynn; Rep. Jay Ramras;
Representative_Berta_Gardiner@legis.state.ak.us; Rep. Max Gruenberg

Dear Representatives,

Please **DO NOT** support SB 141! This bill is harmful to all current and future PERS/TRS employees.

- The State of Alaska has been committed to a sound retirement system since before statehood
- Public employees - and all workers - deserve to know how much of a monthly income they will get when they retire. SB 141 will not guarantee that for new hires.
- The fault of the unfunded liability is not the fault of current or future employees.
- The legislation doesn't provide for any death or disability insurance. Dozens of classifications of workers find themselves in potentially dangerous work situations including in the corrections system, API, schools, police and fire, fish and wildlife biologists and protection officers, and engineers and equipment operators constructing and maintaining roads. Public employees have died while performing their duties for the public.
- Most public employees make a basic wage with no extra money to save for health benefits and life insurance
- Combining the boards will cost a great deal of money and will not fix the problem. Public employees pay in substantial sums of money into the system and should have a say through elections in who helps makes decisions
- Often, the problems come back to mistakes made from one single actuary. Isn't it time to get more professional input before changing the retirement safety nets Alaskans have depended upon for nearly 50 years?
- Recruitment and retention - especially for more specialized job classes - will become more difficult

Thank you for your consideration on this matter.

Angela Hellickson

Do you Yahoo!?

Plan great trips with Yahoo! Travel: Now over 17,000 guides!

4/19/2005

Jan Conitz
619 W. 11th St.
Juneau, AK 99801

Representative Paul Seaton
Chair, House State Affairs Committee
Alaska Legislature
re: Public Hearing 4/19/05 on SB 141 and related bills

Dear Representative Seaton:

I attended the committee hearing last evening on SB 141 and heard nearly all the testimony. I attended as a concerned citizen; I am an employee and a supervisor at Alaska Department of Fish and Game. First, I want to thank you for holding this hearing, giving adequate time for testimony, and listening attentively to each speaker, allowing time for questions at the end.

You heard in testimony after testimony public employees and teachers, from across many occupations and regions of the state, speaking with a strong unified voice. I share all of their concerns and would like to reiterate and emphasize the following negative effects of the proposed legislation:

1. Placing an unfair (and possibly unconstitutional) burden on current employees, especially those in the lower pay ranges. Increasing the contribution for the same benefit already promised represents a pay cut, at the same time that wages and salaries in public service are not keeping pace with the economy.
2. Plan is grossly unfair to future employees, including our children and grandchildren. I am especially concerned about the length of time required of employees to earn full benefits, with the distinct possibility they could work many years and then not receive benefits, the fact that contributions may not even cover health insurance, and the fact there is no safety net with increasing likelihood workers will exhaust benefits before the end of their lives.
3. Consequence of poor benefit plan is ever more difficulty in recruiting and retaining qualified workers. This cannot be over-emphasized. As you heard last night, it is already a problem in most departments. People expect to receive stable benefits in exchange for their career service combined with the lower pay they receive in public service.
4. Further erosion of qualified public workforce hurts all citizens of the state and will negatively affect our economy. Despite popular political perception that public employees are unnecessary, many functions of state and local governments are vital and irreplaceable. For example, the fishing industry is still the No. 1 private employer in the state. Without public sector management of our vital public fishery resources, there could be no viable seafood industry.
5. "Portable" benefits are just that. When employees realize their long-term benefits are inadequate, those most able to do so will leave for better opportunities elsewhere. The cost and

burden of continual re-hiring and training of new, and less-qualified, workers will fall to the state and local governments.

6. Shifting responsibility and risk in retirement investment to the employee is justified when the employee is well-compensated, above basic needs for housing and groceries. Most public employees and teachers do not enjoy this margin.

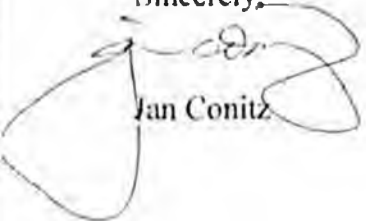
7. Public employees and teachers are important to the whole state and our economy. We need to provide adequate compensation to attract and keep good workers, who are interested in serving the state of Alaska and its people.

I recognize you and your committee for the extensive work you have done on this issue. The hearing last evening was lengthy, fair, and well-attended. But the public at large, and the affected employee groups, have not had nearly enough time to consider the sweeping and radical changes proposed. I urge you to take the following actions:

1. Do more fact-finding to determine why there was such a failure in estimation of the PERS/FRS funds between 2002 and 2003. If errors were made, who is accountable?
2. Slow the bill down, and give the public time to digest the information.
3. Take time to carefully craft amendments, after allowing public input. Present a clean and carefully-considered bill, with lots of input from the stakeholders.
4. Consider other options for change in our retirement systems, such as raising the retirement age, or re-structuring health care benefits.

Thank you for your consideration of public comment given so far. Please allow more time and work with the people who serve this state, to find a just and sustainable solution to this important issue.

Sincerely,



Jan Conitz

Testimony of HB238/SB141
Gayle Harbo, April 2005

I have heard and read in the press that Alaska's public pension funds are in crisis. I have heard the figure "a 5 billion dollar unfunded liability". The liability is a crisis only if every PERS and TRS active member retires tomorrow and is paid all the money entitled to them for all their retired years. The funds, without health care costs, are in good shape. The earnings on the pension funds for each of the past two years have been 15%, better than the Permanent Fund. The funding ratios for non-medical benefits for TRS and PERS, based on market assets, are 93% and 120%, respectively. With medical benefits, the funding ratios drop to 64% and 74%, respectively. It doesn't take a rocket scientist to see that increasing health care costs are the problem. It is a recognized problem that can be solved without legislation. The Administration, working with employee groups, can make changes to current tier medical plans if the changes are for choice or convenience. They also have the ability to change the plan for future hires.

Have the funds been here before? You bet - in 1980, the funding ratio for TRS was 67%. At that time the contribution rate for the our model 50 year old system was roughly 7% each for employee, employer and the state, or 21% of payroll. When the state started funneling its share through the districts in FY'87, the contribution rate for the employer/state continued to decline to 12% until FY'05. The rate was then increased to 16%. Half the increase in the past few years has been caused by rising health care costs: a problem not unique to Alaska. This legislation seems to forget the state's share and speaks only to employee and employer sharing equally. No longer would 21% of payroll go to retirement.

Can the problem with health care costs be addressed? The Division of Retirement and Benefits and the Joint Boards of TRS and PERS have been working on cost containment, most recently with a generic drug campaign and in the near future with other measures such as preferred providers and closed formularies. The Division is also introducing a Positive Enrollment Program which they predict may save the state \$16 million dollars.

So you ask, why is the problem called a crisis? Some interests, both in and out of Alaska, want to privatize public pension funds. Alaska is only one of several states where some legislators have "bought in" to the need to privatize the billions of dollars of such funds. Most Alaskans know that is not the path to follow - many past legislators like Jay Hammond, Terry Miller, Arlyss Sturgelewski and Charlie Parr worked to make Alaska's 50 year old retirement system a model for other systems in the country. Alaska is one of only four states which prefunds health care. Alaskans pride themselves on being independent and not having others tell them what to do.

The Employee Security Act which passed out of the senate as SB141 is a bill which assures *no security* for future retirees. It *takes away* the Defined Benefit plan which provides for a safe and secure income for Alaska's elderly in their golden years. In its

place is a DC plan. We all know DC plans discriminate against women, simply because they live longer. It would leave future retirees with no guaranteed monthly income, no health insurance and no cost of living adjustment. Many of these same legislators who would impose this system on future retirees have experienced what it means to take care of aging parents or loved ones who suffer from terminal illness or dementia, yet those same legislators would condemn future retirees to uncertain futures. It is not right, it is not fair, it is not necessary.

Talk with an employee who has been retired for 20 years or more and ask if they could now live on their base benefit, with no COLA or rpa. Under a DC plan there will be no incentive for retirees to remain in Alaska and contribute their time, expertise and pension dollars to Alaska's communities.

Why would our state, which has received almost 100% more than its budgeted amount for oil revenue, turn its back on seniors who have dedicated their lives serving Alaska's citizens? Only a few legislators would do this. They do not have the courage of those past legislators like Jay, Terry, Arlyss and Charlie. They do not have the courage of Senator Lisa Murkowski who has always been a strong proponent of public education and parent involvement. She had the courage to sign on to the repeal of the Government Pension Offset and the Windfall Elimination Provision, two provisions which reduce or eliminate Social Security retirement for thousands of Alaska's public servants. Senator Murkowski would not want to see legislation which would further discourage qualified teachers and public employees from coming to Alaska to work and from making Alaska their home.

Please "make Alaska proud"

~~_____~~ We do not want outsiders telling us how to run our pension funds. Our funds are in great shape if you look at the long term. As Michael O'Leary, the financial advisor for the Alaska State Pension Investment Board, recently said - "How powerful any time period is when looking at investment return". Think long term. Governor Murkowski, in his Dec. 13 2004 letter to seniors, stated "care for our elders and for vulnerable adults in our society is vital to our success as a state." He further states - "*seniors should not have to choose between paying their rent, buying food or being able to fill prescriptions.*" That is exactly what many seniors will have to do if the legislature does away with a *Defined Benefit* retirement system. Please ask your legislators to "make Alaska proud" and retain our current *Defined Benefit* system. We can all work together to address health care costs.

We can work together to make Alaska a place where young people want to come and work. We can be a role model for health care reform if we choose to work together. I do not like the word "impose"; I prefer sitting down and developing a solution which works for all. There are many good things in this legislation which help close some of the loopholes, but doing away with a Defined Benefit plan is not one of them. Thanks for your time.

Gayle Harbo, Box 10201, Fairbanks 99710

Handwritten: ✓ House State Affairs
Sign: *Laurel Harbo* 204-10201 Fairbanks 99710

Concerns for Rep Juy Ramrus to share with House State Affairs

Why does the legislature continue to use Mercer for all the data for these retirement bills when Mercer is part of the problem?

Jt Boards asked for an actuarial audit of Mercer in '02 - '03. The auditor, Milliman, found several areas of concern in Mercer's work. The most significant was understating liabilities for health care costs. See page 6, Jt. Bd Mtg, Sept. 21, '04. Health care costs account for 50% of the employer contribution rates these past two years. Another recommendation by the auditor which had a significant, and one time effect, on the funding ratio was the methodology change to recognize deferred losses. The change from a corridor method to a 5 year smoothing impacted the '03 valuation with a 15.03% increase in the employer contribution rate. (pg. 8 Mercer's Accuarial Valuation Report, June 30, 2002).

You have also heard that Mercer gave past legislatures poor information when they said Retirement Incentive Programs would be cost neutral to the funding ratio. They changed their minds this past year because they have failed to recognize the rapid rise in the cost of health care. At the Borough Assembly Meeting on April 14, Fairbanks Mayor Steve Thompson mentioned that in his research of the sale of MUS he found the Mercer had given the city very poor advice.

In the assumptions adopted by the Jt. Boards in Dec. of 2000 (they are adopted once every 5 years), Mercer predicted a Health Premium Trend of 5.5%. It has been far greater and they have made adjustments these past years. In the most recent valuation they have finally broken out the costs of health care from the costs of prescription drugs. This is much more helpful to the Boards when they are making decisions.

In a recent letter to House State Affairs the Director of R and B mentions some of the cost containment measures we have been trying to employ. One successful program not mentioned, but in place since 2001, has been to encourage the use of generic drugs. When started the generic use was only 18%. Our goal then was to reach 46% and in March of this year we moved closer to that goal and now have 42% generic drug usage.

In January of 2004 the Health Benefit Subcommittee recommended several cost saving measures, among them the use of Disease Management, used in most health plans in the state. In June of 2004 we were told the \$240,000 start up for a pilot with Diabetes, was too costly. Other plan managers tell me that Disease Mgt is an important cost savings program. The Health Comm. again recommended Disease Mgt. at its meeting March 21 2005, as one of six initiatives we would like the Division to implement. I don't see it mentioned in the memo dated March 30 and forwarded to you April 12. The memo also mentions that Providence is a preferred provider, yet Mike Wiggins stated at our Mar. 21 meeting that they were not. I will check with Mike.

*No. 30 and
Comparison*

Testimony SB 141
Gayle Harbo, April 2005

The current system of 3 pension boards may, at first, seem cumbersome, but each has a slightly different role. The Boards work well together and the Jt Boards of TRS and PERS appreciate the time and effort of the Alaska State Pension Boards members to manage and invest the billions of dollars of pension fund assets. ASPIB's role and function was carefully crafted in the early '90's. They have done an excellent job and invested many volunteer hours.

PERS and TRS are advisory to the Administration, except for appeals, and in the case of PERS, setting the employer contribution rate.

It is important to have members of the system on any board which oversees the billions of dollars of pension fund money or listens to appeals. The boards are fiduciaries and should include members who contributed to the funds. It is also important for system members to have appeals heard and resolved by peers.

Elected representation from both TRS and PERS is a must on any board. I see no problem with merging the TRS/PERS Boards and I spoke at length with Rep Kelly's aide, Heath Hillyard, regarding the combination. A seven person board, with equal elected representation (for example 2 each as on the current PERS Board), plus one school district employer and one municipal employer and one other appointed person would be workable.

I ask you to please retain these important boards, keeping ASPIB with its current structure, and assuring there is elected representation of the parties who have contributed to the pension funds.

*Gayle Harbo
Box 10201
Fairbanks 99710*

4/18/05

To: Rep. Paul Seaton -- fax'd to 465-3472

Re: Retirement bills should receive deliberate consideration -- please hold to '06 for proper study and avoidance of unanticipated problems

Fr: James E. Fisher, 171 Farnsworth Blvd., Soldotna, 99669
Ph: 262-9601 fax 262-9641

J. E. Fisher 4/18/05

Reports have indicated revisions to the state's retirement system needs more consideration, or it could:

- 1) have amendments, or be, initiated without a solid basis of information about its current condition or accurate forecast of future ramifications;
- 2) carry forward poor actuarial forecasts (those responsible should be discharged and better advice sought) or at least a second opinion secured;
- 3) be based on unrealistically low revenue possibilities?
- 4) overlook past unrealistic changes, or shortages, from contributions/payments into the trust fund that have been responsible for its present apparently alarming situation?
- 5) has the Senate's rapid action on the bills (only 1 referral in the Senate) overlooked aspects and needs for reasonable solutions?