

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 3020

fails 4-7

CONCEPTUAL AMENDMENT

23

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: Senate Bill 141

1 **Remove all language instituting a new tier system**

2

3 **Insert where appropriate, with appropriate section numbers, conforming**
4 **amendments, and references as necessary to implement the new sections**
5 **with an immediate effective date:**

6

7 **New Bill Section:** AS 14.25 is amended by adding a new section to read:

8 Sec. 14.25.052. Calculation of member contribution rate. (a) Each active member shall
9 contribute a percentage of the member's base salary to be determined annually in
10 advance by the administrator. The member contribution rate is the greater of

11 (1) 8.65 percent; or

12 (2) one-half of the normal cost rate actuarially calculated to fund the benefits expected to be
13 earned by active members during the fiscal year.

14 (b) Notwithstanding (a) of this section, the member contribution rate may not increase more
15 than one-half of a percentage point annually.

16

17 **New Bill Section:** AS 44.85.010 (a) is amended by adding a new section to read:

18 (4) to assist governmental employers to prepay all or a portion of their share of
19 unfunded accrued actuarial liabilities of retirement systems in an effort to reduce their
20 costs of satisfying their contractual obligations to provide retirement and other benefits
21 to public employees through the issuance of bonds, notes, or commercial paper by the
22 bond bank authority or by a subsidiary corporation created by the bond bank authority
23 under AS 44.85.085.

24

25

1 **New Bill Section:** AS 44.85.010 (b) is amended to read:

2 (1) the exercise of the powers of the state in the interest of its municipalities and in the
3 interest of public employees of the state and of its municipalities is required to further and
4 implement the policies declared in (a) of this section by authorizing the creation of a state
5 bond bank authority as a body corporate and politic that will have full powers to borrow
6 money and to issue its bonds and notes to make capital funds available for borrowing by
7 municipalities and for borrowing by or on behalf of governmental employers, by
8 authorizing governmental employers to contract with the bond bank authority or with a
9 subsidiary created under AS 44.85.085 for the purpose of reducing future costs of
10 providing retirement and other benefits to employees, and by granting broad powers to
11 the bond bank authority to carry out the declared policies, which are in the public interest of
12 the state and its taxpayers and residents;

13 (2) state funds should be applied or authorized to be paid to a state bond bank authority
14 only to provide adequate assurance and security to the holders of the bonds or notes of the
15 bond bank authority;

16 (3) the bond bank authority should conduct its operations to provide the lowest rates in
17 terms of borrowing to municipalities and to governmental employers as is consistent with a
18 self-supporting operation with no expectation of subsidization with state funds; the
19 legislature does not intend that the bond bank authority be utilized as a means to finance
20 municipalities or governmental employers beyond their capability to meet repayment
21 schedules and debt service requirements of bonds, notes, commercial paper, or contractual
22 obligations to the bond bank authority [OR NOTES].

23
24 **New Bill Section:** AS 44.85.080 (20) is amended to read:

25 (20) by regulation, create a new entity or new entities for the purpose of issuing
26 negotiable or nonnegotiable revenue bonds, notes, or certificates of participation to finance a
27 self-insurance program for municipalities or municipal joint insurance arrangements
28 organized under AS 21.76 or to provide assistance to governmental employers under AS
29 44.85.085(a); the powers, duties, and membership of the new entity or entities shall be
30 limited to the powers, duties, and membership of the authority and stated in the regulation;

1 the new entity or entities shall each be a public corporation and an instrumentality of the
2 state with the same legal existence and continuing succession as the bond bank authority; and
3

4 **New Bill Section:** AS 44.85 is amended by adding new sections to read:

5 Sec. 44.85.085. Creation of subsidiary corporation.

6 (a) The bond bank authority may create one or more subsidiary corporations for the
7 following purposes:

8 (1) providing financial and other assistance to governmental employers to enable the
9 governmental employers to reduce their costs of providing retirement and other benefits to
10 their employees by prepaying all or a portion of their shares of the unfunded accrued
11 actuarial liabilities of retirement systems;

12 (2) receiving payments and providing servicing for payments to or from participating
13 governmental employers; and

14 (3) performing other duties and providing other services as the subsidiary corporation
15 considers necessary or desirable to further the purposes set out in (1) and (2) of this
16 subsection.

17 (b) The bond bank authority may incorporate under AS 10.20.146 - 10.20.166 a
18 subsidiary corporation created under (a) of this section. The bond bank authority may
19 transfer assets of the bond bank authority to the subsidiary corporation and may agree to
20 secure bonds, notes, commercial paper, or other obligations of the subsidiary corporation
21 with a reserve fund established under AS 44.85.270.

22 (c) A subsidiary corporation created under (a) of this section may borrow money and
23 issue bonds, notes, commercial paper, or other obligations as evidence of that borrowing and
24 may have all the powers of the bond bank authority that the bond bank authority grants to it.
25 The provisions of AS 44.85.130 - 44.85.170 and 44.85.270 - 44.85.390 apply to the
26 subsidiary corporation and to bonds, notes, commercial paper, or other obligations issued by
27 the subsidiary corporation. Unless otherwise provided by the bond bank authority, the debts,
28 liabilities, and obligations of the subsidiary corporation are not the debts, liabilities, or
29 obligations of the bond bank authority.

30 (d) The staff of the bond bank authority serves as staff of a subsidiary corporation
31 created under (a) of this section. The bond bank authority shall determine the membership or

1 the process for selecting the membership of the board of directors of the subsidiary
2 corporation. The bond bank authority may permit some or all of its directors to serve on the
3 board of directors of the subsidiary corporation. Sec. 44.85.086. Powers of subsidiary
4 corporation. A subsidiary corporation created under AS 44.85.085 has the following powers
5 in addition those granted to it under AS 44.85.085(c):

6 (1) to make loans to and enter into contracts with governmental employers;

7 (2) to incur debt in furtherance of its purposes in the form of bonds, notes, commercial
8 paper, or other forms as the subsidiary corporation considers appropriate;

9 (3) to secure its debt with a pledge of any assets that are available to the subsidiary
10 corporation for the purpose, including identified revenue and contractual payments from
11 participating governmental employers, and the general assets and revenue of the subsidiary
12 corporation; and

13 (4) to enter into contracts with underwriters, bond counsel, financial advisors,
14 accountants, actuaries, and other contractors to provide assistance as the subsidiary
15 corporation considers desirable to accomplish its purposes.

16
17 **New Bill Section:** AS 44.85.100(b) is amended to read:

18 (b) The bond bank authority shall include in the report required by (a) of this section an
19 estimate of the amount of revenue bonds of the bond bank authority to be issued during the
20 fiscal year following the fiscal year in which the report is submitted. Other than refunding
21 bonds and other than bonds, notes, commercial paper, or other obligations issued under
22 AS 44.85.086 and 44.85.180(a)(5), the [THE] bond bank authority may not issue revenue
23 bonds [, OTHER THAN REFUNDING BONDS,] in excess of \$75,000,000 during any fiscal
24 year beginning after June 30, 1981, unless the legislature, by law, approves the estimate
25 required by this subsection for that fiscal year.

26
27 **New Bill Section:** add a new section to AS 44.85.180(a) read:

28 (5) assisting governmental employers to prepay all or a portion of their share of the
29 unfunded accrued actuarial liabilities of retirement systems, with security as the bond
30 bank authority considers reasonable.

1 **New Bill Section:** AS 44.85.180(c) is amended to read:

2 (c) Notwithstanding the provisions of (a) and (b) of this section, the total amount of bond
3 bank authority bonds and notes outstanding at any one time [, EXCEPT BONDS OR NOTES
4 ISSUED TO FUND OR REFUND BONDS OR NOTES,] may not exceed \$500,000,000.

5 This subsection does not apply to (1) bonds or notes issued to fund or refund bonds or
6 notes; (2) bonds, notes, commercial paper, and other obligations issued under AS
7 44.85.086 or 44.85.180(a)(5).

8

9 **New Bill Section:** AS 44.85.410(a)(5) is amended by adding a new paragraph to read:

10 (8) "governmental employer" means the State of Alaska or a municipality or other state
11 or municipal governmental entity within the state, including an agency, instrumentality,
12 district, school district, public corporation, department, division, or other subdivision of the
13 state or of a municipality, in its capacity as an employer.

14

15 **Add fiscal note funding TRS component of HB 1.**

16 **Revise other fiscal notes as appropriate.**

failed

24

AMENDMENT

TO BE OFFERED IN HOUSE FINANCE
TO HCSSB 141 (STA) \ "X"

BY REPRESENTATIVE *Croft*

Page 1, line 1 through page 2, line 3:

Delete all material.

Insert: "An Act relating to 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; creating a temporary retirement task force; and providing for an effective date."

Page 2, line 5 through page 112, line 12:

Delete all material.

Insert: "Section 1. AS 37.10.210 is repealed and reenacted to read:

Sec. 37.10.210. Alaska Retirement Management Board. (a) The Alaska Retirement Management Board is established in the Department of Revenue. The board's primary mission is to serve as the trustee of the assets of the state's retirement systems, the State of Alaska Supplemental Annuity Plan, and the deferred compensation program for state employees. Consistent with standards of prudence, the board has the fiduciary obligation to manage and invest these assets in a manner that is sufficient to meet the liabilities and pension obligations of the systems, plan, and program. The board may, with the approval of the commissioner of revenue and upon agreement with the responsible fiduciary, manage and invest other state funds so long as the activity does not interfere with the board's primary mission. In making investments, the board shall exercise the powers and duties of a fiduciary of a state fund under AS 37.10.071.

(b) The Alaska Retirement Management Board consists of nine trustees, as follows:

(1) two members, consisting of the commissioner of administration and the commissioner of revenue;

(2) seven trustees appointed by the governor who meet the eligibility requirements for an Alaska permanent fund dividend and who are professionally credentialed or have recognized competence in investment management, finance, banking, economics, accounting, pension administration, or actuarial analysis as follows:

(A) one trustee who is a member of the general public; the trustee appointed under this subparagraph may not hold another state office, position, or employment and may not be a member or beneficiary of a retirement system managed by the board;

(B) one trustee who is employed as a finance officer for a political subdivision participating in the public employees' retirement system;

(C) one trustee who is employed as a finance officer for a political subdivision participating in the teachers' retirement system;

(D) two of whom are members of the public employees' retirement system selected from a list of nominees submitted by public employees' retirement system bargaining units; and

- (E) two of whom are members of the teachers' retirement system selected from a list of nominees submitted by the teachers' retirement system bargaining units; and
- (c) The trustees, other than the two commissioners, shall serve for staggered terms of six years and may be reappointed or elected to the board for a total of two consecutive terms. A person who has served two consecutive terms may not be reappointed to the board for at least one year.
- (d) The governor may, by written notice to the trustee, remove an appointed trustee for cause. After an appointed trustee receives written notice of removal, the trustee may not participate in board business and may not be counted for purposes of establishing a quorum.
- (e) A vacancy on the board of trustees shall be promptly filled. A person filling a vacancy holds office for the balance of the unexpired term of the person's predecessor, and the balance of the unexpired term served is not included in the three-term limitation under (c) of this section. A vacancy on the board does not impair the authority of a quorum of the board to exercise all the powers and perform all the duties of the board.
- (f) Five trustees constitute a quorum for the transaction of business and the exercise of the powers and duties of the board.
- (g) A trustee may not designate another person to serve on the board in the absence of the trustee.
- (h) The board shall provide annual training to its members on the duties and powers of a fiduciary of a state fund and other training as necessary to keep the members of the board educated about pension management and investment.
- (i) The board shall elect a trustee to serve as chair and a trustee to serve as vice-chair for one-year terms. A trustee may be reelected to serve additional terms as chair or vice-chair."

Insert new section to read:

"Sec. ____ AS 37.10.390 is amended to read:

Sec. 37.10.390. definitions. In AS 37.10.210 – 37.10.390, unless the context otherwise requires,

(1) "board" means the board of trustees of the Alaska Retirement Management [STATE PENSION INVESTMENT] Board;

(2) "fund" means the fund or funds composed of the assets of each of the retirement systems administered and managed by the board;

(3) "recognized competence" means a minimum of 10 years' professional experience working or teaching in the field of investment management, finance, banking, economics, accounting, pension administration, or actuarial analysis;

(4) "retirement systems" or "systems" means the teachers' retirement system, the judicial retirement system, the Alaska National Guard and Alaska Naval Militia retirement system, [AND] the public employees' retirement system, and the elected public officers' retirement system under former AS 39.37.

Withdrawn

AMENDMENT

25

TO BE OFFERED IN HOUSE FINANCE
TO HCSSB 141 (STA) \ "X"

BY REPRESENTATIVE

Page 1, line 1 through page 110, line 23

Delete all material.

Insert New Title:

"An Act relating to establishing the Alaska Retirement Review Task Force; and providing for an effective date."

The uncodified law of the State of Alaska is amended by adding a new section to read:

THE RETIREMENT REVIEW TASK FORCE: It is the intent of the Legislature to create a temporary task force to review the Alaska state retirement systems. The task force sunsets 30 days after the first day of the second regular legislative session following the effective date of this section.

(a) The panel shall be composed of

- (1) a member of the Teachers' Retirement System Board;
- (2) a member of the Public Employees' Retirement System Board;
- (3) a member of the Alaska State Pension Investment Board;
- (4) one senator selected by the minority in the senate;
- (5) one senator selected by the majority in the senate;
- (6) one representative selected by the minority in the house of representatives;
- (7) one representative selected by the majority in the house of representatives;
- (8) two people selected by the governor; and
- (9) two people selected by the governor from a list of union nominations.

(b) Each union representing at least 300 public employees who have as members employees who are beneficiaries of the Teachers' Retirement System (AS 14.25) or the Public Employees' Retirement System (AS 39.35) may submit the name of a person for consideration by the governor under (a) (9) of this section.

(c) The panel shall select a chair who shall conduct the meetings of the panel. Not later than the first day of the second regular session of the Twenty-Fourth Alaska State Legislature, the chair shall notify the revisor of statutes of the findings of the panel.

(d) The panel shall present a report to the legislature containing the task force's assessments and recommendations as provided in this section. The panel shall report to the legislature 120 days after all members are appointed to the board, or 15 days after the first day of the first regular legislative session following the effective date of this section, whichever is first. The report must include the panel's

- (1) preliminary assessment of the financial health of all public employees' retirement plans and all teachers' retirement plans;
- (2) assessment of the actuarial services purchased by board;
- (3) recommendations for additional legislative or administrative policy to improve the financial health of the retirement plans;

- (4) short-term and long-term recommendations for addressing the unfunded liability of the retirement plans; and
 - (5) recommendations for legislative procedures regarding fiscal notes for new legislation affecting the retirement plans.”
- (c)Members of the panel are entitled to transportation and per diem expenses for any meeting as provided in AS 39.20.180.

This Act takes effect immediately under AS 01.10.070(c)”

adopted

AMENDMENT

26

OFFERED IN THE FINANCE COMMITTEE

BY: Rep. Weyhrauch

TO: SB 141 (STA)

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*Page 77 lines 9 and 14
delete "120" and replace
with "100".*

AMENDMENT

27

OFFERED IN THE HOUSE

BY REPRESENTATIVE KELLY

TO: HCS CSSB 141(STA)

1 Page 11, following line 23:

2 Insert a new bill section to read:

3 **** Sec. 20.** AS 14.25.168(a) is repealed and reenacted to read:

4 (a) Except as provided in (c) of this section, the following persons are entitled
5 to major medical insurance coverage under this section:

6 (1) a teacher who is receiving a monthly benefit from the plan and who
7 has elected coverage;

8 (2) the spouse and dependent children of the person described in (1) of
9 this subsection;

10 (3) the surviving spouse of a deceased teacher who is receiving a
11 monthly benefit from the plan and who has elected coverage;

12 (4) the dependent children of a deceased teacher who are dependent on
13 the surviving spouse described in (3) of this subsection."
14

15 Renumber the following bill sections accordingly.
16

17 Page 79, following line 11:

18 Insert a new bill section to read:

19 **** Sec. 116.** AS 39.35.535(a) is repealed and reenacted to read:

20 (a) Except as provided in (d) of this section, the following persons are entitled
21 to major medical insurance coverage under this section:

22 (1) an employee who is receiving a monthly benefit from the plan and
23 who has elected coverage;

- 1 (2) the spouse and dependent children of the person described in (1) of
- 2 this subsection;
- 3 (3) the surviving spouse of a deceased employee who is receiving a
- 4 monthly benefit from the plan and who has elected coverage;
- 5 (4) the dependent children of a deceased employee who are dependent
- 6 on the surviving spouse described in (3) of this subsection."

7

8 Renumber the following bill sections accordingly.

9

10 Page 107, line 25:

11 Delete "sec. 59"

12 Insert "sec. 60"

13

14 Page 107, line 30:

15 Delete "sec. 59"

16 Insert "sec. 60"

17

18 Page 108, line 2:

19 Delete "sec. 59"

20 Insert "sec. 60"

21

22 Page 111, line 9, following "14.25.168":

23 Insert "(c)"

24

25 Page 111, line 20:

26 Delete "39.35.535(a),"

27

28 Page 112, line 4:

29 Delete "SECTIONS 140 AND 141"

30 Insert "SECTIONS 142 AND 143"

31

1 Page 112, line 5:

2 Delete "secs. 140 and 141"

3 Insert "secs. 142 and 143"

4

5 Page 112, line 7:

6 Delete " secs. 139 and 140"

7 Insert "secs. 141 and 142"

8

9 Page 112, line 8:

10 Delete "Sections 10, 11, 13, 14, 19, 87 - 92, 105, 112, and 131"

11 Insert "Sections 10, 11, 13, 14, 19, 88 - 93, 106, 113, and 133"

12

13 Page 112, line 10:

14 Delete "Section 142"

15 Insert "Section 144"

16

17 Page 112, line 11:

18 Delete " secs. 143 and 144 "

19 Insert "secs. 145 and 146"

5/1/05

24-LS0637\X.18
Craver
5/1/05

new adopted
AMENDMENT 27

OFFERED IN THE HOUSE
TO: HCS CSSB 141(STA)

BY REPRESENTATIVE KELLY

1 Page 11, following line 23:

2 Insert a new bill section to read:

3 "* Sec. 20. AS 14.25.168(a) is repealed and reenacted to read:

4 (a) Except as provided in (c) of this section, the following persons are entitled
5 to major medical insurance coverage under this section:

6 (1) for teachers first hired before July 1, 1990,

7 (A) a teacher who is receiving a monthly benefit from the plan
8 and who has elected coverage;

9 (B) the spouse and dependent children of the teacher described
10 in (A) of this paragraph;

11 (C) the surviving spouse of a deceased teacher who is receiving
12 a monthly benefit from the plan and who has elected coverage;

13 (D) the dependent children of a deceased teacher who are
14 dependent on the surviving spouse described in (C) of this paragraph;

15 (2) for teachers first hired on or after July 1, 1990,

16 (A) a teacher who is receiving a monthly benefit from the plan
17 and who has elected coverage for the teacher;

18 (B) the spouse of the teacher described in (A) of this paragraph
19 if the teacher elected coverage for the spouse;

20 (C) the dependent children of the teacher described in (A) of
21 this paragraph if the teacher elected coverage for the dependent children;

22 (D) the surviving spouse of a deceased teacher who is receiving
23 a monthly benefit from the plan and who has elected coverage;

1 (E) the dependent children of a deceased teacher who are
2 dependent on the surviving spouse described in (D) of this paragraph if the
3 surviving spouse has elected coverage for the dependent children."
4

5 Renumber the following bill sections accordingly.

6
7 Page 79, following line 11:

8 Insert a new bill section to read:

9 "* Sec. 116. AS 39.35.535(a) is repealed and reenacted to read:

10 (a) Except as provided in (d) of this section, the following persons are entitled
11 to major medical insurance coverage under this section:

12 (1) for employees first hired before July 1, 1986,

13 (A) an employee who is receiving a monthly benefit from the
14 plan and who has elected coverage;

15 (B) the spouse and dependent children of the employee
16 described in (A) of this paragraph;

17 (C) the surviving spouse of a deceased employee who is
18 receiving a monthly benefit from the plan and who has elected coverage;

19 (D) the dependent children of a deceased employee who are
20 dependent on the surviving spouse described in (C) of this paragraph;

21 (2) for members first hired on or after July 1, 1986,

22 (A) an employee who is receiving a monthly benefit from the
23 plan and who has elected coverage for the employee;

24 (B) the spouse of the employee described in (A) of this
25 paragraph if the employee elected coverage for the spouse;

26 (C) the dependent children of the employee described in (A) of
27 this paragraph if the employee elected coverage for the dependent children;

28 (D) the surviving spouse of a deceased employee who is
29 receiving a monthly benefit from the plan and who has elected coverage;

30 (E) the dependent children of a deceased employee who are
31 dependent on the surviving spouse described in (D) of this paragraph if the

1 surviving spouse has elected coverage for the dependent children."

2

3 Renumber the following bill sections accordingly.

4

5 Page 107, line 25:

6 Delete "sec. 59"

7 Insert "sec. 60"

8

9 Page 107, line 30:

10 Delete "sec. 59"

11 Insert "sec. 60"

12

13 Page 108, line 2:

14 Delete "sec. 59"

15 Insert "sec. 60"

16

17 Page 111, line 9:

18 Delete "14.25.168"

19 Insert "14.25.168(c)"

20

21 Page 111, line 20:

22 Delete "39.35.535(a),"

23

24 Page 112, line 4:

25 Delete "SECTIONS 140 AND 141"

26 Insert "SECTIONS 142 AND 143"

27

28 Page 112, line 5:

29 Delete "secs. 140 and 141"

30 Insert "secs. 142 and 143"

31

1 Page 112, lines 6 - 7:

2 Delete "secs. 139 and 140"

3 Insert "secs. 142 and 143"

4

5 Page 112, following line 7:

6 Insert a new bill section to read:

7 "* Sec. 145. Sections 20 and 116 of this Act take effect January 1, 2006."

8

9 Renumber the following bill sections accordingly.

10

11 Page 112, line 8:

12 Delete "Sections 10, 11, 13, 14, 19, 87 - 92, 105, 112, and 131"

13 Insert "Sections 10, 11, 13, 14, 19, 88 - 93, 106, 113, and 133"

14

15 Page 112, line 10:

16 Delete "Section 142"

17 Insert "Section 144"

18

19 Page 112, line 11:

20 Delete " secs. 143 and 144 "

21 Insert "secs. 145 - 147"

5/1/05

adopted N/O

AMENDMENT

28

OFFERED IN THE FINANCE COMMITTEE

BY: Rep. Weyhrauch

TO: SB 141 (Fin)

1 Add to Page 49

2 New subsection(4)

3 assist
" " in

4 prescribing ~~the~~ policies for the
5 proper operation of the system

6 and carry on other

7 activities that are considered

8 necessary to carry out the

9 intent and purpose of

10 the system in accordance

11 with this chapter; "

12
13
14
15
16 remember accordingly:

17

18

SB 141
Amendment 28

Adopted

By Weyhrauch

Add to Page 49

New subsection (4):

Assist in prescribing the polices for the proper operation of the system and carry on other activities that are considered necessary to carry out the intent and purpose of the system in accordance with this chapter;"

Renumber accordingly.

Failed 5-6 5/1/05

Amendment 29

24-180883-A

Hawker

~~HOUSE BILL NO. 278~~

~~IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION~~

~~BY REPRESENTATIVE HAWKER~~

~~Introduced: 4/19/05
Referred: State Affairs, Finance~~

Conceptual Amendment to
SB 141

~~A BILL~~

~~FOR AN ACT ENTITLED~~

Title Amendment:

1 "An Act relating to the Alaska Municipal Bond Bank Authority; permitting the Alaska
2 Municipal Bond Bank Authority or a subsidiary of the authority to assist state and
3 municipal governmental employers by issuing bonds and other commercial paper to
4 enable the governmental employers to prepay all or a portion of the governmental
5 employers' shares of the unfunded accrued actuarial liabilities of retirement systems
6 and authorizing governmental employers to contract with and to issue bonds, notes, or
7 commercial paper to the authority or its subsidiary corporation for that purpose; and
8 providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

New Sections Added

10 * Section 1. AS 44.85.010 is amended to read:

11 Sec. 44.85.010. Legislative policy. (a) It is the policy of the state to

12 (1) [TO] foster and promote by all reasonable means the provision of

1 adequate capital markets and facilities for borrowing money by municipalities in the
2 state to finance capital improvements or for other authorized purposes, to assist these
3 municipalities in fulfilling their capital needs and requirements by use of borrowed
4 money within statutory interest rate or cost of borrowing limitations, to the greatest
5 extent possible to reduce costs of borrowed money to taxpayers and residents of the
6 state, and equally to encourage continued investor interest in the purchase of bonds or
7 notes of municipalities as sound and preferred securities for investment;

8 (2) [TO] encourage municipalities to continue their independent
9 undertakings and financing of capital improvements and other authorized purposes
10 and to assist them by making capital funds available at reduced interest costs for
11 orderly financing of capital improvements and other purposes especially during
12 periods of restricted credit or money supply, particularly for those municipalities not
13 otherwise able to borrow for capital needs:

14 (3) [TO] assist municipalities to provide for adequate insurance
15 coverage by authorizing the Alaska Municipal Bond Bank Authority to issue
16 negotiable or nonnegotiable revenue bonds, notes, or certificates of participation either
17 directly or through an entity it may create for the purpose of providing a self-insurance
18 program for municipalities or municipal joint insurance arrangements organized under
19 AS 21.76;

20 (4) assist governmental employers to prepay all or a portion of
21 their share of unfunded accrued actuarial liabilities of retirement systems in an
22 effort to reduce their costs of satisfying their contractual obligations to provide
23 retirement and other benefits to public employees through the issuance of bonds,
24 notes, or commercial paper by the bond bank authority or by a subsidiary
25 corporation created by the bond bank authority under AS 44.85.085.

26 (b) The legislature further declares that

27 (1) the exercise of the powers of the state in the interest of its
28 municipalities and in the interest of public employees of the state and of its
29 municipalities is required to further and implement the policies declared in (a) of this
30 section by authorizing the creation of a state bond bank authority as a body corporate
31 and politic that will have full powers to borrow money and to issue its bonds and notes

1 to make capital funds available for borrowing by municipalities and for borrowing
 2 by or on behalf of governmental employers, by authorizing governmental
 3 employers to contract with the bond bank authority or with a subsidiary created
 4 under AS 44.85.085 for the purpose of reducing future costs of providing
 5 retirement and other benefits to employees, and by granting broad powers to the
 6 bond bank authority to carry out the declared policies, which are in the public interest
 7 of the state and its taxpayers and residents;

8 (2) state funds should be applied or authorized to be paid to a state
 9 bond bank authority only to provide adequate assurance and security to the holders of
 10 the bonds or notes of the bond bank authority;

11 (3) the bond bank authority should conduct its operations to provide
 12 the lowest rates in terms of borrowing to municipalities and to governmental
 13 employers as is consistent with a self-supporting operation with no expectation of
 14 subsidization with state funds; the legislature does not intend that the bond bank
 15 authority be utilized as a means to finance municipalities or governmental employers
 16 beyond their capability to meet repayment schedules and debt service requirements of
 17 bonds, notes, commercial paper, or contractual obligations to the bond bank
 18 authority [OR NOTES].

19 * Sec. 2. AS 44.85.080 is amended to read:

20 Sec. 44.85.080. Powers of bond bank authority. The bond bank authority
 21 may

22 (1) sue and be sued;

23 (2) adopt and alter an official seal;

24 (3) make and enforce bylaws and regulations for the conduct of its
 25 business and for the use of its services and facilities;

26 (4) maintain an office at any place in the state;

27 (5) acquire, hold, use, and dispose of its income, revenues, funds, and
 28 money;

29 (6) acquire, rent, lease, hold, use, and dispose of other personal
 30 property for its purposes;

31 (7) subject to AS 44.85.100(b), borrow money and issue its negotiable

1 bonds or notes and provide for and secure their payment, provide for the rights of their
2 holders and purchase, hold and dispose of any of its bonds or notes;

3 (8) fix and revise from time to time and charge and collect fees and
4 charges for the use of its services or facilities;

5 (9) accept gifts or grants from the United States, or from any
6 governmental unit or person, firm, or corporation, carry out the terms or provisions or
7 make agreements with respect to the gifts or grants, and do all things necessary,
8 useful, desirable, or convenient in connection with procuring, accepting, or disposing
9 of the gifts or grants;

10 (10) do anything authorized by this chapter, through its officers,
11 agents, or employees or by contracts with a person;

12 (11) make, enter into, and enforce all contracts necessary, convenient,
13 or desirable for the purposes of the bond bank authority or pertaining to a loan to a
14 political subdivision, a purchase or sale of municipal bonds or other investments, or
15 the performance of its duties and execution of any of its powers under this chapter;

16 (12) purchase or hold municipal bonds at prices and in a manner the
17 bond bank authority considers advisable, and sell municipal bonds acquired or held by
18 it at prices without relation to cost and in a manner the bond bank authority considers
19 advisable;

20 (13) invest funds or money of the bond bank authority not required at
21 the time of investment for loan to political subdivisions for the purchase of municipal
22 bonds, in the same manner as permitted for investment of funds belonging to the state,
23 except as otherwise provided in this chapter;

24 (14) prescribe the form of application or procedure required of a
25 political subdivision for a loan or purchase of its municipal bonds, fix the terms and
26 conditions of the loan or purchase, and enter into agreements with political
27 subdivisions with respect to loans or purchases;

28 (15) render services to a political subdivision in connection with a
29 public or private sale of its municipal bonds, including advisory and other services,
30 and charge for services rendered;

31 (16) charge for its costs and services in review or consideration of a

1 proposed loan to a political subdivision or purchase by the bond bank authority of
 2 municipal bonds of the political subdivision, whether or not the loan is made or the
 3 municipal bonds purchased:

4 (17) fix and establish terms and provisions with respect to a purchase
 5 of municipal bonds by the bond bank authority, including date and maturities of the
 6 bonds, provisions as to redemption or payment before maturity, and any other matters
 7 which in connection with the purchase are necessary, desirable, or advisable in the
 8 judgment of the bond bank authority;

9 (18) procure insurance against any losses in connection with its
 10 property, operations, or assets in amounts and from insurers as it considers desirable;

11 (19) to the extent permitted under its contracts with the holders of
 12 bonds or notes of the bond bank authority, consent to modification of the rate of
 13 interest, time and payment of installment of principal or interest, security or any other
 14 term of a bond or note, contract or agreement of any kind to which the bond bank
 15 authority is a party;

16 (20) by regulation, create a new entity or new entities for the purpose
 17 of issuing negotiable or nonnegotiable revenue bonds, notes, or certificates of
 18 participation to finance a self-insurance program for municipalities or municipal joint
 19 insurance arrangements organized under AS 21.76 or to provide assistance to
 20 governmental employers under AS 44.85.085(a); the powers, duties, and
 21 membership of the new entity or entities shall be limited to the powers, duties, and
 22 membership of the authority and stated in the regulation; the new entity or entities
 23 shall each be a public corporation and an instrumentality of the state with the same
 24 legal existence and continuing succession as the bond bank authority; and

25 (21) do all acts and things necessary, convenient, or desirable to carry
 26 out the powers expressly granted or necessarily implied in this chapter.

27 * Sec. 3. AS 44.85 is amended by adding new sections to read:

28 **Sec. 44.85.085. Creation of subsidiary corporation.** (a) The bond bank
 29 authority may create one or more subsidiary corporations for the following purposes:

30 (1) providing financial and other assistance to governmental employers
 31 to enable the governmental employers to reduce their costs of providing retirement

1 and other benefits to their employees by prepaying all or a portion of their shares of
2 the unfunded accrued actuarial liabilities of retirement systems:

3 (2) receiving payments and providing servicing for payments to or
4 from participating governmental employers; and

5 (3) performing other duties and providing other services as the
6 subsidiary corporation considers necessary or desirable to further the purposes set out
7 in (1) and (2) of this subsection

8 (b) The bond bank authority may incorporate under AS 10.20.146 - 10.20.166
9 a subsidiary corporation created under (a) of this section. The bond bank authority
10 may transfer assets of the bond bank authority to the subsidiary corporation and may
11 agree to secure bonds, notes, commercial paper, or other obligations of the subsidiary
12 corporation with a reserve fund established under AS 44.85.270.

13 (c) A subsidiary corporation created under (a) of this section may borrow
14 money and issue bonds, notes, commercial paper, or other obligations as evidence of
15 that borrowing and may have all the powers of the bond bank authority that the bond
16 bank authority grants to it. The provisions of AS 44.85.130 - 44.85.170 and 44.85.270
17 - 44.85.390 apply to the subsidiary corporation and to bonds, notes, commercial paper,
18 or other obligations issued by the subsidiary corporation. Unless otherwise provided
19 by the bond bank authority, the debts, liabilities, and obligations of the subsidiary
20 corporation are not the debts, liabilities, or obligations of the bond bank authority.

21 (d) The staff of the bond bank authority serves as staff of a subsidiary
22 corporation created under (a) of this section. The bond bank authority shall determine
23 the membership or the process for selecting the membership of the board of directors
24 of the subsidiary corporation. The bond bank authority may permit some or all of its
25 directors to serve on the board of directors of the subsidiary corporation.

26 **Sec. 44.85.086. Powers of subsidiary corporation.** A subsidiary corporation
27 created under AS 44.85.085 has the following powers in addition those granted to it
28 under AS 44.85.085(c):

29 (1) to make loans to and enter into contracts with governmental
30 employers;

31 (2) to incur debt in furtherance of its purposes in the form of bonds,

1 notes, commercial paper, or other forms as the subsidiary corporation considers
2 appropriate;

3 (3) to secure its debt with a pledge of any assets that are available to
4 the subsidiary corporation for the purpose, including identified revenue and
5 contractual payments from participating governmental employers, and the general
6 assets and revenue of the subsidiary corporation; and

7 (4) to enter into contracts with underwriters, bond counsel, financial
8 advisors, accountants, actuaries, and other contractors to provide assistance as the
9 subsidiary corporation considers desirable to accomplish its purposes.

10 * Sec. 4. AS 44.85.100(b) is amended to read:

11 (b) The bond bank authority shall include in the report required by (a) of this
12 section an estimate of the amount of revenue bonds of the bond bank authority to be
13 issued during the fiscal year following the fiscal year in which the report is submitted.
14 Other than refunding bonds and other than bonds, notes, commercial paper, or
15 other obligations issued under AS 44.85.086 and 44.85.180(a)(5), the [THE] bond
16 bank authority may not issue revenue bonds [, OTHER THAN REFUNDING
17 BONDS,] in excess of \$75,000,000 during any fiscal year beginning after June 30,
18 1981, unless the legislature, by law, approves the estimate required by this subsection
19 for that fiscal year.

20 * Sec. 5. AS 44.85.180(a) is amended to read:

21 (a) Subject to AS 44.85.100(b), the bond bank authority may issue its bonds or
22 notes in principal amounts that it considers necessary to provide funds for any
23 purposes under this chapter, including

24 (1) the purchase of municipal bonds;

25 (2) the making of loans through the purchase of municipal bonds,
26 notes, or certificates of participation secured by an agreement between the bond bank
27 authority and a municipality or a municipal joint insurance arrangement organized
28 under AS 21.76;

29 (3) the payment, funding, or refunding of the principal of, or interest or
30 redemption premiums on, bonds or notes issued by it whether the bonds or notes or
31 interest to be funded or refunded have or have not become due;

1 (4) the establishment or increase of reserves to secure or to pay bonds
 2 or notes or interest on bonds or notes and all other costs or expenses of the bond bank
 3 authority incident to and necessary or convenient to carry out its corporate purposes
 4 and powers;

5 (5) assisting governmental employers to prepay all or a portion of
 6 their share of the unfunded accrued actuarial liabilities of retirement systems,
 7 with security as the bond bank authority considers reasonable.

8 * Sec. 6. AS 44.85.180(c) is amended to read:

9 (c) Notwithstanding the provisions of (a) and (b) of this section, the total
 10 amount of bond bank authority bonds and notes outstanding at any one time [,
 11 EXCEPT BONDS OR NOTES ISSUED TO FUND OR REFUND BONDS OR
 12 NOTES,] may not exceed \$500,000,000. This subsection does not apply to (1)
 13 bonds or notes issued to fund or refund bonds or notes; (2) bonds, notes,
 14 commercial paper, and other obligations issued under AS 44.85.086 or
 15 44.85.180(a)(5).

16 * Sec. 7. AS 44.85.410(a)(5) is amended by adding a new paragraph to read:

17 (8) "governmental employer" means the State of Alaska or a
 18 municipality or other state or municipal governmental entity within the state, including
 19 an agency, instrumentality, district, school district, public corporation, depart ment,
 20 division, or other subdivision of the state or of a municipality, in its capacity as an
 21 employer.

22 ~~* Sec. 8. This act takes effect immediately under AS 01.10.070(e).~~

SB

141

(FILE 1)

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

First Committee of Referral

REPORTED OUT

APR 06 2005

SENATE FINANCE
COMMITTEE

DATE: 3/14/05

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 7 April 2005

Finance Committee considered SENATE BILL NO. 141

SB 141 PUBLIC EMPLOYEE/TEACHER RETIREMENT

"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; 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; and providing for an effective date."

and recommends:

- be replaced with _____ CS SB 141 (FIN)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:
 Same Title
 New Title

House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

PREVIOUS FISCAL NOTE(S):

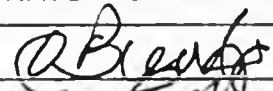
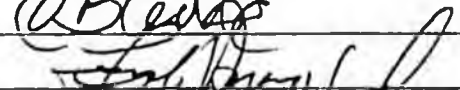
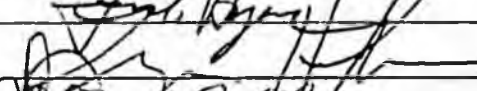
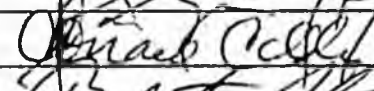
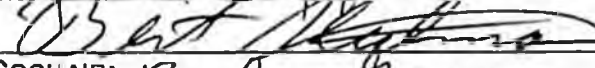
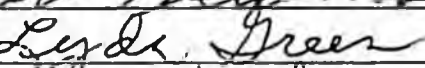
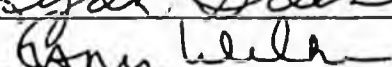
Department	Date	Fiscal	Ind.	Zero	FN#
Admin. Hearings	3/29/05	116.0			
Admin. R & B	4/5/05	936.5			
REV #1 TREASURY	4/5/05	214.5			
REV #2U ASPIB	4/5/05	(4,144.4)			
REV #3 ARMB	4/5/05	4,734.6			

Department	Date	Fiscal	Ind.	Zero	FN#

Rev #4 4/5/05 (31,913.6)
St. Custody Fees

Rev #5 4/5/05 31,913.6
ARM Fees

Admin. (Sen Fin.) 3/17/05
#69,531.8 (fund cap)

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>			
		<input checked="" type="checkbox"/>		
				<input checked="" type="checkbox"/>
	<input checked="" type="checkbox"/>			
COCHAIR: 	<input checked="" type="checkbox"/>			
COCHAIR: 	<input checked="" type="checkbox"/>			

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APR 06 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB141
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue #1
Title An Act relating to the teachers' and public RDU Taxation & Treasury
employees' retirement systems Component Treasury Division
Sponsor Finance
Requester _____ Component No. 121

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	214.5	214.5	214.5	214.5	214.5	214.5
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	214.5	214.5	214.5	214.5	214.5	214.5

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						0.0
1005 GF/Program Receipts						
1017 Benefit Systems (SBS/DC)						0.0
IA from Alaska Retirement Mgmt Board	214.5	214.5	214.5	214.5	214.5	214.5
TOTAL	214.5	214.5	214.5	214.5	214.5	214.5

Estimate of any current year (FY2005) cost: 0.0

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

POSITIONS

Full-time	3	3	3	3	3	3
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis

Prepared by: Betsy Martin, Comptroller
Division: Treasury
Approved by: Tom Boulin, Deputy Commissioner
Agency: Department of Revenue

Phone: 465-2352
Date/Time: 4/5/05 3:28 PM
Date: 4/5/2005

SB141 creates a new 9 member Alaska Retirement Management (ARM) Board and replaces the current 8 member Alaska State Pension Investment Board (ASPIB) staffed by the Treasury Division. It also creates a defined contribution plan with employee and employer contributions, a separate defined benefit health fund and a health care reimbursement trust. Funds currently budgeted under the ASPIB will be transferred to the new board. A summary of the fiscal notes follows.

Summary of Fiscal Notes	FY06	FY07	FY08	FY09	FY10	FY11
Treasury Division fiscal note #1	214.5	214.5	214.5	214.5	214.5	214.5
Alaska State Pension Investment Board fiscal note #2	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4
ARM Board fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6
Total	80.7	480.7	480.7	480.7	480.7	480.7
Back out IA between the two components ¹	-214.5	-214.5	-214.5	-214.5	-214.5	-214.5
SB241 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Note 1: Currently 100% of the Treasury Division's personal services costs are included in the Treasury Division component under personal services. These incremental costs are included in the new ARM budget (as in the prior ASPIB budget as a contractual expense). Simply adding the two budgets would double count this amount.

The following table shows the breakdown of incremental costs by budget category. Following are discussed the assumptions we have made and how these total costs have been allocated between fiscal note 1 and 3.

	FY06	FY07	FY08	FY09	FY10	FY11
Personal Services	214.5	214.5	214.5	214.5	214.5	214.5
Travel	23.9	12.0	12.0	12.0	12.0	12.0
Contractual	327.3	39.2	39.2	39.2	39.2	39.2
Supplies	14.5	.5	.5	.5	.5	.5
SB141 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Assumptions:

Following are the assumptions used in arriving at the estimate of the incremental costs of SB141.

1. A new defined contribution plan will have a similar number and type of options as the current Supplement Benefits System. All options would be available on day one of the new plan. A plan similar to SBS will result in the hire of approximately 6 managers and the establishment of over 30 additional safekeeping accounts at the custodial bank and associated accounting records.
2. There is a need to add 2 additional professional and 1 additional technical staff to include a State Investment Officer II, an Accountant IV and an Accounting Technician III. The total cost included in the fiscal notes per year of these staff is \$214.5.
3. Funding for one extra board meeting in the first year for the new board to organize and receive start-up training as well as funding to reflect 1 additional board member traveling (current budget includes 8 existing members).

4. The costs of computers, office equipment and office space reconfiguration is included in year one for the new staff. In all years funding is included for training, investment software subscriptions (Bloomberg, Yieldbook, S&P and Moody's rating services) and miscellaneous supplies for new staff.
5. In year one, the cost for the external consultant to assist the board in selecting 6 new managers. The current contract cost for manager searches is \$30.0 per search.
6. The costs of an external consultant to calculate performance of the funds quarterly. Costs are expected to be \$30.0 year based on the current contract.
7. In FY2006 \$100.0 to cover the costs of an independent audit review of the performance consultant. It is a requirement in SB141 that this contractor be audited. We expect that audit to occur every 4 to 5 years after the initial audit review.
8. There is a \$40.0 reduction in current costs associated with the election of members as the new board will be appointed by the governor.

Treasury Division fiscal note #1

The Treasury Division's fiscal note includes \$214.5 each year for personal services. There are economies of scale in managing investments. However, the new funds created by Senate Bill 141 would require considerable additional responsibilities. If the number of options paralleled the existing SBS Plan, that would translate to 13 new manager accounts, 34 new custodial accounts and 4 new sets of monthly financial statements with annual audit requirements. The Department of Revenue currently manages a large number of funds with a limited investment and back office staff. In order to prudently meet the prospective demands of Senate Bill 141, Treasury would need to hire an additional investment staff and 2 middle back office staff.

Background

Prudent and productive management of investments is a resource intensive process. Managing a modern portfolio is a broad responsibility which requires significant expertise and high attention to detail.

Investment management responsibilities include designing investment policy guidelines, developing custom asset allocations, conducting investment manager searches, performing investment manager due diligence, negotiating and contracting with prospective managers, managing investment manager relationships, performing periodic portfolio rebalancing, monitoring and evaluating investment performance, presenting and consulting with oversight organizations, and following developments in investment research and analytical tools.

In addition, investment management requires a significant interface with back and middle office functions including fund accounting and audit, managing custody and brokerage relationships, cash management, securities lending, safeguarding assets, and compliance monitoring.

Senate Bill 141 would create the equivalent of four new funds to manage: the Employee Defined Contribution Accounts, the Employer Vesting Accounts, the Medical Program Fund, and the Health Reimbursement Arrangement Trust.

The Employee Defined Contribution Accounts would likely offer employees a reasonably wide range of investment options. As a comparison, the Supplemental Benefits System offers a suite of 6 target or life-style funds and 8 separate asset class funds for a total of 14 options that participants may select from. Deciding on the mix of investment styles to offer, searching for and hiring investment managers, and evaluating and reporting on investment manager performance would be a considerable on-going undertaking.

While Treasury may realize fee economies from existing investment relationships, it is unlikely that the contributions in this account can be commingled with existing accounts. That means that there would be a completely new set of accounts for custodial and accounting purposes.

The Employer Vesting Accounts, the Medical Program Fund, and the Health Reimbursement Arrangement Trust would all likely call for separate custom asset allocations. All three would individually require evaluation, reporting, and periodic portfolio rebalancing. They would also require separate custodial and accounting records including monthly financial reporting and audits.

There is likely to be an additional consequence of the change to a defined contribution plan. Currently there is a population of participants in SBS and Deferred Compensation that monitor their accounts daily. They often have questions whenever there are apparent anomalies in the change in the daily prices of the options. As a general rule, we would say that members of a defined benefit plan are not as price sensitive. The new plan will greatly increase the number of individuals who are monitoring on-line data on a daily basis. This will correlate directly to an increase in the amount of time we spend answering questions.

Alaska State Pension Investment Board fiscal note #2

Alaska Retirement Management Board fiscal note #3

Fiscal note #2 transfers the existing ASPIB budgeted funding to the new ARM board. This fiscal note also includes the ARM board's share of costs expected due to the implementation of SB141.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB budgeted funding fiscal note	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4
Incremental costs from SB141	590.2	266.2	266.2	266.2	266.2	266.2
Total costs on fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6

Total first year costs in fiscal note #3 include \$180.0 for manager selection; \$100.0 for an audit of the board's performance consultant (This audit is a new requirement of SB141. It does not have to occur in the first year, but once done we would expect it to occur every 4 to 5 years.); \$15.0 associated with one additional meeting for organizing and educating the new board members; and, \$29.0 for computers and the office setup for the new positions. These total start-up costs are \$324.0.

On-going costs include interagency chargeback to the ARM for the costs of the 3 new positions totaling \$214.5, travel for the additional board member (the current board has 8 members versus the new board with 9 members) as well as increased due diligence of the new fund managers and training for the new staff in the amount of \$13.0, \$48.7 for the ongoing cost of phones, information technology charge backs, supplies and investment subscription services for the new staff (these include Bloomberg, Yieldbook, S&P and Moody's and Tradeweb), a \$-39.0 reduction in current cost as elections will be eliminated; \$30.0 per year for the calculation of the new funds' performance by an external consultant. These total on-going costs are \$266.2.

State Pension Custody and Management Fees #4
Alaska Retirement Management Board Fees #5

Fiscal note #4 transfers the budgeted funding of the State Pension Custody and Management Fees to a new Alaska Retirement Management Board Fees component (fiscal note #5) in the Department of Revenue for the new ARM Board. This component includes the investment management and custody costs of the existing defined benefit plans and will not be impacted in the foreseeable future by SB141. Please note that in a defined contribution plan, invest manager fees and custodian costs are deducted from the individual accounts daily (through an adjustment to the per share price of the investments). These costs are not included in the Department's budget.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6

SB141 creates a new 9 member Alaska Retirement Management (ARM) Board and replaces the current 8 member Alaska State Pension Investment Board (ASPIB) staffed by the Treasury Division. It also creates a defined contribution plan with employee and employer contributions, a separate defined benefit health fund and a health care reimbursement trust. Funds currently budgeted under the ASPIB will be transferred to the new board. A summary of the fiscal notes follows.

Summary of Fiscal Notes	FY06	FY07	FY08	FY09	FY10	FY11
Treasury Division fiscal note #1	214.5	214.5	214.5	214.5	214.5	214.5
Alaska State Pension Investment Board fiscal note #2	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4
ARM Board fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6
Total	804.7	480.7	480.7	480.7	480.7	480.7
Back out 1/3 between the two components ¹	-214.5	-214.5	-214.5	-214.5	-214.5	-214.5
SB141 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Note 1 - Currently 100% of the Treasury Division's personal services costs are included in the Treasury Division component under personal services. These incremental costs are included in the new ARM budget (as in the prior ASPIB budget as a contractual expense). Simply adding the two budgets would double count this amount.

The following table shows the breakdown of incremental costs by budget category. Following are discussed the assumptions we have made and how these total costs have been allocated between fiscal note 1 and 3.

	FY06	FY07	FY08	FY09	FY10	FY11
Personal Services	214.5	214.5	214.5	214.5	214.5	214.5
Travel	23.0	12.0	12.0	12.0	12.0	12.0
Contractual	337.3	39.2	39.2	39.2	39.2	39.2
Supplies	14.5	.5	.5	.5	.5	.5
SB141 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Assumptions:

Following are the assumptions used in arriving at the estimate of the incremental costs of SB141.

1. A new defined contribution plan will have a similar number and type of options as the current Supplement Benefits System. All options would be available on day one of the new plan. A plan similar to SBS will result in the hire of approximately 6 managers and the establishment of over 30 additional safekeeping accounts at the custodial bank and associated accounting records.
2. There is a need to add 2 additional professional and 1 additional technical staff to include a State Investment Officer II, an Accountant IV and an Accounting Technician III. The total cost included in the fiscal notes per year of these staff is \$214.5.
3. Funding for one extra board meeting in the first year for the new board to organize and receive start-up training as well as funding to reflect 1 additional board member traveling (current budget includes 8 existing members).

4. The costs of computers, office equipment and office space reconfiguration is included in year one for the new staff. In all years funding is included for training, investment software subscriptions (Bloomberg, Yieldbook, S&P and Moody's rating services) and miscellaneous supplies for new staff.
5. In year one, the cost for the external consultant to assist the board in selecting 6 new managers. The current contract cost for manager searches is \$30,0 per search.
6. The costs of an external consultant to calculate performance of the funds quarterly. Costs are expected to be \$30,0/year based on the current contract.
7. In FY2006 \$100,0 to cover the costs of an independent audit/review of the performance consultant. It is a requirement in SB141 that this contractor be audited. We expect that audit to occur every 4 to 5 years after the initial audit review.
8. There is a \$40,0 reduction in current costs associated with the election of members as the new board will be appointed by the governor.

Treasury Division fiscal note #1

The Treasury Division's fiscal note includes \$214.5 each year for personal services. There are economies of scale in managing investments. However, the new funds created by Senate Bill 141 would require considerable additional responsibilities. If the number of options paralleled the existing SBS Plan, that would translate to 13 new manager accounts, 34 new custodial accounts and 4 new sets of monthly financial statements with annual audit requirements. The Department of Revenue currently manages a large number of funds with a limited investment and back office staff. In order to prudently meet the prospective demands of Senate Bill 141, Treasury would need to hire an additional investment staff and 2 middle back office staff.

Background

Prudent and productive management of investments is a resource intensive process. Managing a modern portfolio is a broad responsibility which requires significant expertise and high attention to detail.

Investment management responsibilities include designing investment policy guidelines, developing custom asset allocations, conducting investment manager searches, performing investment manager due diligence, negotiating and contracting with prospective managers, managing investment manager relationships, performing periodic portfolio rebalancing, monitoring and evaluating investment performance, presenting and consulting with oversight organizations, and following developments in investment research and analytic tools.

In addition, investment management requires a significant interface with back and middle office functions including fund accounting and audit, managing custody and brokerage relationships, cash management, securities lending, safeguarding assets, and compliance monitoring.

Senate Bill 141 would create the equivalent of four new funds to manage: the Employee Defined Contribution Accounts, the Employer Vesting Accounts, the Medical Program Fund, and the Health Reimbursement Arrangement Trust.

The Employee Defined Contribution Accounts would likely offer employees a reasonably wide range of investment options. As a comparison, the Supplemental Benefits System offers a suite of 6 target or life style funds and 8 separate asset class funds for a total of 14 options that participants may select from. Deciding on the mix of investment styles to offer, searching for and hiring investment managers, and evaluating and reporting on investment manager performance would be a considerable on-going undertaking.

While Treasury may realize fee economies from existing investment relationships, it is unlikely that the contributions in this account can be commingled with existing accounts. That means that there would be a completely new set of accounts for custodial and accounting purposes.

The Employer Vesting Accounts, the Medical Program Fund, and the Health Reimbursement Arrangement Trust would all likely call for separate custom asset allocations. All three would individually require evaluation, reporting, and periodic portfolio rebalancing. They would also require separate custodial and accounting records including monthly financial reporting and audits.

There is likely to be an additional consequence of the change to a defined contribution plan. Currently there is a population of participants in SBS and Deferred Compensation that monitor their accounts daily. They often have questions whenever there are apparent anomalies in the change in the daily prices of the options. As a general rule, we would say that members of a defined benefit plan are not as price sensitive. The new plan will greatly increase the number of individuals who are monitoring on-line data on a daily basis. This will correlate directly to an increase in the amount of time we spend answering questions.

Alaska State Pension Investment Board fiscal note #2
Alaska Retirement Management Board fiscal note #3

Fiscal note #2 transfers the existing ASPIB budgeted funding to the new ARM board. This fiscal note also includes the ARM board's share of costs expected due to the implementation of SB141.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB budgeted funding fiscal note	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4
Incremental costs from SB141	596.2	266.2	266.2	266.2	266.2	266.2
Total costs on fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6

Total first year costs in fiscal note #3 include \$180.0 for manager selection; \$100.0 for an audit of the board's performance consultant (This audit is a new requirement of SB141. It does not have to occur in the first year, but once done we would expect it to occur every 4 to 5 years.); \$15.0 associated with one additional meeting for organizing and educating the new board members; and, \$29.0 for computers and the office setup for the new positions. These total start-up costs are \$324.0.

On-going costs include interagency chargeback to the ARM for the costs of the 3 new positions totaling \$214.5; travel for the additional board member (the current board has 8 members versus the new board with 9 members) as well as increased due diligence of the new fund managers and training for the new staff in the amount of \$13.0; \$45.7 for the ongoing cost of phones, information technology charge backs, supplies and investment subscription services for the new staff (these include Bloomberg, Yieldbook, S&P and Moody's and TradeWeb); a \$-40.0 reduction in current cost as elections will be eliminated, \$30.0 per year for the calculation of the new funds' performance by an external consultant. These total on-going costs are \$266.2.

State Pension Custody and Management Fees #4
 Alaska Retirement Management Board Fees #5

Fiscal note #4 transfers the budgeted funding of the State Pension Custody and Management Fees to a new Alaska Retirement Management Board Fees component (fiscal note #5) in the Department of Revenue for the new ARM Board. This component includes the investment management and custody costs of the existing defined benefit plans and will not be impacted in the foreseeable future by SB141. Please note that in a defined contribution plan, invest manager fees and custodian costs are deducted from the individual accounts daily (through an adjustment to the per share price of the investments). These costs are not included in the Department's budget.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6

REPORTED OUT

APR 06 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB141
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue #3
Title An Act relating to the teachers' and public RDU Taxation & Treasury
employees' retirement systems Component Alaska Retirement Management
Sponsor Finance Board
Requester _____ Component No. _____

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	214.5	214.5	214.5	214.5	214.5	214.5
Travel	23.9	12.0	12.0	12.0	12.0	12.0
Contractual	4,481.7	4,183.6	4,183.6	4,183.6	4,183.6	4,183.6
Supplies	14.5	0.5	0.5	0.5	0.5	0.5
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()				292.6	339.4	386.2
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FUND SOURCE (Thousands of Dollars)

1029 PERS Retirement	2,553.5	2,553.5	2,553.5	2,553.5	2,553.5	2,553.5
1034 Teachers Retirement	1,277.3	1,277.3	1,277.3	1,277.3	1,277.3	1,277.3
1042 Judicial Retirement	31.6	31.6	31.6	31.6	31.6	31.6
1045 National Guard Retirement	83.0	83.0	83.0	83.0	83.0	83.0
1017 Benefits Systems (SES/DC)	199.0	199.0	398.6	352.1	265.6	465.2
1004 GF	590.2	266.2	65.6	133.1	199.6	0.0
TOTAL	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6

Estimate of any current year (FY2005) cost: 0.0

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis

Prepared by: Betty Martin, Comptroller
Division: Treasury
Approved by: Tom Boulin, Deputy Commissioner
Agency: Department of Revenue

Phone: 465-2352
Date/Time: 4/5/05 3:28 PM
Date: 4/5/2005

SB141 creates a new 9 member Alaska Retirement Management (ARM) Board and replaces the current 8 member Alaska State Pension Investment Board (ASPIB) staffed by the Treasury Division. It also creates a defined contribution plan with employee and employer contributions, a separate defined benefit health fund and a health care reimbursement trust. Funds currently budgeted under the ASPIB will be transferred to the new board. A summary of the fiscal notes follows.

Summary of Fiscal Notes	FY06	FY07	FY08	FY09	FY10	FY11
Treasury Division fiscal note #1	214.5	214.5	214.5	214.5	214.5	214.5
Alaska State Pension Investment Board fiscal note #2	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4
ARM Board fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6
Total	804.7	480.7	480.7	480.7	480.7	480.7
Back out 1A between the two components ¹	-214.5	-214.5	-214.5	-214.5	-214.5	-214.5
SB241 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Note 1: Currently 100% of the Treasury Division's personal services costs are included in the Treasury Division component under personal services. These incremental costs are included in the new ARM budget (as in the prior ASPIB budget as a contractual expense). Simply adding the two budgets would double count this amount.

The following table shows the breakdown of incremental costs by budget category. Following are discussed the assumptions we have made and how these total costs have been allocated between fiscal note 1 and 3.

	FY06	FY07	FY08	FY09	FY10	FY11
Personal Services	214.5	214.5	214.5	214.5	214.5	214.5
Travel	23.9	12.0	12.0	12.0	12.0	12.0
Contractual	337.3	39.2	39.2	39.2	39.2	39.2
Supplies	14.5	.5	.5	.5	.5	.5
SB141 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Assumptions:

Following are the assumptions used in arriving at the estimate of the incremental costs of SB141.

1. A new defined contribution plan will have a similar number and type of options as the current Supplement Benefits System. All options would be available on day one of the new plan. A plan similar to SB3 will result in the hire of approximately 6 managers and the establishment of over 30 additional safekeeping accounts at the custodial bank and associated accounting records.
2. There is a need to add 2 additional professional and 1 additional technical staff to include a State Investment Officer II, an Accountant IV and an Accounting Technician III. The total cost included in the fiscal notes per year of these staff is \$214.5.
3. Funding for one extra board meeting in the first year for the new board to organize and receive start-up training as well as funding to reflect 1 additional board member traveling (current budget includes 8 existing members).

4. The costs of computers, office equipment and office space reconfiguration is included in year one for the new staff. In all years funding is included for training, investment software subscriptions (Bloomberg, Yieldbook, S&P and Moody's rating services) and miscellaneous supplies for new staff.

5. In year one, the cost for the external consultant to assist the board in selecting 6 new managers. The current contract cost for manager searches is \$50.0 per search.

6. The costs of an external consultant to calculate performance of the funds quarterly. Costs are expected to be \$30.0/year based on the current contract.

7. In FY2006 \$100.0 to cover the costs of an independent audit review of the performance consultant. It is a requirement in SB141 that this contractor be audited. We expect that audit to occur every 4 to 5 years after the initial audit review.

8. There is a \$40.0 reduction in current costs associated with the election of members as the new board will be appointed by the governor.

Treasury Division fiscal note #1

The Treasury Division's fiscal note includes \$214.5 each year for personal services. There are economies of scale in managing investments. However, the new funds created by Senate Bill 141 would require considerable additional responsibilities. If the number of options paralleled the existing SBS Plan, that would translate to 13 new manager accounts, 34 new custodial accounts and 4 new sets of monthly financial statements with annual audit requirements. The Department of Revenue currently manages a large number of funds with a limited investment and back office staff. In order to prudently meet the prospective demands of Senate Bill 141, Treasury would need to hire an additional investment staff and 2 middle back office staff.

Background

Prudent and productive management of investments is a resource intensive process. Managing a modern portfolio is a broad responsibility which requires significant expertise and high attention to detail.

Investment management responsibilities include designing investment policy guidelines, developing custom asset allocations, conducting investment manager searches, performing investment manager due diligence, negotiating and contracting with prospective managers, managing investment manager relationships, performing periodic portfolio rebalancing, monitoring and evaluating investment performance, presenting and consulting with oversight organizations, and following developments in investment research and analytic tools.

In addition, investment management requires a significant interface with back and middle office functions including fund accounting and audit, managing custody and brokerage relationships, cash management, securities lending, safeguarding assets, and compliance monitoring.

Senate Bill 141 would create the equivalent of four new funds to manage: the Employee Defined Contribution Accounts, the Employer Vesting Accounts, the Medical Program Fund, and the Health Reimbursement Arrangement Trust.

The Employee Defined Contribution Accounts would likely offer employees a reasonably wide range of investment options. As a comparison, the Supplemental Benefits System offers a suite of 6 target or life-style funds and 8 separate asset class funds for a total of 14 options that participants may select from. Deciding on the mix of investment styles to offer, searching for and hiring investment managers, and evaluating and reporting on investment manager performance would be a considerable on-going undertaking.

While Treasury may realize fee economies from existing investment relationships, it is unlikely that the contributions in this account can be commingled with existing accounts. That means that there would be a completely new set of accounts for custodial and accounting purposes.

The Employer Vesting Accounts, the Medical Program Fund, and the Health Reimbursement Arrangement Trust would all likely call for separate custom asset allocations. All three would individually require evaluation, reporting, and periodic portfolio rebalancing. They would also require separate custodial and accounting records including monthly financial reporting and audits.

There is likely to be an additional consequence of the change to a defined contribution plan. Currently there is a population of participants in SBS and Deferred Compensation that monitor their accounts daily. They often have questions whenever there are apparent anomalies in the change in the daily prices of the options. As a general rule, we would say that members of a defined benefit plan are not as price sensitive. The new plan will greatly increase the number of individuals who are monitoring on-line data on a daily basis. This will correlate directly to an increase in the amount of time we spend answering questions.

Alaska State Pension Investment Board fiscal note #2

Alaska Retirement Management Board fiscal note #3

Fiscal note #2 transfers the existing ASPIB budgeted funding to the new ARM board. This fiscal note also includes the ARM board's share of costs expected due to the implementation of SB141.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB budgeted funding fiscal note	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4
Incremental costs from SB141	590.2	266.2	266.2	266.2	266.2	266.2
Total costs on fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6

Total first year costs in fiscal note #3 include \$180.0 for manager selection; \$100.0 for an audit of the board's performance consultant (This audit is a new requirement of SB141. It does not have to occur in the first year, but once done we would expect it to occur every 4 to 5 years.); \$15.0 associated with one additional meeting for organizing and educating the new board members; and, \$29.0 for computers and the office setup for the new positions. These total start-up costs are \$324.0.

Ongoing costs include interagency chargeback to the ARM for the costs of the 3 new positions totaling \$214.5, travel for the additional board member (the current board has 8 members versus the new board with 9 members) as well as increased due diligence of the new fund managers and training for the new staff in the amount of \$13.0, \$48.7 for the ongoing cost of phones, information technology charge backs, supplies and investment subscription services for the new staff (these include Bloomberg, Yieldbook, S&P and Moody's and Tradeweb); a \$40.0 reduction in current cost as elections will be eliminated; \$30.0 per year for the calculation of the new funds' performance by an external consultant. These total on-going costs are \$266.2.

State Pension Custody and Management Fees #4
Alaska Retirement Management Board Fees #5

Fiscal note #4 transfers the budgeted funding of the State Pension Custody and Management Fees to a new Alaska Retirement Management Board Fees component (fiscal note #5) in the Department of Revenue for the new ARM Board. This component includes the investment management and custody costs of the existing defined benefit plans and will not be impacted in the foreseeable future by SB141. Please note that in a defined contribution plan, invest manager fees and custodian costs are deducted from the individual accounts daily (through an adjustment to the per share price of the investments). These costs are not included in the Department's budget.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6

APR 06 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB141
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue #4
Title An Act relating to the teachers' and public RDU Taxation & Treasury
employees' retirement systems Component State Pension Custody and
Sponsor Finance Management Fees _____
Requester _____ Component No. 2311

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						
Travel						
Contractual	(31,913.6)	(31,913.6)	(31,913.6)	(31,913.6)	(31,913.6)	(31,913.6)
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	(31,913.6)	(31,913.6)	(31,913.6)	(31,913.6)	(31,913.6)	(31,913.6)

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1029 PERS Retirement	(20,692.8)	(20,692.8)	(20,692.8)	(20,692.8)	(20,692.8)	(20,692.8)
1034 Teachers Retirement	(10,760.9)	(10,760.9)	(10,760.9)	(10,760.9)	(10,760.9)	(10,760.9)
1042 Judicial Retirement	(328.4)	(328.4)	(328.4)	(328.4)	(328.4)	(328.4)
1045 National Guard Retirement	(131.5)	(131.5)	(131.5)	(131.5)	(131.5)	(131.5)
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	(31,913.6)	(31,913.6)	(31,913.6)	(31,913.6)	(31,913.6)	(31,913.6)

Estimate of any current year (FY2005) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis

Prepared by: Billy Martin, Comptroller
Division: Treasury
Approved by: Tom Boutin, Deputy Commissioner
Agency: Department of Revenue

Phone: 465-2552
Date/Time: 4/5/05 3:28 PM
Date: 4/5/2005

SB141 creates a new 9 member Alaska Retirement Management (ARM) Board and replaces the current 8 member Alaska State Pension Investment Board (ASPIB) staffed by the Treasury Division. It also creates a defined contribution plan with employee and employer contributions, a separate defined benefit health fund and a health care reimbursement trust. Funds currently budgeted under the ASPIB will be transferred to the new board. A summary of the fiscal notes follows.

Summary of Fiscal Notes	FY06	FY07	FY08	FY09	FY10	FY11
Treasury Division fiscal note #1	214.5	214.5	214.5	214.5	214.5	214.5
Alaska State Pension Investment Board fiscal note #2	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4
ARM Board fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6
Total	804.7	480.7	480.7	480.7	480.7	480.7
Back out IA between the two components ¹	-214.5	-214.5	-214.5	-214.5	-214.5	-214.5
SB141 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Note 1: Currently 100% of the Treasury Division's personal services costs are included in the Treasury Division component under personal services. These incremental costs are included in the new ARM budget (as in the prior ASPIB budget as a contractual expense). Simply adding the two budgets would double count this amount.

The following table shows the breakdown of incremental costs by budget category. Following are discussed the assumptions we have made and how these total costs have been allocated between fiscal note 1 and 3.

	FY06	FY07	FY08	FY09	FY10	FY11
Personal Services	214.5	214.5	214.5	214.5	214.5	214.5
Travel	23.9	12.0	12.0	12.0	12.0	12.0
Contractual	337.3	39.2	39.2	39.2	39.2	39.2
Supplies	14.5	.5	.5	.5	.5	.5
SB141 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Assumptions:

Following are the assumptions used in arriving at the estimate of the incremental costs of SB141.

1. A new defined contribution plan will have a similar number and type of options as the current Supplement Benefits System. All options would be available on day one of the new plan. A plan similar to SBS will result in the hire of approximately 6 managers and the establishment of over 30 additional safekeeping accounts at the custodial bank and associated accounting records.

2. There is a need to add 2 additional professional and 1 additional technical staff to include a State Investment Officer II, an Accountant IV and an Accounting Technician III. The total cost included in the fiscal notes per year of these staff is \$214.5.

3. Funding for one extra board meeting in the first year for the new board to organize and receive start-up training as well as funding to reflect 1 additional board member traveling (current budget includes 8 existing members).

4. The costs of computers, office equipment and office space reconfiguration is included in year one for the new staff. In all years funding is included for training, investment software subscriptions (Bloomberg, Yieldbook, S&P and Moody's rating services) and miscellaneous supplies for new staff.
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Treasury Division fiscal note #1

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Background

Prudent and productive management of investments is a resource intensive process. Managing a modern portfolio is a broad responsibility which requires significant expertise and high attention to detail.

Investment management responsibilities include designing investment policy guidelines, developing custom asset allocations, conducting investment manager searches, performing investment manager due diligence, negotiating and contracting with prospective managers, managing investment manager relationships, performing periodic portfolio rebalancing, monitoring and evaluating investment performance, presenting and consulting with oversight organizations, and following developments in investment research and analytic tools.

In addition, investment management requires a significant interface with back and middle office functions including fund accounting and audit, managing custody and brokerage relationships, cash management, securities lending, safeguarding assets, and compliance monitoring.

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There is likely to be an additional consequence of the change to a defined contribution plan. Currently there is a population of participants in SBS and Deferred Compensation that monitor their accounts daily. They often have questions whenever there are apparent anomalies in the change in the daily prices of the options. As a general rule, we would say that members of a defined benefit plan are not as price sensitive. The new plan will greatly increase the number of individuals who are monitoring on-line data on a daily basis. This will correlate directly to an increase in the amount of time we spend answering questions.

Alaska State Pension Investment Board fiscal note #2

Alaska Retirement Management Board fiscal note #3

Fiscal note #2 transfers the existing ASPIB budgeted funding to the new ARM board. This fiscal note also includes the ARM board's share of costs expected due to the implementation of SB141.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB budgeted funding fiscal note	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4
Incremental costs from SB141	590.2	266.2	266.2	266.2	266.2	266.2
Total costs on fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6

Total first year costs in fiscal note #3 include \$150.0 for manager selection; \$100.0 for an audit of the board's performance consultant (This audit is a new requirement of SB141. It does not have to occur in the first year, but once done we would expect it to occur every 4 to 5 years.); \$15.0 associated with one additional meeting for organizing and educating the new board members; and, \$29.0 for computers and the office setup for the new positions. These total start-up costs are \$324.0.

On-going costs include interagency chargeback to the ARM for the costs of the 3 new positions totaling \$214.5; travel for the additional board member (the current board has 8 members versus the new board with 9 members) as well as increased due diligence of the new fund managers and training for the new staff in the amount of \$13.0; \$48.7 for the ongoing cost of phones, information technology charge backs, supplies and investment subscription services for the new staff (these include Bloomberg, Yieldbook, S&P and Moody's and Ftradeweb); a \$-40.0 reduction in current cost as elections will be eliminated; \$30.0 per year for the calculation of the new funds' performance by an external consultant. These total on-going costs are \$266.2.

State Pension Custody and Management Fees #4
Alaska Retirement Management Board Fees #5

Fiscal note #4 transfers the budgeted funding of the State Pension Custody and Management Fees to a new Alaska Retirement Management Board Fees component (fiscal note #5) in the Department of Revenue for the new ARM Board. This component includes the investment management and custody costs of the existing defined benefit plans and will not be impacted in the foreseeable future by SB141. Please note that in a defined contribution plan, invest manager fees and custodian costs are deducted from the individual accounts daily (through an adjustment to the per share price of the investments). These costs are not included in the Department's budget.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
APM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6

APR 06 2005

SENATE FINANCE COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB141
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue #5
Title An Act relating to the teachers' and public RDU Taxation & Treasury
employees' retirement systems Component ARM Custody and
Sponsor Finance Management Fees
Requester _____ Component No. _____

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						
Travel						
Contractual	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

	20,692.8	20,692.8	20,692.8	20,692.8	20,692.8	20,692.8
1029 PERS Retirement	20,692.8	20,692.8	20,692.8	20,692.8	20,692.8	20,692.8
1034 Teachers Retirement	10,760.9	10,760.9	10,760.9	10,760.9	10,760.9	10,760.9
1042 Judicial Retirement	328.4	328.4	328.4	328.4	328.4	328.4
1045 National Guard Retirement	131.5	131.5	131.5	131.5	131.5	131.5
1037 GF-Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6

Estimate of any current year (FY2005) cost: ()
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by: Bobby Martin, Comptroller Phone: 465-2352
Division: Treasury Date/Time: 4/5/05 3:28 PM
Approved by: Tom Roubin, Deputy Commissioner Date: 4/5/2005
Agency: Department of Revenue

SB141 creates a new 9 member Alaska Retirement Management (ARM) Board and replaces the current 8 member Alaska State Pension Investment Board (ASPIB) staffed by the Treasury Division. It also creates a defined contribution plan with employee and employer contributions, a separate defined benefit health fund and a health care reimbursement trust. Funds currently budgeted under the ASPIB will be transferred to the new board. A summary of the fiscal notes follows.

Summary of Fiscal Notes	FY06	FY07	FY08	FY09	FY10	FY11
Treasury Division fiscal note #1	214.5	214.5	214.5	214.5	214.5	214.5
Alaska State Pension Investment Board fiscal note #2	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4
ARM Board fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6
Total	804.7	480.7	480.7	480.7	480.7	480.7
Back out IA between the two components ¹	-214.5	214.5	-214.5	-214.5	-214.5	-214.5
SB141 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Note 1: Currently 100% of the Treasury Division's personal services costs are included in the Treasury Division component under personal services. These incremental costs are included in the new ARM budget (as in the prior ASPIB budget as a contractual expense). Simply adding the two budgets would double count this amount.

The following table shows the breakdown of incremental costs by budget category. Following are discussed the assumptions we have made and how these total costs have been allocated between fiscal note 1 and 3.

	FY06	FY07	FY08	FY09	FY10	FY11
Personal Services	214.5	214.5	214.5	214.5	214.5	214.5
Travel	23.9	12.0	12.0	12.0	12.0	12.0
Contractual	337.3	39.2	39.2	39.2	39.2	39.2
Supplies	14.5	.5	.5	.5	.5	.5
SB141 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Assumptions:

Following are the assumptions used in arriving at the estimate of the incremental costs of SB141.

1. A new defined contribution plan will have a similar number and type of options as the current Supplement Benefits System. All options would be available on day one of the new plan. A plan similar to SBS will result in the hire of approximately 6 managers and the establishment of over 30 additional safekeeping accounts at the custodial bank and associated accounting records.

2. There is a need to add 2 additional professional and 1 additional technical staff to include a State Investment Officer II, an Accountant IV and an Accounting Technician III. The total cost included in the fiscal notes per year of these staff is \$214.5.

3. Funding for one extra board meeting in the first year for the new board to organize and receive start-up training as well as funding to reflect 1 additional board member traveling (current budget includes 8 existing members).

4. The costs of computers, office equipment and office space reconfiguration is included in year one for the new staff. In all years funding is included for training, investment software subscriptions (Bloomberg, Yieldbook, S&P and Moody's rating services) and miscellaneous supplies for new staff.

5. In year one, the cost for the external consultant to assist the board in selecting 6 new managers. The current contract cost for manager searches is \$30.0 per search.

6. The costs of an external consultant to calculate performance of the funds quarterly. Costs are expected to be \$30.0 year based on the current contract.

7. In FY2006 \$100.0 to cover the costs of an independent audit review of the performance consultant. It is a requirement in SB141 that this contractor be audited. We expect that audit to occur every 4 to 5 years after the initial audit/review.

8. There is a \$40.0 reduction in current costs associated with the election of members as the new board will be appointed by the governor.

Treasury Division fiscal note #1

The Treasury Division's fiscal note includes \$214.5 each year for personal services. There are economies of scale in managing investments. However, the new funds created by Senate Bill 141 would require considerable additional responsibilities. If the number of options paralleled the existing SBS Plan, that would translate to 13 new manager accounts, 34 new custodial accounts and 4 new sets of monthly financial statements with annual audit requirements. The Department of Revenue currently manages a large number of funds with a limited investment and back office staff. In order to prudently meet the prospective demands of Senate Bill 141, Treasury would need to hire an additional investment staff and 2 middle back office staff.

Background

Prudent and productive management of investments is a resource intensive process. Managing a modern portfolio is a broad responsibility which requires significant expertise and high attention to detail.

Investment management responsibilities include designing investment policy guidelines, developing custom asset allocations, conducting investment manager searches, performing investment manager due diligence, negotiating and contracting with prospective managers, managing investment manager relationships, performing periodic portfolio rebalancing, monitoring and evaluating investment performance, presenting and consulting with oversight organizations, and following developments in investment research and analytic tools.

In addition, investment management requires a significant interface with back and middle office functions including fund accounting and audit, managing custody and brokerage relationships, cash management, securities lending, safeguarding assets, and compliance monitoring.

Senate Bill 141 would create the equivalent of four new funds to manage: the Employee Defined Contribution Accounts, the Employer Vesting Accounts, the Medical Program Fund, and the Health Reimbursement Arrangement Trust.

The Employee Defined Contribution Accounts would likely offer employees a reasonably wide range of investment options. As a comparison, the Supplemental Benefits System offers a suite of 6 target or life-style funds and 8 separate asset class funds for a total of 14 options that participants may select from. Deciding on the mix of investment styles to offer, searching for and hiring investment managers, and evaluating and reporting on investment manager performance would be a considerable on-going undertaking.

While Treasury may realize fee economies from existing investment relationships, it is unlikely that the contributions in this account can be commingled with existing accounts. That means that there would be a completely new set of accounts for custodial and accounting purposes.

The Employer Vesting Accounts, the Medical Program Fund, and the Health Reimbursement Arrangement Trust would all likely call for separate custom asset allocations. All three would individually require evaluation, reporting, and periodic portfolio rebalancing. They would also require separate custodial and accounting records including monthly financial reporting and audits.

There is likely to be an additional consequence of the change to a defined contribution plan. Currently there is a population of participants in SBS and Deferred Compensation that monitor their accounts daily. They often have questions whenever there are apparent anomalies in the change in the daily prices of the options. As a general rule, we would say that members of a defined benefit plan are not as price sensitive. The new plan will greatly increase the number of individuals who are monitoring on-line data on a daily basis. This will correlate directly to an increase in the amount of time we spend answering questions.

Alaska State Pension Investment Board fiscal note #2

Alaska Retirement Management Board fiscal note #3

Fiscal note #2 transfers the existing ASPIB budgeted funding to the new ARM board. This fiscal note also includes the ARM board's share of costs expected due to the implementation of SB141.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB budgeted funding fiscal note	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4
Incremental costs from SB141	590.2	266.2	266.2	266.2	266.2	266.2
Total costs on fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6

Total first year costs in fiscal note #3 include \$180.0 for manager selection; \$160.0 for an audit of the board's performance consultant (This audit is a new requirement of SB141. It does not have to occur in the first year, but once done we would expect it to occur every 4 to 5 years.); \$15.0 associated with one additional meeting for organizing and educating the new board members; and, \$29.0 for computers and the office setup for the new positions. These total start-up costs are \$324.0.

On-going costs include interagency chargeback to the ARM for the costs of the 3 new positions totaling \$214.5; travel for the additional board member (the current board has 8 members versus the new board with 9 members) as well as increased due diligence of the new fund managers and training for the new staff in the amount of \$13.0; \$48.7 for the ongoing cost of phones, information technology charge backs, supplies and investment subscription services for the new staff (these include Bloomberg, Yieldbook, S&P and Moody's and Tradeweb), a \$-40.0* reduction in current cost as elections will be eliminated, \$30.0 per year for the calculation of the new funds' performance by an external consultant. These total on-going costs are \$266.2.

State Pension Custody and Management Fees #4
Alaska Retirement Management Board Fees #5

Fiscal note #4 transfers the budgeted funding of the State Pension Custody and Management Fees to a new Alaska Retirement Management Board Fees component (fiscal note #5) in the Department of Revenue for the ARM Board. This component includes the investment management and custody costs of the existing defined benefit plans and will not be impacted in the foreseeable future by SB141. Please note that in a defined contribution plan, invest manager fees and custodian costs are deducted from the individual accounts daily (through an adjustment to the per share price of the investments). These costs are not included in the Department's budget.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6

APR 06 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB141(FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
Title: An Act relation to TRS and PERS creating a RDU: Centralized Administrative Services
defined contribution and health reimbursement plans..... Component: Retirement and Benefits
Sponsor: Senate Finance Committee
Requester: Senate Finance Committee 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	77.5	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)	(92.5)	(41.5)	(121.5)	(41.5)	(41.5)	(41.5)
TOTAL OPERATING	936.5	535.5	402.1	528.6	528.6	528.6

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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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	(9.0)	(4.1)	(12.1)	(4.1)	(4.1)	(4.1)
1034 TRS	(83.5)	(37.4)	(109.4)	(37.4)	(37.4)	(37.4)
Other (Specify Type--Do not abbreviate)			130.9	285.0	427.6	570.1
TOTAL	936.5	535.5	402.1	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	3	3	3	3	3	3
Part-time	0	0	0	0	0	0
Temporary	2	1	0	0	0	0

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 Phone: 465-4408
Division: Retirement and Benefits Date/Time: 4/5/05 1:25 PM
Approved by: Mike Tibbles, Deputy Commissioner Date: 4/5/2005
Agency: Department of Administration

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. CSSB141(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-Eenefits 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 Rptng / Contrib. Recon. - Range 12	46.7	46.7	46.7	46.7
1-Non Permanent Publications Tech I 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
	<u>276.5</u>	<u>227.5</u>	<u>163.1</u>	<u>163.1</u>
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
	<u>37.5</u>	<u>17.5</u>	<u>3.5</u>	<u>5.0</u>
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
	<u>667.0</u>	<u>327.0</u>	<u>352.0</u>	<u>397.0</u>
SUPPLIES: Office supplies, calculators, desk-top software	18.0	5.0	5.0	5.0
EQUIPMENT: Workstation & cubicle, chairs, file cabinets, computers, telephone, set-up costs	30.0	0.0	0.0	0.0
MISCELLANEOUS (BOARD RECONFIGURATION, HEARINGS)				
Board Member Election 2006/2008	-80.0	0.0	-80.0	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
	<u>-92.5</u>	<u>-41.5</u>	<u>-121.5</u>	<u>-41.5</u>
TOTAL	936.5	535.5	402.1	528.6

The above funding source is initially listed as General Fund because the existing 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.

APR 06 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 141
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
Title An Act relating to the teachers' and pu RDU Central Administrative Services
Component Office of Administrative Hearings
Sponsor Senate Finance Committee
Requester Senate Finance Committee Component No. 2771

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	98.0	74.0	74.0	74.0	74.0	74.0
Travel	4.0	4.0	4.0	4.0	4.0	4.0
Contractual	11.0	8.0	8.0	8.0	8.0	8.0
Supplies	1.0	1.0	1.0	1.0	1.0	1.0
Equipment	2.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	116.0	87.0	87.0	87.0	87.0	87.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1007 Interagency Receipts	116.0	87.0	87.0	87.0	87.0	87.0
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate) Int						
TOTAL	116.0	87.0	87.0	87.0	87.0	87.0

Estimate of any current year (FY2005) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time	1					
Part-time		1	1	1	1	1
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill transfers to the Office of Administrative Hearings (OAH) adjudicatory hearing functions now performed by the PERS and TRS boards with assistance from contract legal counsel. OAH would conduct hearings, exercise equitable powers, and issue final decisions, as well as perform ancillary pre-hearing functions presently performed by staff of the Division of Retirement and Benefits.

The numbers of cases referred and hearings conducted, as well as the number that might be resolved through alternative dispute resolution or on motions without an evidentiary hearing, likely would vary somewhat each year. To handle the additional caseload, OAH likely would need to add to the Administrative Law Judge (ALJ) staff a 3/4 PPT in all years except in FY 06, when an ALJ PPT would be needed due to the existing backlog of approximately 150 cases likely to carry over into FY 06.

Prepared by: Terry L. Thurbon, Chief Administrative Law Judge (Acting) Phone 465-1886
Division Office of Administrative Hearings Date/Time 3/29/05 11:20 AM
Approved by: Michael A. Tibbles, Deputy Commissioner Date 3/29/2005
Agency Department of Administration

FISCAL NOTE

REPORTED OUT
APR 06 2005
SENATE FINANCE
COMMITTEE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 141
() Publish Date: 3/14/2005

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
Title "An Act relating to to the teachers' RDU
and public employees' retirement systems..." Component _____
Sponsor Senate Finance Committee
Requester Senate Finance Committee Component No. _____

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						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

FUND CAPITALIZATION	69,531.8					
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	69,531.8					
1005 GF/Program Receipts						
1037 GF/Mental Health						
1029 PERS Trust						
1034 Teach Ret						
TOTAL	69,531.8	0.0	0.0	0.0	0.0	0.0

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						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This fiscal note appropriates \$69,531,800 from the general fund to the PERS and TRS trust funds:

Public Employees' Retirement System (Fund Code 1029): \$67,158.3
Teacher' Retirement System (Fund Code 1034): \$2,373.5

This is the amount required to hold the participating employers harmless from the 5% increase to the employer contribution that is effective July 1, 2005 for the 2006 fiscal year. The employer cost for school districts is handled in HB 1.

See attached summary and detail sheets for the PERS and TRS participating employers.

Prepared by: Senate Finance Committee Phone 465-6600
Division _____ Date/Time 3/17/05 8:24 AM
Approved by: _____ Date 3/17/2005
Agency _____

Public Employees' Retirement System (PERS) & Teachers' Retirement System (TRS)

Composite Employer Contribution Rate - Active Employers

ESTIMATED FY 06 - 07 - 08 - 09 - Change in Employer Contribution

(In Dollars)

(Based on 2004 Valuation; June 30, 2003 Financials)

		Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009	
		AVE	TOTAL	AVE	TOTAL	AVE	TOTAL	AVE	TOTAL
		Increase	Contrib.	Increase	Contrib.	Increase	Contrib.	Increase	Contrib.
Fund	ER Num Employer								
	3/16/2005 7:53 V02								
	TOTAL BOTH PERS AND TRS	108,042,636	386,448,932	111,686,411	510,881,144	115,684,006	644,731,842	48,407,834	716,695,197
TOTAL PERS AND TRS FOR STATE, POLITICAL SUBDIVISIONS, AND SCHOOL DISTRICTS									
	POLITICAL SUBDIVISIONS	18,426,926	55,913,660	19,117,936	77,128,359	19,834,859	99,855,531	3,996,494	107,706,448
	SCHOOL DISTRICTS <i>funded thru HB 1 *</i>	38,510,745	151,099,097	39,581,491	194,745,319	40,890,935	242,029,923	31,260,039	281,411,389
	STATE OF ALASKA	39,966,574	142,083,708	41,460,806	188,853,693	43,013,516	238,938,458	8,939,278	257,086,305
	UNIVERSITY	7,769,429	26,326,893	8,032,460	35,227,657	8,320,689	44,801,844	3,386,468	49,626,975
		104,673,675	375,423,359	108,192,693	495,955,028	112,059,999	625,625,756	47,582,278	696,031,118
TOTAL PERS AND TRS FOR ALL OTHERS									
	ALASKA HOUSING FINANCE CORPORATION	798,115	2,576,315	828,044	3,500,971	859,096	4,491,353	173,098	4,837,817
	ALASKA MUNICIPAL LEAGUE	16,035	129,848	16,636	151,354	17,260	174,289	3,478	184,494
	ALEUTIAN HOUSING AUTHORITY	26,172	100,292	27,154	131,207	28,172	164,300	5,676	176,318
	ALEUTIANS WEST CRSA	2,817	12,148	2,923	15,527	3,033	19,142	611	20,492
	ANCHORAGE PARKING AUTHORITY	52,900	150,024	54,884	210,533	56,942	275,370	11,473	297,472
	BARANOF ISLAND HA	23,645	72,875	24,532	100,140	25,452	129,347	5,128	139,468
	BARTLETT REGIONAL HOSPITAL	890,282	2,872,049	923,667	3,903,418	958,305	5,008,100	193,087	5,394,500
	BERING STRAITS CRSA	3,546	23,248	3,679	27,799	3,817	32,658	769	34,688
	BERING STRAITS RHA	55,837	213,298	57,931	279,228	60,104	349,803	12,110	375,415
	BRISTOL BAY RHA	57,562	203,311	59,721	270,656	61,961	342,766	12,484	368,481
	COOK INLET HOUSING AUTHORITY	134,066	466,283	139,094	622,862	144,310	790,529	29,077	850,120
	COPPER RIVER BASIN RHA	27,798	90,900	28,841	123,150	29,922	157,690	6,029	169,806
	CORDOVA COMMUNITY MEDICAL CENTER	131,150	397,121	136,068	548,081	141,170	709,804	28,444	765,647
	ILISAGVIK COLLEGE	206,157	638,263	213,888	876,086	221,909	1,130,848	44,712	1,219,211
	INTERIOR RHA	52,437	184,474	54,403	245,795	56,444	311,456	11,373	334,851
	INTER-ISLAND FERRY AUTHORITY	6,605	20,582	6,853	28,206	7,110	36,374	1,433	39,211
	NOME JOINT UTILITY SYSTEM	50,792	101,584	52,697	158,090	54,673	218,692	11,016	238,149
	NORTH PACIFIC FISHERY MGMT COUNCIL	57,725	206,271	59,889	275,971	62,135	348,455	12,520	374,425
	NORTH PACIFIC RIM HA	48,977	162,408	50,814	219,313	52,719	280,256	10,622	301,697
	NORTHWEST INUPIAT HOUSING AUTHORITY	28,131	86,757	29,186	119,197	30,281	153,947	6,101	165,991
	PETERSBURG MEDICAL CENTER	149,103	328,027	154,695	495,023	160,496	674,082	32,338	732,439
	SAXMAN SEAPORT	1,996	7,639	2,070	9,996	2,148	12,518	433	13,434
	SITKA COMMUNITY HOSPITAL	225,166	763,762	233,610	1,026,013	242,370	1,306,859	48,835	1,406,138
	SOUTHEAST REGIONAL RESOURCE CENTER	136,869	475,538	141,276	631,599	146,241	799,794	73,287	901,629
	SPECIAL EDUCATION SERVICE AGENCY	84,283	326,902	86,590	422,165	89,445	525,405	69,562	612,514
	TLINGIT-HAIDA RHA	100,793	413,054	104,573	533,739	108,494	662,248	21,860	709,671
		3,368,960	11,025,574	3,493,717	14,926,116	3,624,007	19,106,086	825,556	20,664,079

Public Employees' Retirement System (PERS) & Teachers' Retirement System (TRS)										
Composite Employer Contribution Rate - Active Employers										
ESTIMATED FY 06 - 07 - 08 - 09 - Change in Employer Contribution										
(Based on 2004 Valuation; June 30, 2003 Financials)										
3/16/2005 7:50			Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009	
V02										
ER			AVE		AVE		AVE		AVE	
			Increase		Increase		Increase		Increase	
Fund	Num	Employer	TOTAL		TOTAL		TOTAL		TOTAL	
			Contrib.		Contrib.		Contrib.		Contrib.	
PERS	152	ALASKA HOUSING FINANCE CORPORATION	798,115	2,576,315	828,044	3,500,971	859,096	4,491,353	173,098	4,837,817
PERS	106	ALASKA MUNICIPAL LEAGUE	16,035	129,848	16,636	151,354	17,260	174,289	3,478	184,494
PERS	267	ALEUTIAN HOUSING AUTHORITY	26,172	100,292	27,154	131,207	28,172	164,300	5,676	176,318
PERS	245	ALEUTIANS WEST CRSA	2,817	12,148	2,923	15,527	3,033	19,142	611	20,432
PERS	203	ANCHORAGE PARKING AUTHORITY	52,900	150,024	54,884	210,533	56,942	275,370	11,473	297,472
PERS	281	BARANOF ISLAND HA	23,645	72,875	24,532	100,140	25,452	129,347	5,128	139,468
PERS	219	BARTLETT REGIONAL HOSPITAL	890,282	2,872,049	923,667	3,903,418	958,305	5,008,100	193,087	5,394,500
PERS	237	BERING STRAITS CRSA	3,546	23,248	3,679	27,799	3,817	32,658	769	34,688
PERS	270	BERING STRAITS RHA	55,837	213,298	57,931	279,228	60,104	349,803	12,110	375,415
PERS	223	BRISTOL BAY RHA	57,562	203,311	59,721	270,656	61,961	342,766	12,484	368,481
PERS	262	COOK INLET HOUSING AUTHORITY	134,066	466,283	139,094	622,862	144,310	790,529	29,077	850,120
PERS	224	COPPER RIVER BASIN RHA	27,798	90,900	28,841	123,150	29,922	157,690	6,029	169,806
PERS	163	CORDOVA COMMUNITY MEDICAL CENTER	131,150	397,121	136,068	548,081	141,170	709,804	28,444	765,647
PERS	275	ILISAGVIK COLLEGE	206,157	638,263	213,888	876,086	221,909	1,130,848	44,712	1,219,211
PERS	263	INTERIOR RHA	52,437	184,474	54,403	245,795	56,444	311,456	11,373	324,851
PERS	284	INTER-ISLAND FERRY AUTHORITY	6,605	20,582	6,853	28,206	7,110	36,374	1,433	39,211
PERS	175	NOME JOINT UTILITY SYSTEM	50,792	101,584	52,697	158,090	54,673	218,692	11,016	238,149
PERS	170	NORTH PACIFIC FISHERY MGMT COUNCIL	57,725	208,271	59,889	275,971	62,135	348,455	12,520	374,425
PERS	276	NORTH PACIFIC RIM HA	48,977	162,408	50,814	219,313	52,719	280,256	10,622	301,697
PERS	288	NORTHWEST INUPIAT HOUSING AUTHORITY	28,131	86,757	29,185	119,197	30,281	153,947	6,101	165,991
PERS	187	PETERSBURG MEDICAL CENTER	149,103	328,027	154,695	495,023	160,496	674,082	32,338	732,439
PERS	278	SAXMAN SEAPORT	1,996	7,639	2,070	9,996	2,148	12,518	433	13,434
PERS	165	SITKA COMMUNITY HOSPITAL	225,166	763,762	233,610	1,026,013	242,370	1,306,859	48,835	1,406,138
PERS	279	TLINGIT-HAIDA RHA	100,793	413,654	104,573	533,739	108,494	662,248	21,860	709,671
PERS	167	SOUTHEAST REGIONAL RESOURCE CENTER	86,812	265,298	90,068	365,315	93,445	472,459	18,828	509,525
PERS	218	SPECIAL EDUCATION SERVICE AGENCY	25,409	79,632	26,362	108,980	27,350	140,417	5,511	151,348
Subtotal: Other PERS			3,260,030	10,568,064	3,382,281	14,346,647	3,509,116	18,393,763	707,046	19,810,808
PERS	101	ALASKA, STATE OF	39,655,236	140,776,087	41,142,307	187,197,498	42,685,144	236,902,548	8,600,561	254,647,547
PERS	113	UNIVERSITY OF ALASKA	5,816,153	18,123,132	6,034,258	24,837,007	6,260,543	32,028,938	1,261,427	34,526,682
Subtotal: State & Univ PERS			45,471,388	158,899,219	47,176,566	212,034,505	48,945,687	268,931,486	9,861,988	289,174,229

Public Employees' Retirement System (PERS) & Teachers' Retirement System (TRS)										
Composite Employer Contribution Rate - Active Employers										
ESTIMATED FY 06 - 07 - 08 - 09 - Change In Employer Contribution										
(Based on 2004 Valuation, June 30, 2003 Financials)										
3/16/2005 7:50			Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009	
V02			AVE	TOTAL	AVE	TOTAL	AVE	TOTAL	AVE	TOTAL
ER			Increase	Contrib.	Increase	Contrib.	Increase	Contrib.	Increase	Contrib.
Fund	Num	Employer								
TRS	766	ALASKA GATEWAY SD	122,058	512,643	124,865	649,209	128,736	708,164	132,791	956,097
TRS	758	ALEUTIAN REGION SD	18,118	76,097	18,535	96,382	19,110	118,479	19,711	141,023
TRS	780	ALEUTIANS EAST BOROUGH SD	119,964	503,849	122,723	638,160	126,528	784,471	130,513	939,695
TRS	701	ANCHORAGE SD	8,945,912	37,572,829	9,151,668	47,588,671	9,435,369	58,499,289	9,732,583	70,074,600
TRS	770	ANNETTE ISLAND SD	81,357	341,701	83,229	432,788	85,809	532,014	88,512	637,284
TRS	752	BERING STRAIT SD	556,156	2,335,857	568,948	2,958,530	586,585	3,636,830	605,063	4,356,453
TRS	742	BRISTOL BAY BOROUGH SD	66,251	278,254	67,775	352,429	69,876	433,230	72,077	518,954
TRS	768	CHATHAM SD	65,684	275,875	67,195	349,415	69,278	429,525	71,461	514,516
TRS	771	CHUGACH SD	47,326	198,768	48,414	251,754	49,915	309,473	51,487	370,709
TRS	767	COPPER RIVER SD	144,588	607,270	147,914	769,151	152,499	945,494	157,303	1,132,580
TRS	704	CORDOVA CITY SD	104,904	440,595	107,316	558,045	110,643	685,988	114,128	821,725
TRS	705	CRAIG CITY SD	117,364	492,928	120,063	624,329	123,785	767,468	127,684	919,328
TRS	765	DELTA/GREELY SD	151,836	637,712	155,328	807,707	160,144	992,890	165,188	1,189,354
TRS	764	DENALI BOROUGH SD	84,599	355,315	86,545	450,032	89,227	553,210	92,038	662,675
TRS	744	DILLINGHAM CITY SD	145,270	610,133	148,611	772,777	153,218	949,951	158,044	1,137,919
TRS	706	FAIRBANKS NORTH STAR BOROUGH SD	2,945,480	12,371,017	3,013,226	15,658,777	3,106,636	19,261,146	3,204,495	23,072,367
TRS	735	GALENA CITY SD	227,943	957,362	233,186	1,212,568	240,415	1,490,572	247,988	1,785,513
TRS	707	HAINES BOROUGH SD	93,831	394,089	95,989	499,142	98,965	613,580	102,082	734,990
TRS	708	HOONAH CITY SD	70,670	334,615	81,503	423,813	84,029	520,981	86,676	624,067
TRS	709	HYDABURG CITY SD	35,628	149,638	36,448	189,528	37,578	232,981	38,761	279,081
TRS	761	IDITAROD AREA SD	129,851	545,375	132,838	690,756	136,956	849,125	141,270	1,017,142
TRS	710	JUNEAU BOROUGH SD	1,021,263	4,289,305	1,044,752	5,432,711	1,077,139	6,678,264	1,111,069	7,999,699
TRS	712	KAKE CITY SD	39,935	167,728	40,854	212,440	42,120	261,145	43,447	312,818
TRS	777	KASHUNAMIUT SD	73,716	309,609	75,412	392,142	77,755	492,048	80,199	577,432
TRS	746	KENAI PENINSULA BOROUGH SD	1,918,041	8,055,774	1,962,156	10,203,213	2,022,383	12,542,496	2,086,707	15,024,292
TRS	714	KETCHIKAN GATEWAY BOROUGH SD	406,086	1,957,560	476,806	2,479,389	491,587	3,047,837	507,072	3,650,915
TRS	717	KLAWOCK CITY SD	58,619	246,199	59,967	311,829	61,826	383,322	63,774	459,170
TRS	718	KODIAK ISLAND BOROUGH SD	632,619	2,657,001	647,169	3,365,281	667,232	4,136,837	688,250	4,955,397
TRS	755	KUSPUK SD	140,344	589,445	143,572	746,574	148,023	917,740	152,685	1,089,334
TRS	757	LAKE AND PENINSULA BOROUGH SD	163,178	685,346	166,931	868,040	172,106	1,067,055	177,527	1,278,194
TRS	754	LOWER KUSKOKWIM SD	946,224	3,974,141	967,987	5,033,533	997,995	6,187,567	1,029,432	7,411,907
TRS	753	LOWER YUKON SD	457,613	1,921,973	468,138	2,434,316	482,650	2,992,430	497,853	3,584,545
TRS	722	MATANUSKA-SUSITNA BOROUGH SD	2,589,746	10,876,933	2,649,310	13,776,413	2,731,439	16,934,021	2,817,470	20,285,850
TRS	719	NENANA CITY SD	107,508	451,535	109,981	571,901	113,390	703,020	116,962	842,128
TRS	720	NOME CITY SD	158,350	665,072	161,993	842,361	167,014	1,035,489	172,275	1,240,382
TRS	736	NORTH SLOPE BOROUGH SD	728,566	3,059,978	745,323	3,875,680	768,428	4,764,254	792,634	5,706,962
TRS	751	NORTHWEST ARCTIC BOROUGH SD	631,148	2,650,821	645,664	3,357,454	665,680	4,127,215	686,649	4,943,871
TRS	723	PELICAN CITY SD	7,422	31,173	7,593	39,483	7,828	48,535	8,075	58,139
TRS	724	PETERSBURG CITY SD	147,167	618,100	150,552	782,868	155,219	962,355	160,108	1,152,778
TRS	759	PRIBILOF SD	34,771	146,040	35,571	184,970	36,674	227,378	37,829	272,369

Public Employees' Retirement System (PERS) & Teachers' Retirement System (TRS)										
Composite Employer Contribution Rate - Active Employers										
ESTIMATED FY 06 - 07 - 08 - 09 - Change in Employer Contribution										
(Based on 2004 Valuation; June 30, 2003 Financials)										
3/16/2005 7:50			Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009	
V02										
			AVE		AVE		AVE		AVE	
			Increase		Increase		Increase		Increase	
			TOTAL		TOTAL		TOTAL		TOTAL	
			Contrib.		Contrib.		Contrib.		Contrib.	
Fund	ER Num	Employer								
TRS	746	SAINT MARY'S SD	43,038	184,541	44,949	233,735	46,342	287,323	47,802	344,176
TRS	727	SITKA BOROUGH SD	345,793	1,452,330	353,746	1,839,480	364,712	2,261,216	376,201	2,708,645
TRS	728	SKAGWAY CITY SD	35,750	150,151	36,573	190,177	37,706	233,779	38,894	280,037
TRS	769	SOUTHEAST ISLAND SD	68,398	287,273	69,971	363,852	72,141	447,272	74,413	535,774
TRS	756	SOUTHWEST REGION SD	256,747	1,078,339	262,653	1,365,793	270,795	1,678,927	279,325	2,011,138
TRS	775	TANANA SD	14,438	60,640	14,770	76,805	15,228	94,414	15,708	113,096
TRS	729	UNALASKA CITY SD	108,771	456,838	111,273	578,618	114,722	711,277	118,336	852,019
TRS	730	VALDEZ CITY SD	236,952	995,200	242,102	1,260,492	249,917	1,549,483	257,789	1,856,081
TRS	731	WRANGELL PUBLIC SD	105,026	445,311	108,465	564,018	111,827	693,330	115,350	830,520
TRS	732	YAKUTAT SD	46,921	197,070	48,001	249,603	49,489	306,830	51,048	367,542
TRS	762	YUKON / KOYUKUK SD	193,616	813,312	198,099	1,030,117	204,241	1,266,291	210,674	1,516,854
TRS	763	YUKON FLATS SD	120,969	508,070	123,751	643,507	127,588	791,043	131,607	947,568
TRS	778	YUPIIT SD	112,500	472,499	115,087	598,453	118,655	735,660	122,392	881,226
		Subtotal: School District TRS	26,296,959	110,447,228	26,901,789	139,889,303	27,735,745	171,961,616	28,609,420	205,987,827
TRS	737	ALASKA DEPARTMENT OF EDUCATION	311,338	1,307,621	318,499	1,656,196	328,373	2,035,910	338,716	2,438,758
TRS	733	UNIVERSITY OF ALASKA	1,953,277	8,203,761	1,998,202	10,390,650	2,060,146	12,772,906	2,125,041	15,300,293
TRS	743	SOUTHEAST REGIONAL RESOURCE CENTER	50,057	210,240	51,208	266,284	52,796	327,335	54,459	392,105
TRS	779	SPECIAL EDUCATION SERVICE AGENCY	58,874	247,270	60,228	313,185	62,095	384,988	64,051	461,167
		Subtotal: Other TRS	2,373,546	9,968,892	2,429,137	12,626,314	2,503,410	15,521,139	2,582,267	18,592,322
		TOTAL TRS	28,670,505	120,416,120	29,329,926	152,515,617	30,239,154	187,482,755	31,191,687	224,580,150
		TOTAL BOTH PERS AND TRS	108,042,636	386,448,932	111,686,411	510,881,144	115,684,006	644,731,842	48,407,834	716,695,197

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FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB141-DOA-RB-03-15-05
() Publish Date: _____

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

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 Resol.)	(208.5)	(128.5)	(208.5)	(128.5)	(128.5)	(128.5)
TOTAL OPERATING	820.5	448.5	315.1	441.6	441.6	441.6

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	820.5	448.5	315.1	441.6	441.6	441.6
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	820.5	448.5	315.1	441.6	441.6	441.6

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

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.

Prepared by: Molania Millhorn, Director Phone 465-4408
Division Retirement and Benefits Date/Time 3/21/05 1:17 PM
Approved by: Miko Tibbles, Deputy Commissioner Date 3/21/2005
Agency Department of Administration

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. SB141-DOA-RB-03-15-05

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 - 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 Rptng / 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
	<u>276.5</u>	<u>227.5</u>	<u>163.1</u>	<u>163.1</u>
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
	<u>37.5</u>	<u>17.5</u>	<u>3.5</u>	<u>5.0</u>
CONTRACTUAL:				
Communications & Postage	82.0	17.0	17.0	17.0
Computer system mods - Employer Reporting	80.0	5.0	5.0	5.0
Computer system mods - PERS / TRS Record Integration	80.0	5.0	5.0	5.0
Computer system mods - DC / Web / Remit Modules	80.0	10.0	10.0	10.0
Computer system mods - HRA / Benefit system mods	80.0	10.0	10.0	10.0
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
	<u>667.0</u>	<u>327.0</u>	<u>352.0</u>	<u>397.0</u>
SUPPLIES: Office supplies, calculators, desk-top software	18.0	5.0	5.0	5.0
EQUIPMENT: Workstation & cubicle, chairs, file cabinets, computers, telephone, set-up costs	30.0	0.0	0.0	0.0
MISCELLANEOUS (BOARD RECONFIGURATION)				
Board Member Election 2006/2008	-80.0	0.0	-80.0	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
	<u>-208.5</u>	<u>-128.5</u>	<u>-208.5</u>	<u>-128.5</u>
TOTAL	820.5	448.5	315.1	441.6

The above funding source is initially listed as General Fund because the existing tiers of PERS / TRS are Defined Benefit plans, and the present DC plans, SBS and DCP are legally separate from the intended plan. The new tier members would have to repay the startup costs through fees as the size of the fund grows.

The new plan effective date is July 1, 2005. Therefore, startup costs will start in FY 05, although they have not been provided for. Further, such startup costs also have the same issue, they really are not costs of the PERS and TRS Defined Benefit plans. Tiers 1, 2, and 3 are logically related, tier 4 PERS and Tier 3 TRS would not be. The purpose of the bill is to separate the DB and DC side. Some arrangement will have to be worked out to allow expenditure of funds for the startup that will be reimbursed later. A legal opinion is being sought to determine if the new tier members could repay the startup costs through fees as the size of the fund grows.

CS FOR SENATE BILL NO. 141(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

*Note: drafting error pg 105
final exchange done*

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to the teachers' and public employees' retirement systems and creating
2 defined contribution and health reimbursement plans for members of the teachers'
3 retirement system and the public employees' retirement system who are first hired after
4 July 1, 2005; relating to university retirement programs; establishing the Alaska
5 Retirement Management Board to replace the Alaska State Pension Investment Board,
6 the Alaska Teachers' Retirement Board, and the Public Employees' Retirement Board;
7 adding appeals of the decisions of the administrator of the teachers' and public
8 employees' retirement systems to the jurisdiction of the office of administrative
9 hearings; providing for nonvested members of the teachers' retirement system defined
10 benefit plans to transfer into the teachers' retirement system defined contribution plan
11 and for nonvested members of the public employees' retirement system defined benefit
12 plans to transfer into the public employees' retirement system defined contribution

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1 plan; providing for political subdivisions and public organizations to request to
 2 participate in the public employees' defined contribution retirement plan; and providing
 3 for an effective date."

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. AS 14.25 is amended by adding new sections to read:

6 **Article 1. Administration of the Teachers' Retirement System.**

7 **Sec. 14.25.001. Purpose.** The purpose of this chapter is to encourage
 8 qualified teachers to enter and remain in service with participating employers by
 9 establishing plans for the payment of retirement and death benefits to or on behalf of
 10 the members.

11 **Sec. 14.25.002. Attorney general.** The attorney general of the state is the
 12 legal counsel for the system and shall advise the administrator and represent the
 13 system in a legal proceeding.

14 **Sec. 14.25.003. Administrator.** (a) The commissioner of administration or
 15 the commissioner's designee is the administrator of the system.

16 (b) The commissioner of administration shall adopt regulations to govern the
 17 operation of the system.

18 **Sec. 14.25.004. Powers and duties of the administrator.** (a) The
 19 administrator shall

- 20 (1) establish and maintain an adequate system of accounts;
- 21 (2) transmit the funds deposited in the system to the retirement fund
 22 established and maintained by the Alaska Retirement Management Board;
- 23 (3) approve or disapprove claims for retirement benefits;
- 24 (4) make payments for the various purposes specified;
- 25 (5) submit periodic reports or statements of account that are needed;
- 26 (6) issue a statement of account to an employee not less than once each
 27 year showing the amount of the employee's contributions to the applicable plan in the
 28 system;
- 29 (7) formulate and recommend to the commissioner of administration
 30 regulations to govern the operation of the system;

1 (8) as soon as possible after the close of each fiscal year, and not later
2 than six months after the close of each fiscal year, send to the governor and the
3 legislature an annual statement on the operations of each of the plans in the system
4 containing

5 (A) a balance sheet;

6 (B) a statement of income and expenditures for the previous
7 fiscal year;

8 (C) a report on valuation of trust fund assets;

9 (D) a summary of assets held in the trust fund listed by the
10 categories of investment, as provided by the Alaska Retirement Management
11 Board;

12 (E) other statistical financial data that are necessary for proper
13 understanding of the financial condition of the system as a whole and each plan
14 in the system and the result of its operations;

15 (9) engage an independent certified public accountant to conduct an
16 annual audit of each plan's accounts and the annual report of the system's financial
17 condition and activity;

18 (10) report to the Legislative Budget and Audit Committee concerning
19 the condition and administration of each plan and distribute the report to the members
20 of each plan in the system;

21 (11) publish an information handbook for each plan in the system at
22 intervals that the administrator considers appropriate;

23 (12) meet at least annually with the board to review the condition and
24 management of the retirement systems and to review significant changes to policies,
25 regulations, or benefits; and

26 (13) do whatever else may be necessary to carry out the purposes of
27 each plan in the system.

28 (b) The administrator is authorized to charge fees necessary to members'
29 accounts to cover the ongoing cost of operating each plan in the system.

30 (c) The administrator is authorized to contract with public and private entities
31 to provide record keeping, benefits payments, and other functions necessary for the

1 administration of each plan in the system.

2 **Sec. 14.25.005. Regulations.** (a) Regulations adopted by the commissioner
3 of administration under this chapter relate to the internal management of a state
4 agency, and the adoption of the regulations is not subject to AS 44.62 (Administrative
5 Procedure Act).

6 (b) Notwithstanding (a) of this section, a regulation adopted under this chapter
7 shall be published in the Alaska Administrative Register and Code for informational
8 purposes.

9 (c) Each regulation adopted under this chapter must conform to the style and
10 format requirements of the drafting manual for administrative regulations that is
11 published under AS 44.62.050.

12 (d) At least 30 days before the adoption, amendment, or repeal of a regulation
13 under this chapter, the commissioner of administration shall provide notice of the
14 action that is being considered. The notice shall be

15 (1) posted in public buildings throughout the state;

16 (2) published in one or more newspapers of general circulation in each
17 judicial district of the state;

18 (3) mailed to each person or group that has filed a request for notice of
19 proposed action with the commissioner of administration; and

20 (4) furnished to each member of the legislature and to the Legislative
21 Affairs Agency.

22 (e) Failure to mail notice to a person as required under (d)(3) of this section
23 does not invalidate an action taken by the commissioner of administration.

24 (f) The commissioner of administration may hold a hearing on a proposer's
25 regulation.

26 (g) A regulation adopted under this chapter takes effect 30 days after adoption
27 by the commissioner of administration.

28 (h) Notwithstanding the other provisions of this section, a regulation may be
29 adopted, amended, or repealed, effective immediately, as an emergency regulation by
30 the commissioner of administration. For an emergency regulation to be effective the
31 commissioner must find that the adoption, amendment, or repeal of the regulation is

1 necessary for the immediate preservation of the orderly operation of the system. The
 2 commissioner shall, within 10 days after adoption of an emergency regulation, give
 3 notice of the adoption under (d) of this section.

4 (i) In this section, "regulation" has the meaning given in AS 44.62.640(a).

5 **Sec. 14.25.006. Appeals.** An employer, member, annuitant, or beneficiary
 6 may appeal a decision made by the administrator to the office of administrative
 7 hearings established under AS 44.64. An aggrieved party may appeal a final decision
 8 to the superior court.

9 **Sec. 14.25.007. Investment management of retirement system funds.** The
 10 Alaska Retirement Management Board established under AS 37.10.210 is the
 11 fiduciary of the system funds.

12 **Sec. 14.25.008. Definitions.** In AS 14.25.001 - 14.24.008,

13 (1) "plan" means the retirement plan established in AS 14.25.009 -
 14 14.25.220 or the retirement plan established in AS 14.25.310 - 14.25.590;

15 (2) "system" means all retirement plans established under the teachers'
 16 retirement system.

17 **Article 2. Teachers First Hired before July 1, 2005.**

18 **Sec. 14.25.009. Applicability of AS 14.25.009 - 14.25.220.** The provisions of
 19 AS 14.25.009 - 14.25.220 apply only to members first hired before July 1, 2005.

20 * **Sec. 2.** AS 14.25.010 is amended to read:

21 **Sec. 14.25.010. Retirement plan [SYSTEM] established; federal**
 22 **qualification requirements.** (a) A joint-contributory retirement plan [SYSTEM] for
 23 teachers of the state is created.

24 (b) The retirement plan [SYSTEM] established by AS 14.25.009 - 14.25.220
 25 [THIS CHAPTER] is intended to qualify under 26 U.S.C. 401(a) and 414(d) (Internal
 26 Revenue Code) as a qualified retirement plan established and maintained by the state
 27 for its employees, for the employees of school districts and regional educational
 28 attendance areas in the state, and for the employees of other employers whose
 29 participation is authorized by AS 14.25.009 - 14.25.220 [THIS CHAPTER] and who
 30 participate in this plan [SYSTEM].

31 (c) An amendment to AS 14.25.009 - 14.25.220 [THIS CHAPTER] does not

1 provide a person with a vested right to a benefit if the Internal Revenue Service
 2 determines that the amendment will result in disqualification of the plan under the
 3 Internal Revenue Code.

4 * Sec. 3. AS 14.25.012(b) is amended to read:

5 (b) The plan [SYSTEM] created in AS 14.25.009 - 14.25.220 became
 6 effective as of July 1, 1955, at which time contributions by the participating employers
 7 and members began.

8 * Sec. 4. AS 14.25.012 is amended by adding a new subsection to read:

9 (c) Employees first hired after June 30, 2005, are not eligible to participate in
 10 the plan established in AS 14.25.009 - 14.25.220.

11 * Sec. 5. AS 14.25.040(a) is amended to read:

12 (a) Unless a teacher or member participates in a [HAS ELECTED TO
 13 PARTICIPATE IN THE OPTIONAL] university retirement program under
 14 AS 14.40.661 - 14.40.799, [OR] has filed an election under AS 14.25.043(b), or has
 15 elected to participate in the plan established in AS 14.25.310 - 14.25.59, a teacher
 16 or member contracting for service with a participating employer is subject to
 17 AS 14.25.009 - 14.25.220 [THIS CHAPTER].

18 * Sec. 6. AS 14.25.040(d) is amended to read:

19 (d) A person who is employed at least half-time in the plan [SYSTEM] during
 20 the same period that the person is employed at least half-time in a position in the
 21 public employees' retirement plan [SYSTEM] under AS 39.35.095 - 39.35.680
 22 [AS 39.35] shall receive credited service under each plan [SYSTEM] for half-time
 23 employment. However, the amount of credited service a person receives under the
 24 public employees' retirement plan [SYSTEM] during a school year may not exceed
 25 the amount necessary, when added to the amount of credited service earned during the
 26 school year under the plan [SYSTEM], to equal one year of credited service. A
 27 person who was employed at least half-time in a position in the public employees'
 28 retirement plan [SYSTEM] under AS 39.35.095 - 39.35.680 [AS 39.35] in the same
 29 period that the person was employed at least half-time in a position in this plan
 30 [SYSTEM] may claim credited service in both plans [SYSTEMS] for employment
 31 before May 31, 1989. To obtain this credited service, the person shall claim the

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1 service and verify the period of half-time employment. When eligibility for half-time
 2 service credit has been established, an indebtedness shall be determined to the
 3 retirement plan [SYSTEM , in which the person did not participate. The amount of
 4 the indebtedness is the full actuarial cost of providing benefits for the credited service
 5 claimed. Interest as prescribed by regulation accrues on that indebtedness beginning
 6 on the later of July 1, 1989, or the date on which the member is first eligible to claim
 7 the service. Any outstanding indebtedness existing at the time the person retires will
 8 require an actuarial adjustment to the benefits payable based on that service

9 * Sec. 7. AS 14.25.050(a) is amended to read:

10 (a) Except as provided in (c) of this section, beginning July 1, 2005
 11 [JANUARY 1, 1991], each member shall contribute to the plan a percentage
 12 [SYSTEM AN AMOUNT EQUAL TO 8.65 PERCENT] of the member's base salary
 13 accrued from July 1 to the following June 30, as determined under AS 14.25.052.
 14 The employer shall deduct the contribution from the member's salary at the end of
 15 each payroll period, and the contribution shall be credited by the plan [SYSTEM] to
 16 the member contribution account. The contributions shall be deducted from employee
 17 compensation before the computation of applicable federal taxes and shall be treated
 18 as employer contributions under 26 U.S.C. 414(h)(2). A member may not have the
 19 option of making the payroll deduction directly in cash instead of having the
 20 contribution picked up by the employer.

21 * Sec. 8. AS 14.25 is amended by adding a new section to read:

22 **Sec. 14.25.052. Calculation of member contribution rate.** (a) Each active
 23 member shall contribute a percentage of the member's base salary to be determined
 24 annually in advance by the administrator. The member contribution rate is the greater
 25 of

26 (1) 8.65 percent; or

27 (2) one-half of the normal cost rate actuarially calculated to fund the
 28 benefits expected to be earned by active members during the fiscal year.

29 (b) Notwithstanding (a) of this section, the member contribution rate may not
 30 increase more than one-half of a percentage point annually.

31 * Sec. 9. AS 14.25.070 is amended to read:

1 **Sec. 14.25.070. Contributions by employer.** An employer shall contribute to
 2 the plan [SYSTEM] an amount equal to the percentage, as certified by the board
 3 [ADMINISTRATOR], of the sum total of the base salaries of all members that is
 4 required in addition to member contributions to provide the benefits of AS 14.25.009 -
 5 14.25.220 [THIS CHAPTER] times the sum total of the base salaries paid to members,
 6 including any adjustments to contributions required by AS 14.25.173(a), by the
 7 employer.

8 * **Sec. 10.** AS 14.25.070 is amended by adding a new subsection to read:

9 (b) When added to the member contribution rate calculated under
 10 AS 14.25.052, the employer contribution may not be less than the amount required as
 11 actuarially calculated to fully fund the future liabilities of active members.

12 * **Sec. 11.** AS 14.25.075(a) is amended to read:

13 (a) An employee who is eligible to purchase credited service under
 14 AS 14.25.047 or 14.25.048, a member who is eligible to purchase credited service
 15 under AS 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, or
 16 14.25.107, or a teacher who is eligible to purchase credited service under
 17 AS 14.20.345, AS 14.25.050, [14.25.062,] or 14.25.105, in lieu of making payments
 18 directly to the plan, may elect to have the member's employer make payments as
 19 provided in this section.

20 * **Sec. 12.** AS 14.25.075(b) is amended to read:

21 (b) A member may elect to have the employer make payments for all or any
 22 portion of the amounts payable for the member's purchase of credited service through
 23 a salary reduction program as follows:

24 (1) the amounts paid under a salary reduction program are in lieu of
 25 contributions by the member making the election; the electing member's salary or
 26 other compensation shall be reduced by the amount paid by the employer under this
 27 subsection;

28 (2) the member shall make an irrevocable election under this
 29 subsection to purchase credited service as permitted in AS 14.20.345, AS 14.25.047,
 30 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, 14.25.105, or
 31 14.25.107 before the member's termination of employment; the irrevocable election

1 must specify the number of payroll periods that deductions will be made from the
 2 member's compensation and the dollar amount of deductions for each payroll period
 3 during the specified number of payroll periods; the deductions made under this
 4 paragraph cease upon the earlier of the member's termination of employment with the
 5 employer or the member's death; amounts paid by an employer under (f) of this
 6 section may not be applied toward the payment of the dollar amount of the deductions
 7 representing the portion of the credited service that is being purchased by the member
 8 through payroll deduction in accordance with the member's irrevocable election under
 9 this paragraph;

10 (3) amounts paid by an employer under this subsection shall be treated
 11 as employer contributions for the purpose of determining tax treatment under 26
 12 U.S.C. (Internal Revenue Code); the amounts paid by the employer under this section
 13 may not be included in the member's gross income for income tax purposes until those
 14 amounts are distributed by refund or retirement benefit payments.

15 * Sec. 13. AS 14.25.075(e) is amended to read:

16 (e) Contributions to the plan [SYSTEM] to purchase credited service under
 17 this section do not qualify for treatment under this section if recognition of that service
 18 would cause a member to receive a retirement benefit for the same service from the
 19 plan [SYSTEM] and from one or more other retirement plans or systems of the state.

20 * Sec. 14. AS 14.25.075(f) is amended to read:

21 (f) The administrator may accept rollover contributions from a member [,
 22 AND DIRECT TRANSFERS AS DESCRIBED IN THIS SUBSECTION, FOR THE
 23 PURCHASE, IN WHOLE OR IN PART, OF FORFEITED CREDITED SERVICE
 24 UNDER THIS SECTION FOR THE REINSTATEMENT, IN WHOLE OR IN PART,
 25 OF FORFEITED CREDITED SERVICE UNDER AS 14.25.062]. Contributions
 26 made under this subsection may not be applied to purchase service being paid under
 27 (b) of this section. A rollover contribution [OR TRANSFER] as described in this
 28 subsection shall be treated as employer contributions for the purpose of determining
 29 tax treatment under the Internal Revenue Code and may be made by any one or a
 30 combination of the following methods:

31 (1) subject to the limitations prescribed in 26 U.S.C. 402(c), accepting

1 eligible rollover distributions directly from one or more retirement programs of
 2 another employer that are qualified under 26 U.S.C. 401(a) or accepting rollovers
 3 directly from a member;

4 (2) subject to the limitations prescribed in 26 U.S.C. 408(d)(3)(A)(ii),
 5 accepting from a member conduit rollover contributions that are received by the
 6 member from one or more conduit rollover individual retirement accounts previously
 7 established by the member;

8 (3) subject to the limitations prescribed in 26 U.S.C. 403(b)(13),
 9 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
 10 member, on or after January 1, 2002, from a tax sheltered annuity described in 26
 11 U.S.C. 403(b);

12 (4) subject to the limitations prescribed in 26 U.S.C. 457(e)(17),
 13 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
 14 member, on or after January 1, 2002, from an eligible deferred compensation plan of a
 15 tax-exempt organization or a state or local government described in 26 U.S.C. 457(b);

16 (5) accepting direct trustee-to-trustee transfer from an account
 17 established for the benefit of the member in AS 39.30.150 - 39.30.180 (Alaska
 18 Supplemental Annuity Plan).

19 * Sec. 15. AS 14.25.075(i) is amended to read:

20 (i) On satisfaction of the eligibility requirements of AS 14.20.345,
 21 AS 14.25.047, 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100,
 22 14.25.105, or 14.25.107, the requirements of this section, and the administrative filing
 23 requirements specified by the administrator, the plan shall adjust the member's
 24 credited service history and add any additional service credits acquired.

25 * Sec. 16. AS 14.25.115(a) is amended to read:

26 (a) A teacher in membership service on or after July 1, 1977, who is appointed
 27 to retirement on or after July 1, 1978, may elect to apply unused sick leave credit in
 28 computing the total number of years of credited service under AS 14.25.110(d) except
 29 for sick leave earned while participating in a [THE OPTIONAL] university retirement
 30 program under AS 14.40.661 - 14.40.799. To obtain service credit for unused sick
 31 leave, a teacher must apply to the administrator not [NO] later than one year after

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1 appointment to retirement. Unused sick leave shall be credited on a day-for-day basis
 2 in accordance with the table for service after July 1, 1969, contained in
 3 AS 14.25.220(45). Teacher contributions may not be required for credited unused sick
 4 leave. #20

5 * Sec. 17. AS 14.25.143(a), as that subsection read following amendment by sec. 3, ch.
 6 146, SLA 1980, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

7 (a) When the administrator determines that the cost of living has increased and
 8 that the financial condition of the retirement fund permits, the administrator shall
 9 increase benefit payments to persons receiving benefits under this plan. For
 10 purposes of this subsection, the financial condition of the fund would only permit
 11 an increase in benefits when the ratio of total fund assets to the accrued liability
 12 meets or exceeds 110 percent. In this subsection, "accrued liability" means the
 13 present value of all member benefits accrued by member service in this plan
 14 [SYSTEM]. #19

15 * Sec. 18. AS 14.25.143(a), as that subsection read following amendment by sec. 12, ch.
 16 106, SLA 1988, until amended by sec. 12, ch. 97, SLA 1990, is amended to read:

17 (a) When the administrator determines that the cost of living has increased and
 18 that the financial condition of the retirement fund [SYSTEM] permits, the
 19 administrator shall increase benefit payments to persons receiving benefits under this
 20 plan. For purposes of this subsection, the financial condition of the fund would
 21 only permit an increase in benefits when the ratio of total fund assets to the
 22 accrued liability meets or exceeds 110 percent. In this subsection, "accrued
 23 liability" means the present value of all member benefits accrued by member
 24 service in this plan [SYSTEM].

25 * Sec. 19. AS 14.25.145 is amended to read:

26 Sec. 14.25.145. Interest on individual accounts. Interest shall be credited to
 27 each teacher's account at the end of each school year at the rate prescribed by the
 28 board [REGULATION] for that year.

29 * Sec. 20. AS 14.25.150 is amended by adding a new subsection to read:

30 (c) A member who has received a refund of contributions in accordance with
 31 this section forfeits corresponding credited service under AS 14.25.009 - 14.25.220.

1 * Sec. 21. AS 14.25.173(c) is amended to read:

2 (c) At least quarterly, [AT EACH REGULARLY SCHEDULED MEETING
3 OF THE TEACHERS' RETIREMENT BOARD,] the administrator shall report to the
4 commissioner of administration [BOARD] on all situations since the administrator's
5 last report in which an adjustment has been prohibited under (b) of this section. If the
6 commissioner of administration [BOARD] finds that there is reason to believe that
7 one or more of the conditions set out in (b) of this section have not been met, the
8 administrator shall notify the member or beneficiary that an adjustment will be made
9 to recover the overpayment. A member or beneficiary who receives notice of
10 adjustment under this subsection may file a request with the commissioner of
11 administration [APPEAL TO THE BOARD] for a waiver of the adjustment under
12 AS 14.25.175. An adjustment that requires the repayment of benefits may not be
13 required while the waiver request [APPEAL] is pending.

14 * Sec. 22. AS 14.25.175(a) is amended to read:

15 (a) Upon request [APPEAL] by an affected member or beneficiary under (b)
16 of this section, the commissioner of administration [BOARD] may waive an
17 adjustment or a portion of an adjustment made under AS 14.25.173 if, in the opinion
18 of the commissioner of administration [BOARD],

19 (1) the adjustment or portion of the adjustment will cause undue
20 hardship to the member or beneficiary;

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

23 (3) before the adjustment was made, the member or beneficiary
24 received confirmation from the administrator that the member's or beneficiary's
25 records were correct; and

26 (4) the member or beneficiary had no reasonable grounds to believe
27 the records were incorrect before the adjustment was made.

28 * Sec. 23. AS 14.25.175(b) is amended to read:

29 (b) In order to obtain consideration of a waiver under this section, the affected
30 member or beneficiary shall file a request with [MUST APPEAL TO] the
31 commissioner of administration [BOARD] in writing within 30 days after receipt of