

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 3025

1 of the American Academy of Actuaries and conduct experience analyses of the
2 retirement systems not less than once every four years, except for health cost
3 assumptions, which shall be reviewed annually;

4 (9) contract for an independent audit of the state's actuary not less than
5 once every four years;

6 (10) contract for an independent audit of the state's performance
7 consultant not less than once every four years;

8 (11) obtain an external performance review to evaluate the investment
9 policies of each fund entrusted to the board and report the results of the review to the
10 appropriate fund fiduciary;

11 (12) by the first day of each regular legislative session, report to the
12 governor, the legislature, and the individual employers participating in the state's
13 retirement systems on the financial condition of the systems in regard to

14 (A) the valuation of trust fund assets and liabilities;

15 (B) current investment policies adopted by the board;

16 (C) a summary of assets held in trust listed by the categories of
17 investment;

18 (D) the income and expenditures for the previous fiscal year;

19 (E) the return projections for the next calendar year;

20 (F) one-year, three-year, five-year, and 10-year investment
21 performance for each of the funds entrusted to the board; and

22 (G) other statistical data necessary for a proper understanding
23 of the financial status of the systems;

24 (14) submit quarterly updates of the investment performance reports to
25 the Legislative Budget and Audit Committee; and

26 (15) develop an annual operating budget.

27 (b) The board may

28 (1) employ outside investment advisors to review investment policies;

29 (2) enter into an agreement with the fiduciary of another state fund in
30 order to assume the management and investment of those assets;

31 (3) contract for other services necessary to execute the board's powers

Amendment Number: #10

Bill Number: SB 141

Sponsor: Wilken Date: 4/3/05

Logged In By: Mindy

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR WILKEN

TO: CSSB 141(FIN), Draft Version "F"

Page 39, following line 30:

Insert "(8) contract for annual review of the primary actuarial valuation and the primary actuarial assumptions by a secondary nationally recognized actuarial firm. The review shall be prepared no later than 90 days after the primary actuarial recommendations are received by Alaska Retirement Management Board. Alaska Retirement Management Board shall consider substantial concerns raised by the second firm within 60 days of receiving the review and shall make rate adjustments or take other appropriate actions in order to fulfill their fiduciary duties under this section.

Renumber sections accordingly.

SENATE FINANCE
COMMITTEE
Amendment Number: #11
Bill Number: SB 141
Sponsor: Stedman Date 4/3/05
Logged In By: Mindy

AMENDMENT

OFFERED IN THE SENATE FINANCE COMMITTEE

BY SENATOR STEDMAN

TO: CS SB 141 (FIN) (Version F)

adopted

Page 10 following Line 16, insert new section to read:

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

(a) When the administrator determines that the cost of living has increased and that the financial condition of the retirement fund permits, the administrator shall increase benefit payments to persons receiving benefits under this system. **For purposes of this section, the financial condition of the retirement fund would permit an increase only if the ratio of total fund assets to accrued liabilities meets or exceeds 110%.**

Page 67 following Line 22, insert new section to read:

* Sec. __. AS 39.35.475(a), as that subsection read following amendment by sec. 3, ch. 146, SLA 1980, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

(a) When the administrator determines that the cost of living has increased and that the financial condition of the retirement fund permits, the administrator shall increase benefit payments to persons receiving benefits under this system. **For purposes of this section, the financial condition of the retirement fund would permit an increase only if the ratio of total fund assets to accrued liabilities meets or exceeds 110%.**

SENATE FINANCE COMMITTEE
4 / 3 / 2005 COMMITTEE ACTION

Bill Number	SB 141	
Amendment	# 11	
Motion	adopt	
<u>Motion by</u>	Stedman	
<u>Objection by</u>		
<u>Removed</u>		
<u>Second Objection by</u>		
<u>Committee Member</u>	Y	<u>Vote</u> N
Senator Bunde		
Senator Dyson		
Senator Hoffman		
Senator Olson		
Senator Stedman		
Co-Chair Wilken		
Co-Chair Green		
<u>Tally</u>		
Yea		
Nay		
Absent		
<u>MOTION</u>	Pass	

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

SENATE FINANCE
COMMITTEE

Amendment Number: #12

Bill Number: SB 141

Sponsor: Stedman Date: 4/3/06

Logged In By: Mindy

Amended
AMENDMENT Number _____

OFFERED IN THE SENATE FINANCE COMMITTEE

BY SENATOR STEDMAN

TO: CS SB 141 (FIN) (Version F)

Adopted

Page 37 before Line 1, add intent language to the beginning of Sec 37.10.210:

It is the intent of the legislature that, ^{there be a moratorium of legislation affecting the} after the members of the Alaska Retirement ^{retirement} Management Board are appointed and the board is assembled, ^{the board will} ~~but~~ they report to the ^{systems} legislature within 120 days or ^{6 days after} the start of the next legislative session which ever ^{is sooner, on the following:}

- a. Their preliminary assessment of the health of the retirement system
- b. Their assessment of the state's actuary
- c. Their recommendations for what additional policy measures might be taken by the administration or the legislature to further improve the health of the system
- d. Their recommendations of possible long and short-term financial solutions to the system's unfunded accrued liabilities

e. Their recommendations on what new procedures should be adopted by the legislature ~~and~~ regarding ~~financial notes~~ fiscal notes for ~~the benefit legislation~~ any new legislation affecting the states retirement systems.

SENATE FINANCE COMMITTEE
4/3/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#12 as amended		
Motion	adopt		
<u>Motion by</u>	Stedman		
<u>Objection by</u>	Green		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		

SENATE FINANCE
COMMITTEE

Amendment Number: #12
Bill Number: SB 141
Sponsor: Stedman Date: 4/3/05
Logged In By: Mindy
original

A M E N D M E N T Number _____

OFFERED IN THE SENATE FINANCE COMMITTEE

BY SENATOR STEDMAN

TO: CS SB 141 (FIN) (Version F)

replaced by
Amended Amendment
#12

Page 37 before Line 1, add intent language to the beginning of Sec 37.10.210:

It is the intent of the legislature that after the members of the Alaska Retirement Management Board are appointed and the board is assembled, that they report to the legislature within 120 days or at the start of the next legislative session which ever is sooner, on the following:

- a. Their preliminary assessment of the health of the retirement system
- b. Their assessment of the state's actuary
- c. Their recommendations for what additional policy measures might be taken by the administration or the legislature to further improve the health of the system
- d. Their recommendations of possible long and short-term financial solutions to the system's unfunded accrued liabilities

SENATE FINANCE
COMMITTEE

Amendment Number: #13
Bill Number: SB 141
Sponsor: Stedman Date: 4/3/05
Logged In By: Mindy

AMENDMENT Number _____

OFFERED IN THE SENATE FINANCE COMMITTEE

BY SENATOR STEDMAN

TO: CS SB 141 (FIN) (Version F)

adopted

Page 15

Amend Sec. 14.25.350 (a) to read:

(a) An employer shall contribute to the member's individual account an amount equal to 4.5 [3.5] percent of each member's compensation from July 1 to the following June 30.

Page 71

Amend Sec. 39.35.750 (a) to read:

(a) An employer shall contribute to the member's individual account an amount equal to 4.5 [3.5] percent of each member's compensation from July 1 to the following June 30.

Page 49

Amend Sec. 39.30.370 to read:

Sec.39.30.370. Contributions by employers. For each member of the plan, an employer shall contribute to the teachers' and public employees' retiree health reimbursement arrangement plan trust fund an amount equal to two [ONE] percent of the employer's average annual employee compensation [NOT TO EXCEED \$500 A MEMBER A YEAR].

SENATE FINANCE COMMITTEE
4 / 3 / 2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#13		
Motion	adopt		
<u>Motion by</u>	Stedman		
<u>Objection by</u>	Green		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	<u>Y</u>	<u>Vote</u>	<u>N</u>
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		

FAILED

SENATE FINANCE
COMMITTEE
Amendment Number: #14
Bill Number: SB 141
Sponsor: Olson Date: 4/3/05
Logged In By: Hoffman

AMENDMENT

OFFERED IN THE SENATE

BY SENS. OLSON & HOFFMEN

TO: SB 141 (F version)

Page 37, line 20: Delete "three" and
Insert "two".

Page 37, line 28: Delete "one" and
Insert "two".

SENATE FINANCE COMMITTEE
4/3/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#14		
Motion	adopt		
<u>Motion by</u>	Olson		
<u>Objection by</u>	Green		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Dyson			✓
Senator Hoffman	✓		
Senator Olson	✓		
Senator Stedman	✓		
Senator Bunde			✓
Co-Chair Wilken			✓
Co-Chair Green			✓
<u>Tally</u>			
Yea	3		
Nay	4		
Absent	1		
<u>MOTION</u>	Failed		

Amendment Number # 10A

conceitful

Sen. Wilkey
adopted

Page 39 (8) review actuarial assumptions prepared and certified by a member of the American Academy of Actuaries and conduct experience analyses of the retirement systems not less than once every four years; ~~the~~ ^{results of the} ~~assumption~~ ^{experience} study will include a "peer review" before going to the AFRM for review. Health cost assumptions shall be reviewed annually.

SENATE FINANCE COMMITTEE
4/3/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#10A		
Motion	adpt		
<u>Motion by</u>	Wilken		
<u>Objection by</u>	none		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stedman			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		

Senator Wilken offered the amendment and objected for sake of discussion.

He did not formally remove that objection, but that was the implied intent.

Robin 10/7/05

SENATE FINANCE COMMITTEE
4/3/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#15		
Motion	adopt		
<u>Motion by</u>	Hoffman		
<u>Objection by</u>	Green		
Removed			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Stedman			✓
Senator Bunde			
Senator Dyson			✓
Senator Hoffman	✓		
Senator Olson	✓		
Co-Chair Wilken			✓
Co-Chair Green			✓
<u>Tally</u>			
Yea		2	
Nay		4	
Absent		1	
<u>MOTION</u>	Failed		

conceptual "hybrid"
or
include a "blended plan" as discussed
by working group comprised of both
defined contributions + defined benefits in a tier 4

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Sec. 14.25.350. Contributions by employers. (a) An employer shall contribute to each member's individual account an amount equal to 3.5 percent of the member's compensation from July 1 to the following June 30.

(b) An employer shall also contribute an amount equal to ¹~~3~~.75 percent of each member's compensation from July 1 to the following June 30 to pay for retiree major medical insurance. This contribution shall be paid into the group health and life benefits fund established by the commissioner of administration under AS 39.30.095 and shall be accounted for in accordance with regulations established by the commissioner.

(c) An employer shall also make contributions to the health reimbursement arrangement plan under AS 39.30.300.

Sec. 14.25.360. Rollover contributions and distributions. (a) A teacher entering the plan may elect, at the time and in the manner prescribed by the administrator, to have all or part of a direct rollover distribution from an eligible retirement plan owned by the member paid directly into the member's individual account.

(b) Rollover contributions ~~do not~~ count as a purchase of membership service for the purpose of determining years of service.

(c) A distributee may elect, at the time and in the manner prescribed by the administrator, to have all or part of a direct rollover distribution paid directly to an eligible retirement plan specified by the distributee in the direct rollover.

- (d) In this section,
- (1) "direct rollover" means the payment of an eligible rollover distribution by the plan to an eligible retirement plan specified by a distributee who is eligible to elect a direct rollover;
 - (2) "distributee" means a member, or a beneficiary who is the surviving spouse of the member, or an alternate payee;
 - (3) "eligible retirement plan" means
 - (A) a conduit individual retirement account described in 26 U.S.C. 408(d)(3)(A);
 - (B) an annuity plan described in 26 U.S.C. 403(a);

Sen. Green

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not have the option of making the payroll deduction directly in cash instead of having the contribution picked up by the employer.

Sec. 39.35.740. Employment contributions mandatory. Contributions of employees shall be made by payroll deductions. Every included employee shall be considered to consent to payroll deductions. It is of no consequence that a payroll deduction may cause the compensation paid in cash to an employee to be reduced below the minimum required by law. Payment of an employee's compensation, less payroll deductions, is a full and complete discharge and satisfaction of all claims and demands by the employee relating to remuneration of services during the period covered by the payment, except with respect to the benefits provided under the plan.

Sec. 39.35.750. Contributions by employers. (a) An employer shall contribute to each member's individual account an amount equal to 3.5 percent of the member's compensation from July 1 to the following June 30.

(b) An employer shall also contribute an amount equal to ¹~~3.75~~ percent of each member's compensation from July 1 to the following June 30 to pay for retiree major medical insurance. This contribution shall be paid into the group health and life benefits fund established by the commissioner of administration under AS 39.30.095 and shall be accounted for in accordance with regulations established by the commissioner.

(c) An employer shall also make contributions to the health reimbursement arrangement plan under AS 39.30.300.

Sec. 39.35.760. Rollover contributions and distributions. (a) An employee may elect, at the time and in the manner prescribed by the administrator, to have all or part of a direct rollover distribution from an eligible retirement plan owned by the member paid directly into the member's individual account.

(b) Rollover contributions do not count as a purchase of membership service for the purpose of determining years of service.

(c) A distributee may elect, at the time and in the manner prescribed by the administrator, to have all or part of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in the direct rollover.

(d) In this section,

SENATE FINANCE COMMITTEE
4/3/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#16		
Motion	adopt		
<u>Motion by</u>	Green		
<u>Objection by</u>	none		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		

SENATE FINANCE
COMMITTEE

Amendment Number: #17
Bill Number: SB 14-1
Sponsor: Green Date: 4/5/05
Logged In By: Mindy

24-LS0637\Y.2
Craver
4/5/05

AMENDMENT

OFFERED IN THE SENATE

adopted
BY SENATOR GREEN

TO: CSSB 141(FIN), Draft Version "Y"

1 Page 98, line 18:

2 Delete "a new paragraph"

3 Insert "new paragraphs"

4

5 Page 98, lines 19 - 20:

6 Delete all material and insert:

7 "(36) AS 14.25.006 (teachers' retirement system);

8 (37) AS 39.35.006 (public employees' retirement system)."

SENATE FINANCE COMMITTEE
4/6/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#17		
Motion	adopt		
<u>Motion by</u>	G		
<u>Objection by</u>	G		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stedman			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		

SENATE FINANCE
COMMITTEE

Amendment Number: # 18

Bill Number: SB 141

Sponsor: Green Date: 4/5/05

Logged In By: Mindy

24-LS0637\Y.3

Craver

4/5/05

AMENDMENT

adopted

OFFERED IN THE SENATE

BY SENATOR GREEN

TO: CSSB 141(FIN), Draft Version "Y"

- 1 Page 92, lines 22 - 25:
- 2 Delete all material.

SENATE FINANCE COMMITTEE
4/6/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	# 18		
Motion	adopt		
<u>Motion by</u>	G		
<u>Objection by</u>	G		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION	Pass		

SENATE FINANCE
COMMITTEE #19
Amendment Number: #19
Bill Number: SB 141
Sponsor: Green Date: 4/6/05
Logged In By: Mindy

AMENDMENT

OFFERED IN THE SENATE
TO: CSSB 141(FIN) WORK DRAFT VERSION "Y"

BY SENATOR GREEN
adopted

Page 11, line 5, following "the":

Delete: "plan [SYSTEM]"

Insert: "retirement fund"

Page 21, line 17, following "AS":

Delete: "14.25.430"

Insert: "14.25.410"

Page 46, line 7, following "professional":

Delete: "working"

SENATE FINANCE COMMITTEE
4 / 6 / 2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	#19		
Motion	adopt		
<u>Motion by</u>	G		
<u>Objection by</u>	G		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION	PASS		

SENATE FINANCE
COMMITTEE

Amendment Number: #20
Bill Number: SB 141
Sponsor: Green Date: 4/6/05
Logged In By: Mindy

24-LS0637Y.1
Craver
4/5/05

AMENDMENT

adopted
BY SENATOR GREEN

OFFERED IN THE SENATE

TO: CSSB 141(FIN), Draft Version "Y"

- 1 Page 1, line 4, following "2005;":
2 Insert "relating to university retirement programs;"
3
4 Page 6, line 11:
5 Delete "has elected to participate in the optional"
6 Insert "participates in a [HAS ELECTED TO PARTICIPATE IN THE
7 OPTIONAL]"
8
9 Page 10, following line 22:
10 Insert a new bill section to read:
11 "* Sec. 15. AS 14.25.115(a) is amended to read:
12 (a) A teacher in membership service on or after July 1, 1977, who is appointed
13 to retirement on or after July 1, 1978, may elect to apply unused sick leave credit in
14 computing the total number of years of credited service under AS 14.25.110(d) except
15 for sick leave earned while participating in a [THE OPTIONAL] university retirement
16 program under AS 14.40.661 - 14.40.799. To obtain service credit for unused sick
17 leave, a teacher must apply to the administrator not [NO] later than one year after
18 appointment to retirement. Unused sick leave shall be credited on a day-for-day basis
19 in accordance with the table for service after July 1, 1969, contained in
20 AS 14.25.220(45). Teacher contributions may not be required for credited unused sick
21 leave."
22
23 Renumber the following bill sections accordingly.

1

2 Page 13, following line 18:

3 Insert a new bill section to read:

4 **** Sec. 30.** AS 14.25.220(42) is amended to read:

5 (42) "teacher" and "member" are used interchangeably under this
6 chapter and mean a person eligible to participate in the system and who is covered by
7 the system, limited to

8 (A) a certificated full-time or part-time elementary or
9 secondary teacher, a certificated school nurse, or a certificated person in a
10 position requiring a teaching certificate as a condition of employment in a
11 public school of the state, the Department of Education and Early
12 Development, or the Department of Labor and Workforce Development;

13 (B) a full-time or part-time teacher of the University of Alaska
14 or a person occupying a full-time administrative position at the University of
15 Alaska that requires academic standing; the approval of the administrator must
16 be obtained before an administrative position qualifies for membership in the
17 system; however, a teacher or administrative person at the university who is
18 participating in a [THE OPTIONAL] university retirement program under
19 AS 14.40.661 - 14.40.799 is not a member under this system;

20 (C) a state legislator who elects membership under
21 AS 14.25.040(b);"

22

23 Renumber the following bill sections accordingly.

24

25 Page 14, line 14:

26 Delete "has elected to participate in the optional"

27 Insert "is participating in a"

28

29 Page 36, line 21:

30 Delete "the optional"

31 Insert "a"

1

2 Page 37, lines 25 - 30:

3 Delete all material and insert:

4 **** Sec. 35.** AS 14.40.661 is amended to read:

5 **Sec. 14.40.661. Authority of board.** (a) The board may establish and
 6 maintain [AN OPTIONAL] university retirement programs [PROGRAM] for
 7 eligible employees in which retirement, health, and death benefits are provided
 8 through the purchase of annuity contracts, either fixed, variable, or a combination of
 9 fixed and variable. Participation in a university retirement [THE] program is in
 10 place of participation in a state retirement system. The university may establish
 11 retirement programs for new employees in a participating position at any time.
 12 Retirement programs may be optional or mandatory.

13 (b) The board shall

14 (1) provide for the administration of the retirement programs
 15 [PROGRAM], including procedures for resolving complaints from participating
 16 employees;

17 (2) designate the company or companies to which payment of the
 18 contributions required under AS 14.40.691 may be made, after considering the

19 (A) nature and extent of the rights and benefits that the
 20 contracts will provide to employees who elect to participate and to their
 21 beneficiaries;

22 (B) relation of the contractual rights and benefits to the
 23 contributions to be made under AS 14.40.661 - 14.40.799;

24 (C) suitability of the contractual rights and benefits to the needs
 25 and interests of employees who [ELECTING TO] participate and to the
 26 interest of the university in the employment and retention of employees;

27 (D) ability of the designated company or companies to provide
 28 rights and benefits under the contracts; and

29 (E) efficacy of the contracts in the recruitment and retention of
 30 faculty and administrators;

31 (3) take other actions required to ensure that the retirement programs

1 comply with applicable provisions of 26 U.S.C. 401 - 417 [PROGRAM
2 QUALIFIES AS A QUALIFIED TRUST UNDER 26 U.S.C. 401(a)] (Internal
3 Revenue Code).

4 * Sec. 36. AS 14.40.661 is amended by adding a new subsection to read:

5 (c) The university retirement programs established under this section are not
6 subject to bargaining under AS 23.40.070 - 23.40.260 (Public Employment Relations
7 Act).

8 * Sec. 37. AS 14.40.671(b) is amended to read:

9 (b) An election under (a) of this section to participate in a university
10 retirement [THE] program is irrevocable. The election shall be made in writing on a
11 form provided by the board and approved for the state by the commissioner of
12 administration. The form must be filed with the university not [BOARD NO] later
13 than 30 days after the date on which the employee is notified by the university that
14 the employee is [FIRST BECOMES] eligible to participate in the program. A copy of
15 the form shall be delivered to the appropriate state retirement system. The election
16 becomes irrevocable on the date it is received by the board.

17 * Sec. 38. AS 14.40.671(c) is amended to read:

18 (c) Participation in a university retirement [THE ELECTION TO
19 PARTICIPATE IN THE] program constitutes a waiver of all rights and benefits under
20 the state retirement systems earned on or after the effective date of the election if the
21 participation is optional, or the effective date of the participation if the
22 participation is mandatory, and while the employee is participating in a university
23 retirement [THE] program.

24 * Sec. 39. AS 14.40.671(d) is amended to read:

25 (d) Except as provided in (e) of this section, if a nonvested member of a state
26 retirement system participates [ELECTS TO PARTICIPATE] in a university
27 retirement [THE] program, the employee may choose to transfer the amount in the
28 employee's contribution account to a university retirement [THE] program. If the
29 employee chooses to transfer the account, the appropriate state retirement system shall
30 pay to the university on behalf of the employee an amount equal to the balance in the
31 account. The payment must be made within 45 days after notice of the employee's

1 decision to transfer the employee's contribution account to a university
 2 retirement program [THE ELECTION] is received by the state retirement system.
 3 The financial officer of the university shall [IMMEDIATELY] pay the amount
 4 received to the designated company or companies for the benefit of the employee as
 5 soon as possible. An employee who transfers assets under this subsection may not
 6 reclaim the corresponding service in the state retirement system if the employee is
 7 reemployed under the state retirement system.

8 * Sec. 40. AS 14.40.671(e) is amended to read:

9 (e) An employee whose rights to transfer assets out of a state retirement
 10 system are subject to a qualified domestic relations order is entitled to transfer assets
 11 from the state retirement system to a university retirement [THE] program only if
 12 the requirements for receiving a refund under AS 14.25.150(b), 14.25.360, [OR]
 13 AS 39.35.200(c), or 39.35.760, as appropriate, are met.

14 * Sec. 41. AS 14.40.671(f) is amended to read:

15 (f) If a vested member of a state retirement system participates [ELECTS TO
 16 PARTICIPATE] in a university retirement [THE] program, the employee ceases to
 17 be an active member of the state retirement system on the effective date of the
 18 participation in a university retirement [THE] program. The employee retains all
 19 benefits accrued in the state retirement system.

20 * Sec. 42. AS 14.40.671(g) is amended to read:

21 (g) An employee who does not [ELECT TO] participate in a university
 22 retirement [THE] program under this section becomes or remains a member of the
 23 appropriate state retirement system.

24 * Sec. 43. AS 14.40.671 is amended by adding new subsections to read:

25 (h) Notwithstanding (a) of this section, the university may establish a
 26 mandatory retirement program for new employees.

27 (i) Notwithstanding (b) of this section, the university may offer an employee
 28 who made an election not to participate in an optional university retirement program at
 29 the time the employee was eligible to participate in the program an option to enroll in
 30 a different university retirement program first established by the university after the
 31 effective date of this subsection.

1 * Sec. 44. AS 14.40.681 is amended to read:

2 **Sec. 14.40.681. Retirement system membership.** An [ELIGIBLE] employee
 3 participating [ELECTING TO PARTICIPATE] in a university retirement [THE]
 4 program may not participate in a state retirement system during the time the employee
 5 is employed in a participating position. If the employee is later employed in a position
 6 covered by a state retirement system that is not a participating position, the employee
 7 may not continue to participate in a university retirement [THE] program and shall
 8 begin to participate in the state retirement system.

9 * Sec. 45. AS 14.40.691(c) is amended to read:

10 (c) The board may specify that contributions required by this section are made
 11 by a reduction in salary under 26 U.S.C. 403(b) or 26 U.S.C. 414(h)(2) (Internal
 12 Revenue Code).

13 * Sec. 46. AS 14.40.701 is amended to read:

14 **Sec. 14.40.701. Benefits.** Payment of benefits to participants of the program
 15 is the responsibility of the company or companies designated by the board and is not
 16 the responsibility of the board, the university, or the state. The benefits are payable to
 17 participants or their beneficiaries in accordance with the terms of the applicable
 18 retirement plan document [ANNUITY CONTRACT OR CONTRACTS.
 19 HOWEVER, RETIREMENT BENEFITS MUST BE PAID IN THE FORM OF A
 20 LIFETIME INCOME. EXCEPT FOR DEATH BENEFITS, A SINGLE-SUM CASH
 21 PAYMENT IS NOT PERMITTED UNDER THIS SECTION].

22 * Sec. 47. AS 14.40.799(3) is amended to read:

23 (3) "contribution account" means the member contribution account
 24 under AS 14.25.009 - 14.25.220, the individual account under AS 14.25.310 -
 25 14.25.590, [AS 14.25 OR] the employee contribution account under AS 39.35.095 -
 26 39.35.680, or the individual account under AS 39.35.700 - 39.35.990 [AS 39.35],
 27 whichever is appropriate;

28 * Sec. 48. AS 14.40.799(5) is amended to read:

29 (5) "participating position" means a position that is a permanent
 30 position that is at least a .5 full-time appointment and is included in the applicable
 31 retirement plan document [AS

1 (A) A FACULTY APPOINTMENT; OR

2 (B) AN ADMINISTRATOR AND THE POSITION HAS
3 BEEN DESIGNATED BY THE BOARD FOR INCLUSION IN THE
4 PROGRAM];

5 * Sec. 49. AS 14.40.799(6) is amended to read:

6 (6) "program" means a [THE OPTIONAL] university retirement
7 program;

8 * Sec. 50. AS 14.40.799 is amended by adding a new paragraph to read:

9 (8) "university" means the University of Alaska."

10
11 Renumber the following bill sections accordingly.

12
13 Page 61, following line 24:

14 Insert a new bill section to read:

15 "** Sec. 84. AS 39.35.120 is amended to read:

16 Sec. 39.35.120. Commencement of participation. (a) An employee of the
17 state shall be included in this system upon commencement of employment with the
18 state, or on January 1, 1961, whichever is later. Unless an employee participates in a
19 [HAS ELECTED TO PARTICIPATE IN THE OPTIONAL] university retirement
20 program under AS 14.40.661 - 14.40.799, an employee of a political subdivision or
21 public organization that becomes an employer shall be included in the system on the
22 effective date of the employer's participation or the date of the employee's
23 commencement of employment with the employer, whichever is later.

24 (b) Inclusion in the system is a condition of employment for an employee
25 except as otherwise provided for

26 (1) an elected official;

27 (2) an employee making an election under AS 39.35.150(b); and

28 (3) an employee of the university who participates in a [HAS
29 ELECTED TO PARTICIPATE IN THE OPTIONAL.] university retirement program
30 under AS 14.40.661 - 14.40.799."

31

1 Renumber the following bill sections accordingly.

2

3 Page 72, following line 28:

4 Insert a new bill section to read:

5 ** Sec. 117. AS 39.35.680(21) is amended to read:

6 (21) "member" or "employee"

7 (A) means a person eligible to participate in the system and
8 who is covered by the system;

9 (B) includes

10 (i) an active member;

11 (ii) an inactive member;

12 (iii) a vested member;

13 (iv) a deferred vested member;

14 (v) a nonvested member;

15 (vi) a disabled member;

16 (vii) a retired member;

17 (viii) an elected public officer under AS 39.35.381;

18 (C) does not include

19 (i) former members;

20 (ii) persons compensated on a contractual or fee basis;

21 (iii) casual or emergency workers or nonpermanent
22 employees as defined in AS 39.25.200;

23 (iv) persons covered by the Alaska Teachers'
24 Retirement System except as provided under AS 39.35.131 and
25 39.35.381, or persons covered by a [THE OPTIONAL] university
26 retirement program;

27 (v) employees of the division of marine transportation
28 engaged in operating the state ferry system who are covered by a union
29 or group retirement system to which the state makes contributions;

30 (vi) justices of the supreme court or judges of the court
31 of appeals or of the superior or district courts of Alaska;

1 (vii) the administrative director of courts appointed
2 under art. IV, sec. 16 of the state constitution unless the director
3 becomes a member under AS 39.35.158;

4 (viii) members of the elected public officers' retirement
5 system (former AS 39.37); and

6 (ix) contractual employees of the legislative branch of
7 state government under AS 24.10.060(f);

8 (D) may include employees of the division of marine
9 transportation excluded under (C)(v) of this paragraph provided that

10 (i) the State of Alaska formally agrees to their inclusion
11 through the process of collective bargaining; and

12 (ii) no collective bargaining agreement has the effect of
13 obligating contributions made by the state under AS 39.30.150 in the
14 event the state resumes participation in the federal social security
15 system;"

16

17 Renumber the following bill sections accordingly.

18

19 Page 98, line 31:

20 Delete "sec. 42"

21 Insert "sec. 59"

22

23 Page 102, line 27:

24 Delete "SECTIONS 120 and 121"

25 Insert "SECTIONS 139 AND 140"

26

27 Page 102, line 28:

28 Delete "secs. 120 and 121"

29 Insert "secs. 139 and 140"

30

31 Page 102, lines 29 - 30:

- 1 Delete "secs. 120 and 121"
- 2 Insert "secs. 139 and 140"
- 3
- 4 Page 102, line 31:
 - 5 Delete "19, 71 - 76, 89, 96, and 112"
 - 6 Insert "20, 89 - 94, 107, 114, and 131"
 - 7
- 8 Page 103, line 2:
 - 9 Delete "Section 122"
 - 10 Insert "Section 141"
 - 11
- 12 Page 103, line 3:
 - 13 Delete "secs. 123 and 124"
 - 14 Insert "secs. 142 and 143"

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

April 5, 2005

SUBJECT: Amendment Y.1 to CSSB 141(FIN) version Y for the university retirement plans (Work Order No. 24-LS0637Y.1)

TO: Senator Lyda Green
Attn: Traci Carpenter

FROM: Barbara R. Craver *BRC*
Legislative Counsel

Enclosed is the amendment you requested. It is drafted as an amendment to version "Y" of CSSB 141(FIN). I'd like to alert you to some drafting issues in this amendment.

Most of the amendment concerns the changes requested in regard to AS 14.40.661 - 14.40.799. I understand that currently the university has an optional retirement program that eligible employees may elect to participate in. The university wants the authority to establish additional retirement programs. These additional retirement programs may be mandatory or optional for new employees. There may be several successive new retirement programs in the future. The university may allow employees who have chosen not to participate in previous optional retirement programs to opt in to these new retirement programs. In order to provide the most flexibility to the university, this amendment acknowledges the existence of the current optional program, but also provides for the establishment of new programs.

Here are specific comments on the changes if an explanation or questions seemed necessary.

AS 14.40.661(a). This subsection allows the board broad authority to adopt university retirement programs.

AS 14.40.661(c). This is a new subsection found in the request. This provides that university retirement programs are not subject to bargaining under the Public Employment Relations Act (PERA). It is my opinion that this policy ought to be put directly into PERA, at AS 23.40.075, and it ought to be considered whether this will apply only to the university or to all public employers.¹

¹ I asked Meg Greene, the general counsel for the university, about this subsection. She said that retirement benefits are not subject to bargaining under PERA under the authority of an Attorney General Opinion. Through my own research I found Attorney General

Senator Lyda Green
April 5, 2005
Page 2

AS 14.60.671(b). This subsection appears only to apply to the present optional university retirement program. This subsection works with 14.40.671(a), without changes. I put the substance of the changes made in the request into new subsection added to 14.40.671 as subsections (h) and (i).

AS 14.40.681. I found it quite difficult to understand AS 14.40.681 at all, but made changes to eliminate the reference to electing the optional plan.²

AS 14.40.799(3). This definition was amended to eliminate a specific reference to the optional retirement plan only.

AS 14.40.799(8). This new subsection was added to define the term "university." I am not sure that it adequately addresses employers of some of the employees also covered by AS 14.40.661 - 14.40.799, as AS 14.40.799(4) defines employees covered by this system as those employed by "the University of Alaska or a community college under AS 14.40."

If I may be of further assistance, please advise.

BRC:jad
05-191.jad

Enclosures

Opinion, 1978 No. 3, issued on January 23, 1978. That opinion is attached. The opinion discussed Kenai Peninsula Borough School Dist. v. Kenai Peninsula Educ. Ass'n, 572 P.2d 416 (Alaska 1977). The AG opinion concludes that health insurance is subject to bargaining, but "retirement" would probably not be held to be bargainable by the court. This amendment would add retirement benefits to the "not subject to bargaining" list, but raises questions about applicability to other employers subject to PERA. It is very important to clearly define retirement programs and specify whether the health insurance provided in a retirement program is included. There is extensive case law developed on what matters are subject to bargaining and which are not. Whether the courts have determined that retirement should or should not be subject to bargaining is by no means a foregone conclusion under my very brief and incomplete review of state cases. Up to this point the legislature has not indicated its intent in statute.

² AS 14.40.681 says that if an employee that is participating in a university retirement plan (whether because that employee elected into the optional plan, or is a future employee in a university plan) the employee cannot also participate in a state retirement plan. This would seem to be already established under 14.40.671(c).

1 of 1 DOCUMENT

OFFICE OF THE ATTORNEY GENERAL OF THE STATE OF ALASKA

File No. J-66-444-78

1978 Alas. AG LEXIS 544; 1978 Op. Atty Gen. Alas. No. 3

January 23, 1978

TYPE: FORMAL OPINION

SYLLABUS:

[*1]

Re: Health & Retirement-Bargainability

REQUESTBY:

The Honorable B. B. Allen
Commissioner
Department of Administration
Pouch C
Juneau, Alaska 99811

OPINIONBY:

AVRUM M. GROSS, ATTORNEY GENERAL; G. Thomas Koester, Assistant Attorney General

OPINION:

You requested an opinion whether the Public Employment Relations Act (PERA), AS 23.40.070-23.40.260, supersedes the group life and health insurance statute, AS 39.30.090, and the statutes establishing the Public Employees Retirement System (PERS), AS 39.35. Restated, the question is whether group life and health insurance benefits and retirement benefits subject to collective bargaining

AS 23.40.070(2) provides that the policy underlining PERA is to be effectuated by "requiring public employers to negotiate with and enter into written agreements with employee organizations on matters of wages, hours, and other terms and conditions of employment." AS 23.40.250(7) provides that "'terms and conditions of employment' means the hours of employment, the compensation and fringe benefits, and the employer's personnel policies affecting the working conditions of the employees; but does not mean the general policies describing the function and purposes of a public employer." [*2]

These provisions, standing alone, clearly would make both group life and health insurance benefits and retirement benefits subject to collective bargaining since they both are "fringe benefits." This also fits the analytic distinction between matters subject to collective bargaining and those not subject to bargaining adopted by the Alaska Supreme Court in *Kenai Peninsula Borough School Dist. v. Kenai Peninsula Education Ass'n.*, No. 1537 (Alaska, December 9, 1977). In that case, the Alaska Supreme Court stated that, in the absence of specific legislation on the subject, "a matter is more susceptible to bargaining the more it deals with the economic interests of employees and the less it concerns" questions of fundamental policy. It expressly held that life insurance, health insurance and liability insurance are negotiable absent statutory restrictions.

AS 39.30.090, the group insurance statute, provides in part that "[t]he Department of Administration may obtain a policy or policies of group insurance covering state employees and employees of other participating governmental units subject to" certain conditions not relevant to this inquiry. Because health insurance deals with [*3] the economic interests of employees and does not deal with fundamental policy, because AS 39.30.090 authorizes the Department of Administration to obtain "a policy or policies," and because AS 39.30.090 does not specify what levels of coverage or benefits must be included in the policy (or policies) obtained, we believe the issue of group life and health insurance benefits is negotiable under PERA. To the extent the cost of this negotiated coverage exceeds what the State would have paid under its employer-sponsored plan, the negotiated coverage is subject to legislative approval under AS 23.40.215.

The negotiability of retirement benefits is more complex. At the outset, it appears clear that retirement benefits afforded under PERS are not negotiable. Inclusion in PERS is a condition of employment for state employees, and contributions to it are mandatory. AS 39.35.120(b); AS 39.35.170. Given these statutory provisions, we believe the legislature intended the statutory provisions of PERS to apply to all state employees, and benefits under PERS may not be negotiated under PERA.

Under the Kenai Peninsula Borough School Dist. analysis, changes in public employee retirement [*4] benefits involve questions of fundamental public policy. One commentator has stated these questions to be "[t]he legislative objectives which underlie retirement plans; the relationship of these objectives to the employee's legitimate expectancies in the employment relationship; the public interest in the maintenance and financial integrity of such plans; the problems of equitable allocation of cost between the employees and their governmental employers (taxpayers); the continuing demands for liberalization of benefits and qualifying conditions and the result and necessity to re-evaluate the standards by which benefits are measured; the need to maintain a reasonable measure of solvency; the justification, or lack thereof, of a reserved legislative power to deal with these problems; [and] the scope of that power." Cohn, Public Employee Retirement Plans -- the Nature of the Employees' Rights, 1968 U. of Ill. Law forum, 32, 46. The public policy implications of changes in retirement benefits for public employees in Alaska take on added significance when one considers Article XII, Section 7 of the Alaska Constitution, which provides:

Membership in employee retirement systems of [*5] the State or its political subdivisions shall constitute a contractual relationship. Accrued benefits of these systems shall not be diminished or impaired.

While we cannot be certain, we believe that the Alaska Supreme Court would conclude, as we have, that retirement benefits are not negotiable under PERA.

In conclusion, we recommend that the legislature be requested to clarify the "terms and conditions of employment" which may be negotiated under PERA. As the Alaska Supreme Court stated, "[i]t would be helpful if the legislature, through future enactments, provided more specific guidance on a number of the items which the unions seek to negotiate." Kenai Peninsula Borough School Dist., at 19. From both policy and administrative viewpoints, we believe that a single, unified system of group life and health insurance benefits and retirement benefits for public employees is desirable. However, absent legislation to this effect, we believe the area of group life and health insurance benefits is a legitimate item for collective bargaining under PERA.

We hope this answers your questions.

1 of 1 DOCUMENT

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File No. J-66-444-78

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These provisions, standing alone, clearly would make both group life and health insurance benefits and retirement benefits subject to collective bargaining since they both are "fringe benefits." This also fits the analytic distinction between matters subject to collective bargaining and those not subject to bargaining adopted by the Alaska Supreme Court in *Kenai Peninsula Borough School Dist. v. Kenai Peninsula Education Ass'n.*, No. 1537 (Alaska, December 9, 1977). In that case, the Alaska Supreme Court stated that, in the absence of specific legislation on the subject, "a matter is more susceptible to bargaining the more it deals with the economic interests of employees and the less it concerns" questions of fundamental policy. It expressly held that life insurance, health insurance and liability insurance are negotiable absent statutory restrictions.

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We hope this answers your questions.

SENATE FINANCE COMMITTEE
4/10/2005 COMMITTEE ACTION

Bill Number	SB 141		
Amendment	# 20		
Motion	adopt		
<u>Motion by</u>	Green		
<u>Objection by</u>	Green		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		

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discharge an employee with or without cause.

Sec. 39.35.930. Fraud. A person who knowingly makes a false statement or falsifies or permits to be falsified a record of this plan in an attempt to defraud the plan is guilty of a class A misdemeanor.

Sec. 39.35.940. Transfer into defined contribution plan by nonvested members of defined benefit plan. (a) Subject to (g) of this section, an active member of the defined benefit retirement plan of the ^{Public Employees} teachers' retirement system is eligible to participate in the defined contribution retirement plan established under AS 39.35.700 - 39.35.990, if that member has not vested. Participation in the defined contribution retirement plan is in lieu of participation in the defined benefit retirement plan established under AS 39.35.095 - 39.35.680.

(b) A member who has vested in a defined benefit retirement plan is not eligible to transfer under this section.

(c) Each eligible member who elects to participate in the defined contribution retirement plan shall have transferred to a new account the present value of the member contribution account balance held in trust for the member under the defined benefit retirement plan of the public employees' retirement system. A matching employer contribution shall be made on behalf of that employee to the new account. Upon a transfer, all service credit previously earned under the defined benefit retirement plan shall be nullified for purposes of entitlement to a future benefit under the defined benefit retirement plan but shall be credited for purposes of eligibility to elect medical benefits under AS 39.35.870. An eligible member whose accounts are subject to a qualified domestic relations order may not make an election to participate in the defined contribution retirement plan under this subsection unless the qualified domestic relations order is amended or vacated and court-certified copies of the order are received by the administrator.

(d) As directed by the participant, the board shall transfer or cause to be transferred the appropriate amounts to the designated account. The board shall establish transfer procedures by regulation, but the actual transfer may not be later than 30 days after the effective date of the member's participation in the defined contribution retirement plan unless the major financial markets for securities available

Amendment Number: #5
Bill Number: SB 141
Sponsor: Green Date: 4/3/05
Logged In By: Mindy

AMENDMENT

OFFERED IN THE SENATE
TO: CSSB 141(FIN) WORK DRAFT VERSION "F"

BY SENATOR GREEN

Page 15, line 7, following "be" through line 9:

Delete all material.

Insert: "accounted for in accordance with AS 39.30.095 and regulations established
by the commissioner."

Page 71, line 16, following "be" through line 19:

Delete all material.

Insert: "accounted for in accordance with AS 39.30.095 and regulations established
by the commissioner."

Replaced
amendments
(before distribution)

pulled by
Traci

SENATE FINANCE
COMMITTEE

Amendment Number: #5
Bill Number: SB 141
Sponsor: Green Date: 4/3/05
Logged In By: Mindy

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR GREEN

TO: CSSB 141(FIN) WORK DRAFT VERSION "F"

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Delete all material.

Insert: "accounted for in accordance with AS 39.30.095 and regulations established
by the commissioner."

Page 71, line 16, following "be" through line 19:

Delete all material.

Insert: "accounted for in accordance with AS 39.30.095 and regulations established
by the commissioner."

pulled by
Traa

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR STEDMAN

TO: CS SB 141 (FIN) (Version F)

Page 34, following Line 12:

Insert new sections to read:

* Sec __. AS 24.08.035(a) is amended to read:

(a) Before a bill or resolution, except an appropriation bill, is reported from the committee of first referral, there shall be attached to the bill a fiscal note containing an estimate of the amount of the appropriation increase or decrease that would result from enactment of the bill for the current fiscal year and five succeeding fiscal years or, if the bill has no fiscal impact, a statement to that effect shall be attached. The fiscal note of a bill that makes any change to the benefit structure of the state's retirement system shall include the additional analysis required in AS 24.08.036. The fiscal note or statement shall be prepared in conformity with the requirements of this section by the department or departments affected and may be reviewed by the office of management and budget. Except as allowed in AS 24.08.036, [T] the fiscal note or statement shall be delivered to the committee requesting it within five days of the request or within two days if the request is made after the 90th day of a regular session, or during a special session of the legislature. If the bill is presented by the governor for introduction in accordance with AS 24.08.060(b) and the uniform rules of the legislature, the fiscal note or statement shall be attached to the bill before the bill is introduced. An amendment or a substitute bill proposed by a committee of referral that changes the fiscal impact of a bill shall be explained in a revised fiscal note or statement attached to the bill.

*Pulled
by Traci*

* Sec __. AS 24.08.035(b) is amended to read:

(b) In addition to the fiscal note required by this section and AS 24.08.036, the sponsor of a bill or resolution may prepare a fiscal note in conformity with the requirements of this section, and submit it to the committee of first referral or the finance committee. A committee may prepare an additional fiscal note in conformity with the requirements of this section.

* Sec __. AS 24.08.036 is repealed and reenacted to read:

Sec. 24.08.036. Fiscal notes on bills affecting the benefit structure of state retirement systems. (a) In addition to the requirements of AS 24.08.035, the fiscal note of a bill that makes any change to the benefit structure of the state's retirement system shall include an actuarial analysis of the bill's affect on the assets and liabilities of the retirement systems. This analysis shall be prepared and certified by a member of the American Academy of Actuaries and coordinated through the division of retirement and benefits.

(b) The completed fiscal note shall be reviewed by the Commissioner of Administration and forwarded to the chair of the Alaska Retirement Management Board for comment and recommendations.

(c) The division of retirement and benefits shall be allowed 60 days from the time they receive a fiscal note request to complete the actuarial analysis, obtain the comments of the Alaska Retirement Management Board and deliver the fiscal note to the committee requesting it.

(d) A committee of referral proposing an amendment or a substitute bill that changes the inputs or assumptions used by the actuary in preparing the fiscal note required in this section must obtain a revised actuarial analysis prior to reporting the amended bill or committee substitute from committee. This revised actuarial analysis shall be preformed in accordance with this section except that the division of retirement and benefits shall have 30 days to deliver the fiscal note to the committee.

AMENDMENT

OFFERED IN THE SENATE FINANCE COMMITTEE

BY SENATOR STEDMAN

TO: CS SB 141 (FIN) (Version F)

Page 34 following Line 12, insert new sections to read:

* Sec __. AS 24.08.035(a) is amended to read:

(a) Before a bill or resolution, except an appropriation bill, is reported from the committee of first referral, there shall be attached to the bill a fiscal note containing an estimate of the amount of the appropriation increase or decrease that would result from enactment of the bill for the current fiscal year and five succeeding fiscal years or, if the bill has no fiscal impact, a statement to that effect shall be attached. The fiscal note of a bill that makes any change to the benefit structure of the state's retirement system shall include the additional analysis required in AS 24.08.036. The fiscal note or statement shall be prepared in conformity with the requirements of this section by the department or departments affected and may be reviewed by the office of management and budget. Except as allowed in AS 24.08.036, [T] the fiscal note or statement shall be delivered to the committee requesting it within five days of the request or within two days if the request is made after the 90th day of a regular session, or during a special session of the legislature. If the bill is presented by the governor for introduction in accordance with AS 24.08.060(b) and the uniform rules of the legislature, the fiscal note or statement shall be attached to the bill before the bill is introduced. An amendment or a substitute bill proposed by a committee of referral that changes the fiscal impact of a bill shall be explained in a revised fiscal note or statement attached to the bill.

* Sec __. AS 24.08.035(b) is amended to read:

(b) In addition to the fiscal note required by this section and AS 24.08.036, the sponsor of a bill or resolution may prepare a fiscal note in conformity with the requirements of this section, and submit it to the committee of first referral or the finance committee. A committee may prepare an additional fiscal note in conformity with the requirements of this section.

* Sec __. AS 24.08.036 is repealed and reenacted to read:

Sec. 24.08.036. Fiscal notes on bills affecting the benefit structure of state retirement systems. (a) In addition to the requirements of AS 24.08.035, the fiscal note of a bill that makes any change to the benefit structure of the state's retirement system shall include an actuarial analysis of the bill's affect on the assets and liabilities of the retirement systems. This analysis shall be prepared and certified by a member of the American Academy of Actuaries and coordinated through the division of retirement and benefits.

duplicate

(b) The completed fiscal note shall be reviewed by the Commissioner of Administration and forwarded to the chair of the Alaska Retirement Management Board for comment and recommendations.

(c) The division of retirement and benefits shall be allowed 60 days from the time they receive a fiscal note request to complete the actuarial analysis, obtain the comments of the Alaska Retirement Management Board and deliver the fiscal note to the committee requesting it.

(d) A committee of referral proposing an amendment or a substitute bill that changes the inputs or assumptions used by the actuary in preparing the fiscal note required in this section must obtain a revised actuarial analysis prior to reporting the amended bill or committee substitute from committee. This revised actuarial analysis shall be performed in accordance with this section except that the division of retirement and benefits shall have 30 days to deliver the fiscal note to the committee.

SENATE FINANCE
COMMITTEE

Amendment Number: #13
Bill Number: SB 141
Sponsor: Stedman Date: 4/2/05
Logged In By: Mindy

AMENDMENT

OFFERED IN THE SENATE FINANCE COMMITTEE

BY SENATOR STEDMAN

TO: CS SB 141 (FIN) (Version F)

Page 10 following Line 16, insert new section to read:

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

(a) When the administrator determines that the cost of living has increased and that the financial condition of the retirement fund permits, the administrator shall increase benefit payments to persons receiving benefits under this system. For purposes of this section, the financial condition of the retirement fund would permit an increase only if the ratio of total fund assets to accrued liabilities meets or exceeds 110%.

Page 67 following Line 22, insert new section to read:

* Sec. __. AS 39.35.475(a), as that subsection read following amendment by sec. 3, ch. 146, SLA 1980, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

(a) When the administrator determines that the cost of living has increased and that the financial condition of the retirement fund permits, the administrator shall increase benefit payments to persons receiving benefits under this system. For purposes of this section, the financial condition of the retirement fund would permit an increase only if the ratio of total fund assets to accrued liabilities meets or exceeds 110%.

duplicate

SENATE FINANCE
COMMITTEE
Amendment Number: #14
Bill Number: SB 141
Sponsor: Stedman Date: 4/3/05
Logged In By: Mindy

AMENDMENT

OFFERED IN THE SENATE FINANCE COMMITTEE

BY SENATOR STEDMAN

TO: CS SB 141 (FIN) (Version F)

Page 42 following Line 6, insert new subsection to read:

(3) "recognized competence" means a minimum of ten years professional experience in the fields of investment management, finance, banking, economics, accounting, pension administration or actuarial analysis.

duplicate

SB

141

(FILE 3)

SFIN

FILE



**Retirement
Security Act**

SB 141

March 16th, 2005



Alaska State Legislature
Senate Finance Committee



Presentation Outline

- How a retirement system works
- What is the current status of Alaska's system?
- What went wrong?
- SB 141 Overview
- SB 141 Walk-through *(March 17th, 2005)*
- Appendices



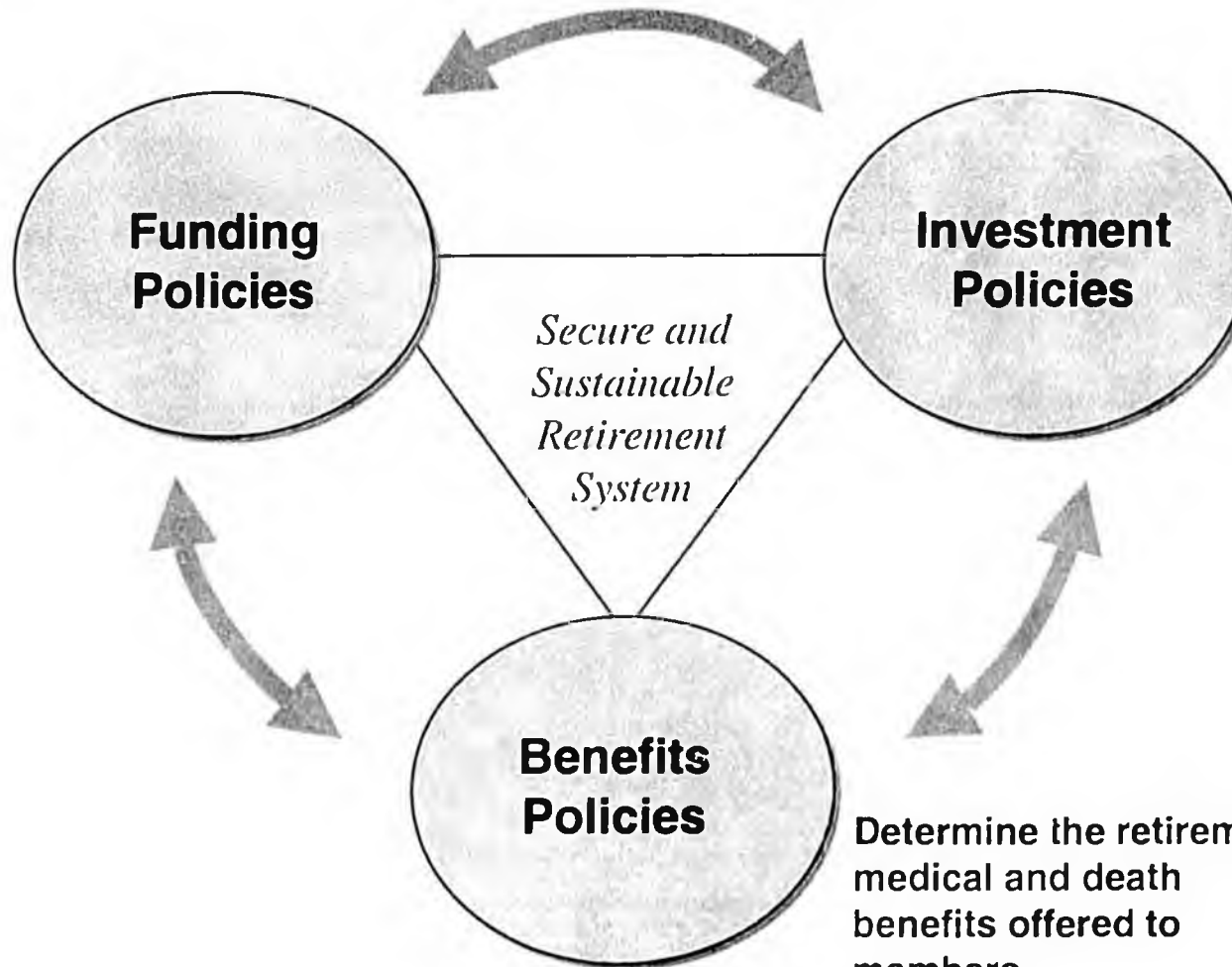


How a retirement system works





Determine how new monies come into the system

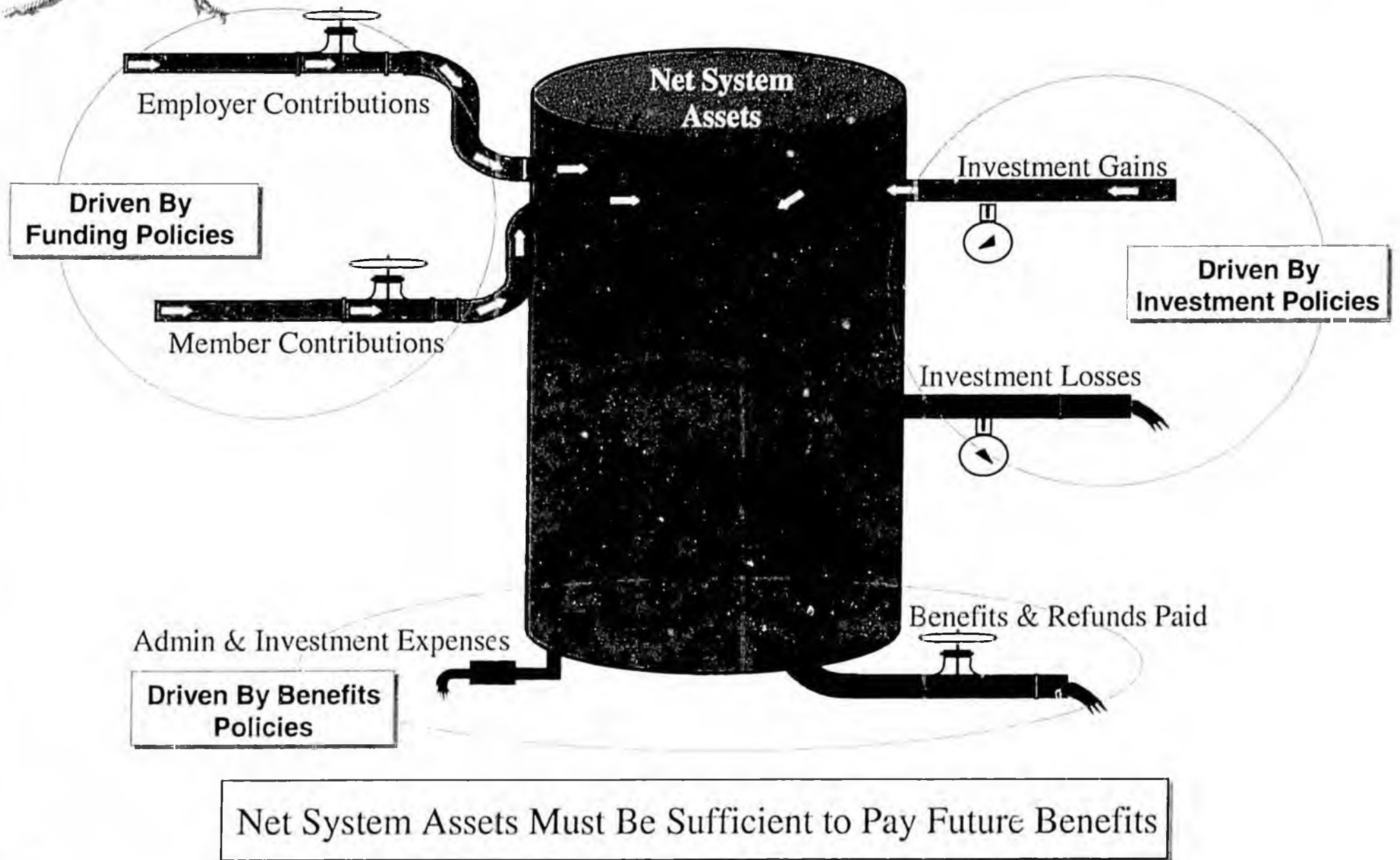


Determine how the money in the system is invested

Determine the retirement, medical and death benefits offered to members

All Three System Components Must be Working in Balance

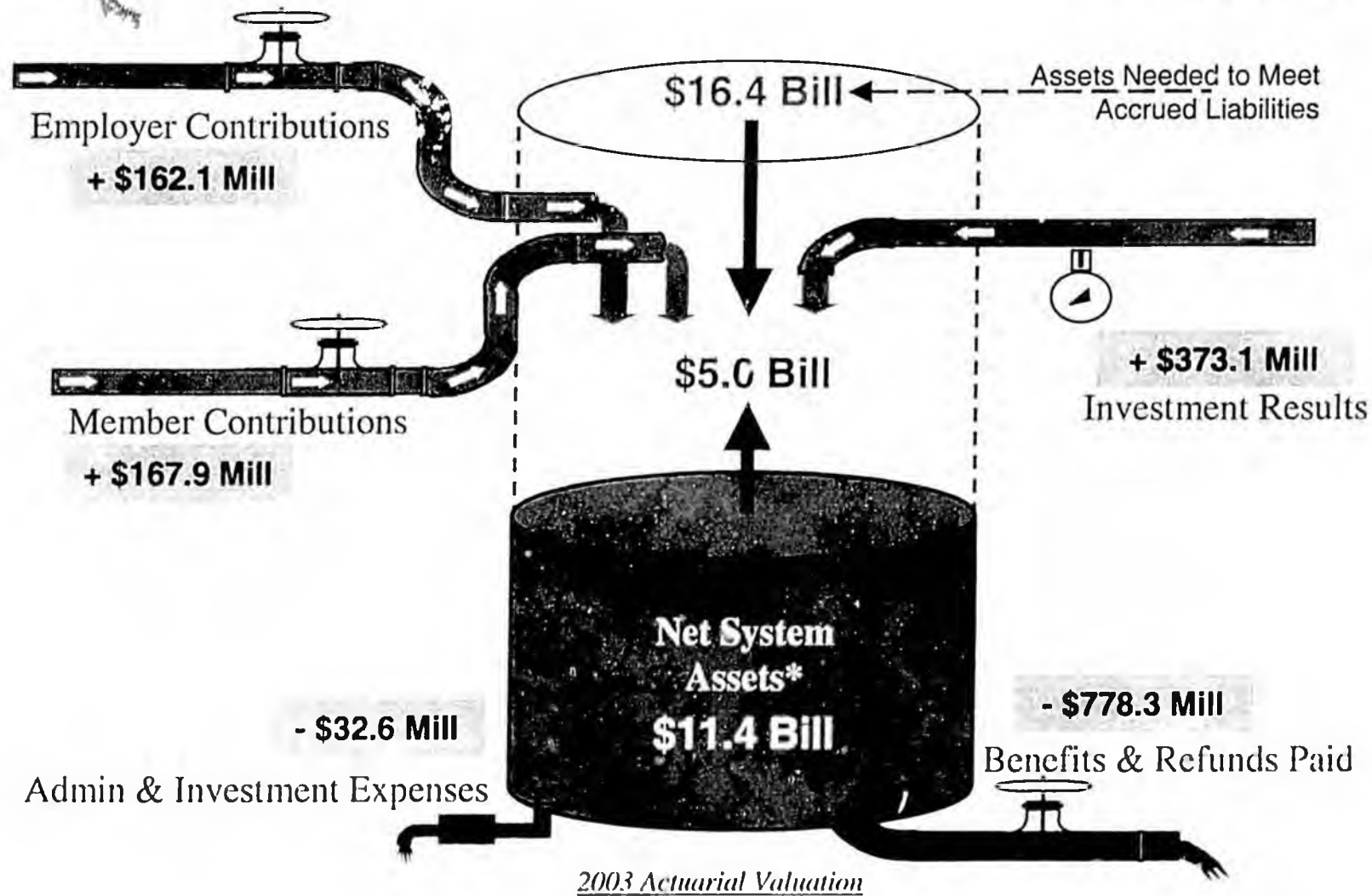






What is the status of
Alaska's system?



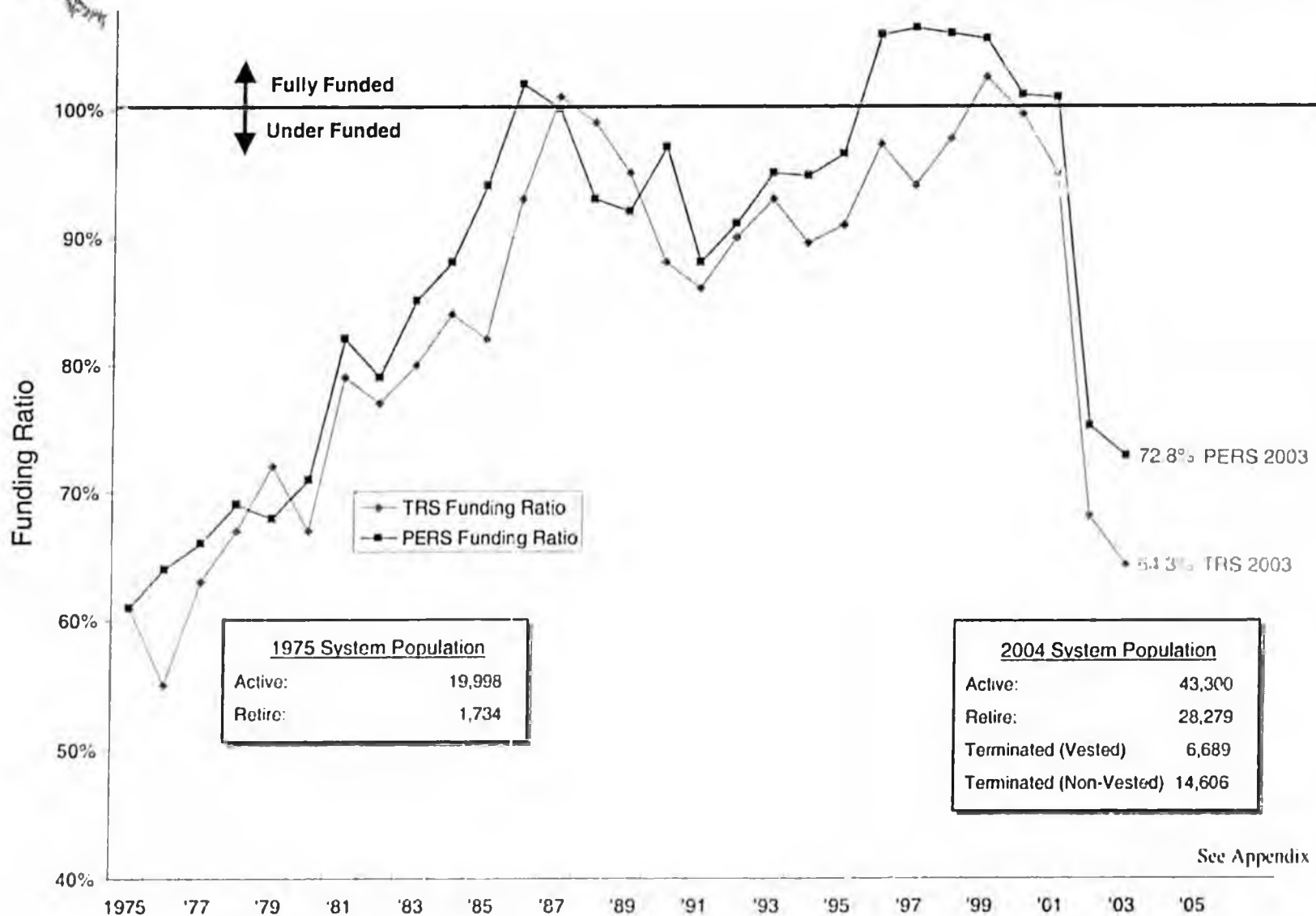


2003 Actuarial Valuation

*Combined PERS & TRS Actuarial Asset Values

PERS & TRS Have A Combined \$5.0 Billion Unfunded Liability





See Appendix A for Data

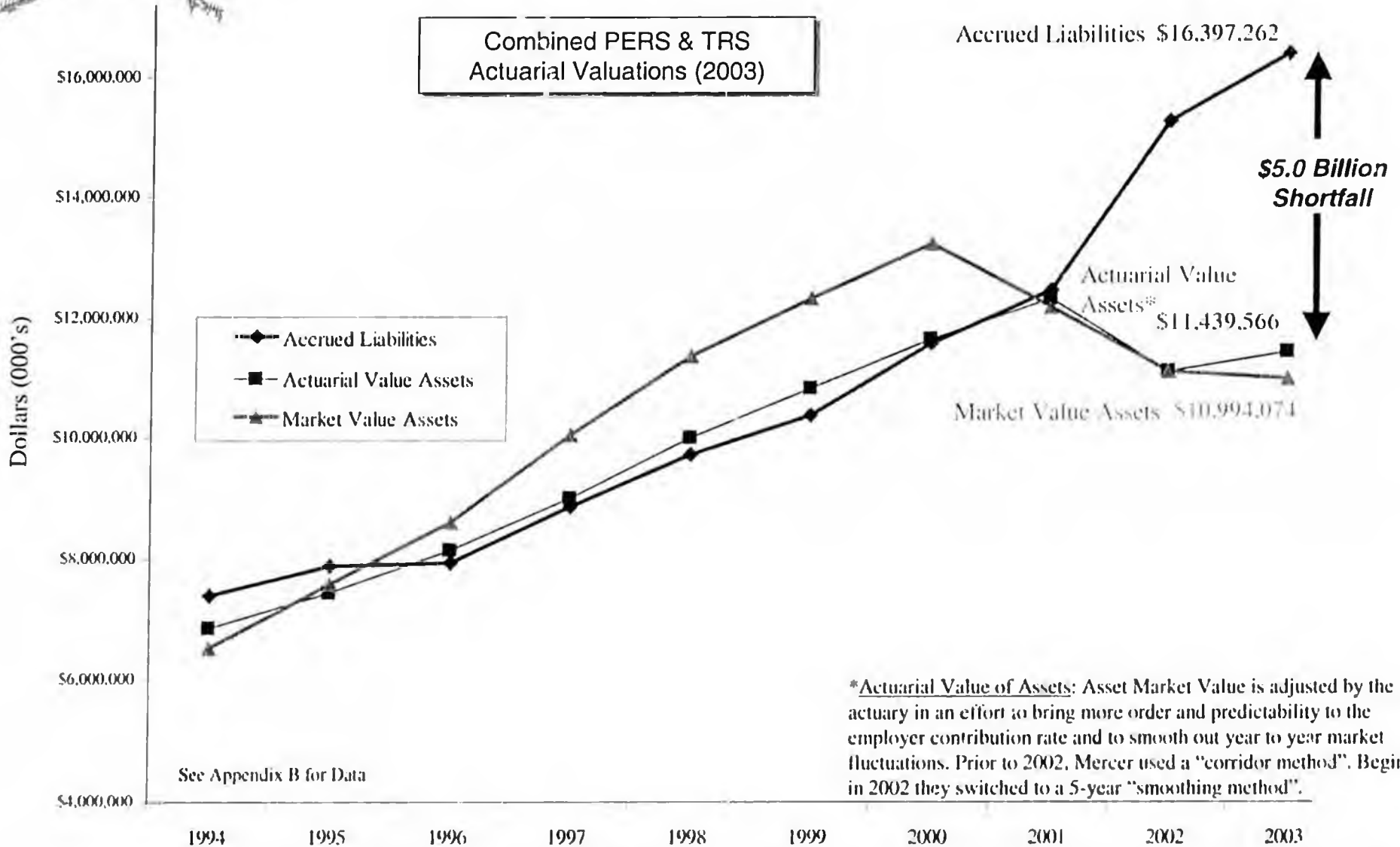
Historical PERS & TRS Funding Ratios





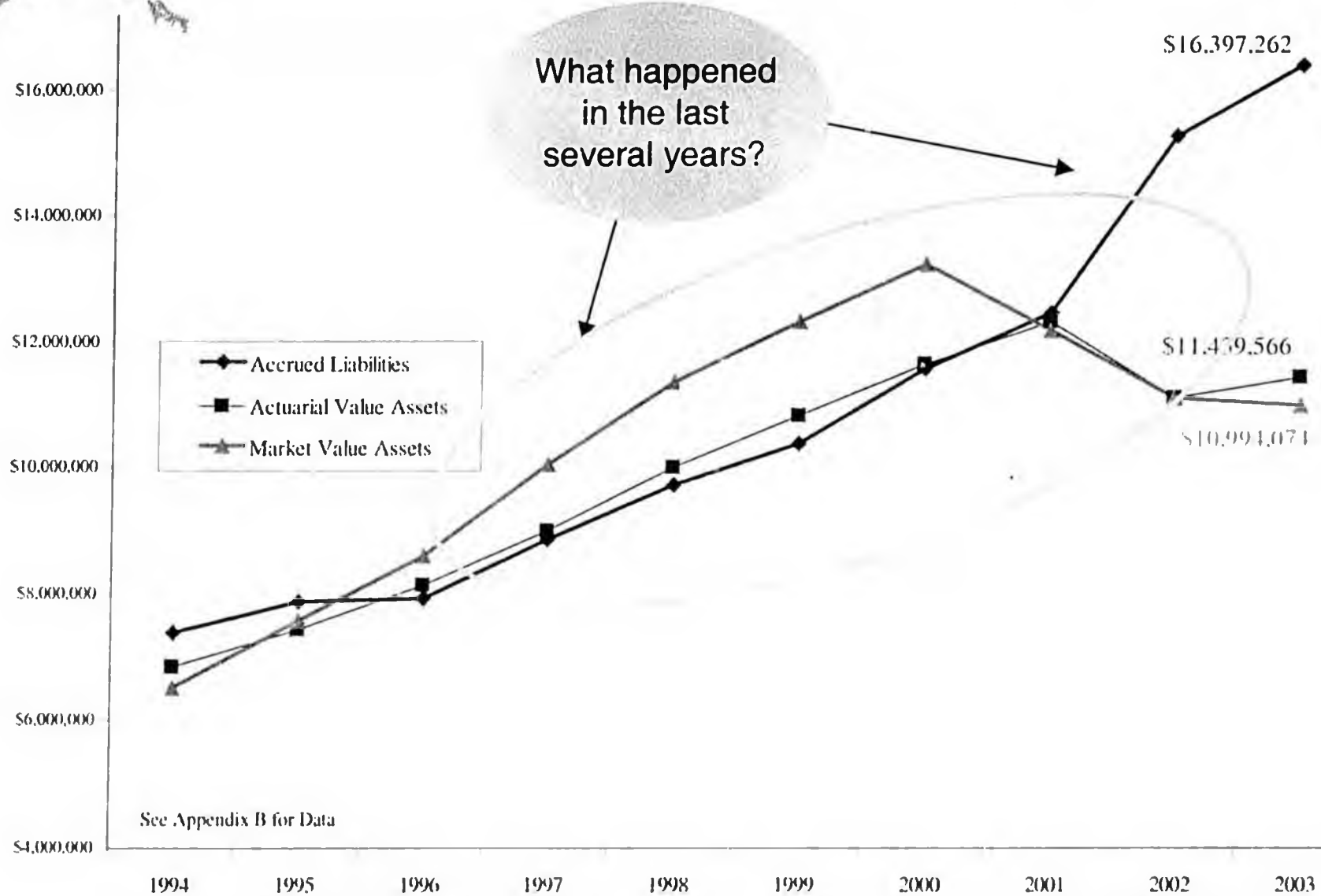
What went wrong?





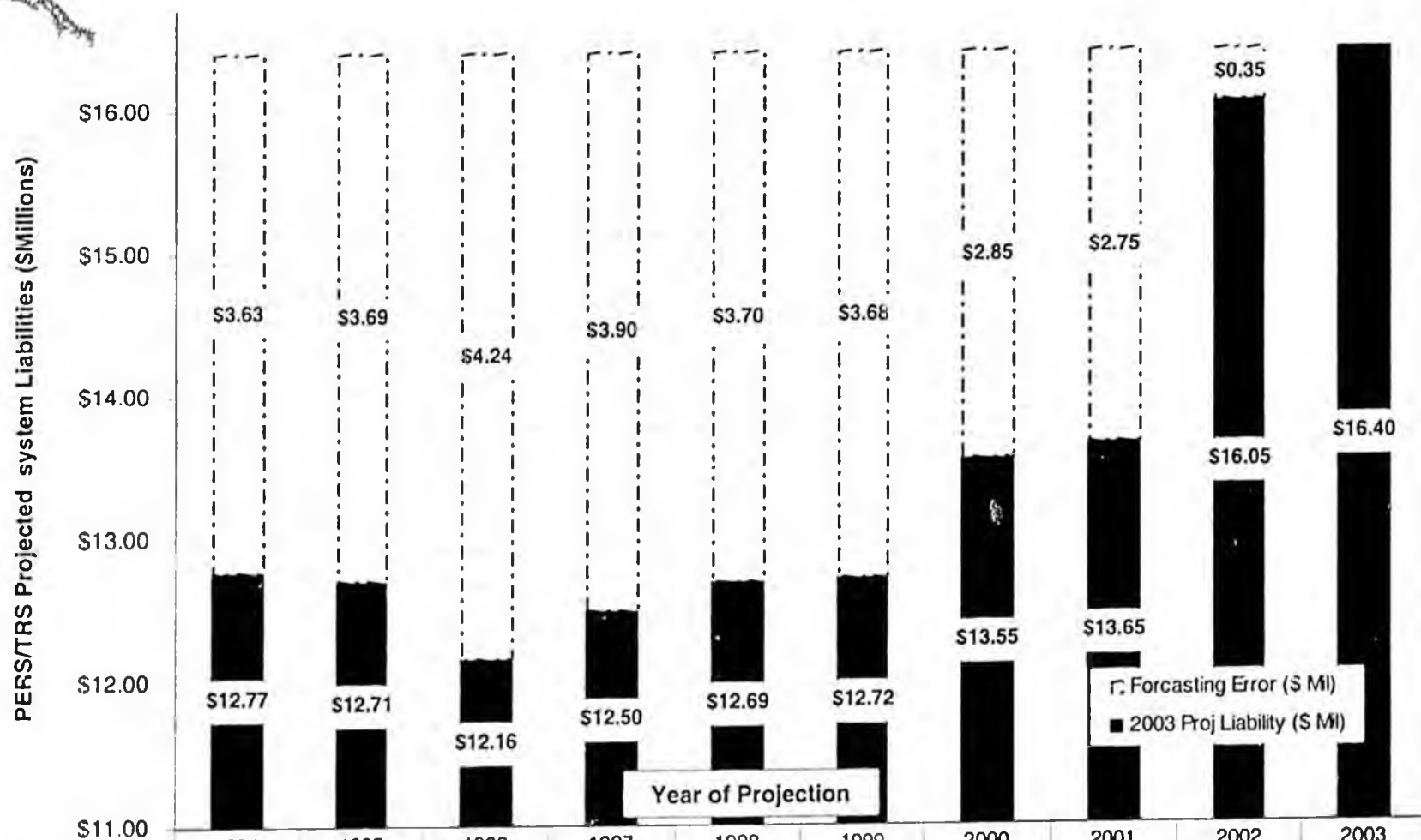
We Have Been Understating Our Liabilities For the Past Several Years





Clearly Something Changed Since 2000





	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Forecasting Error (\$ Mil)	\$3.63	\$3.69	\$4.24	\$3.90	\$3.70	\$3.68	\$2.85	\$2.75	\$0.35	\$-
2003 Proj Liability (\$ Mil)	\$12.77	\$12.71	\$12.16	\$12.50	\$12.69	\$12.72	\$13.55	\$13.65	\$16.05	\$16.40
Error Percentage	28.40%	29.04%	34.86%	31.23%	29.17%	27.96%	21.05%	20.13%	2.19%	0.00%

Why Have Liabilities Grown at 9.27% vs A Projected Growth of 5.60% ?

See Appendix C for Data





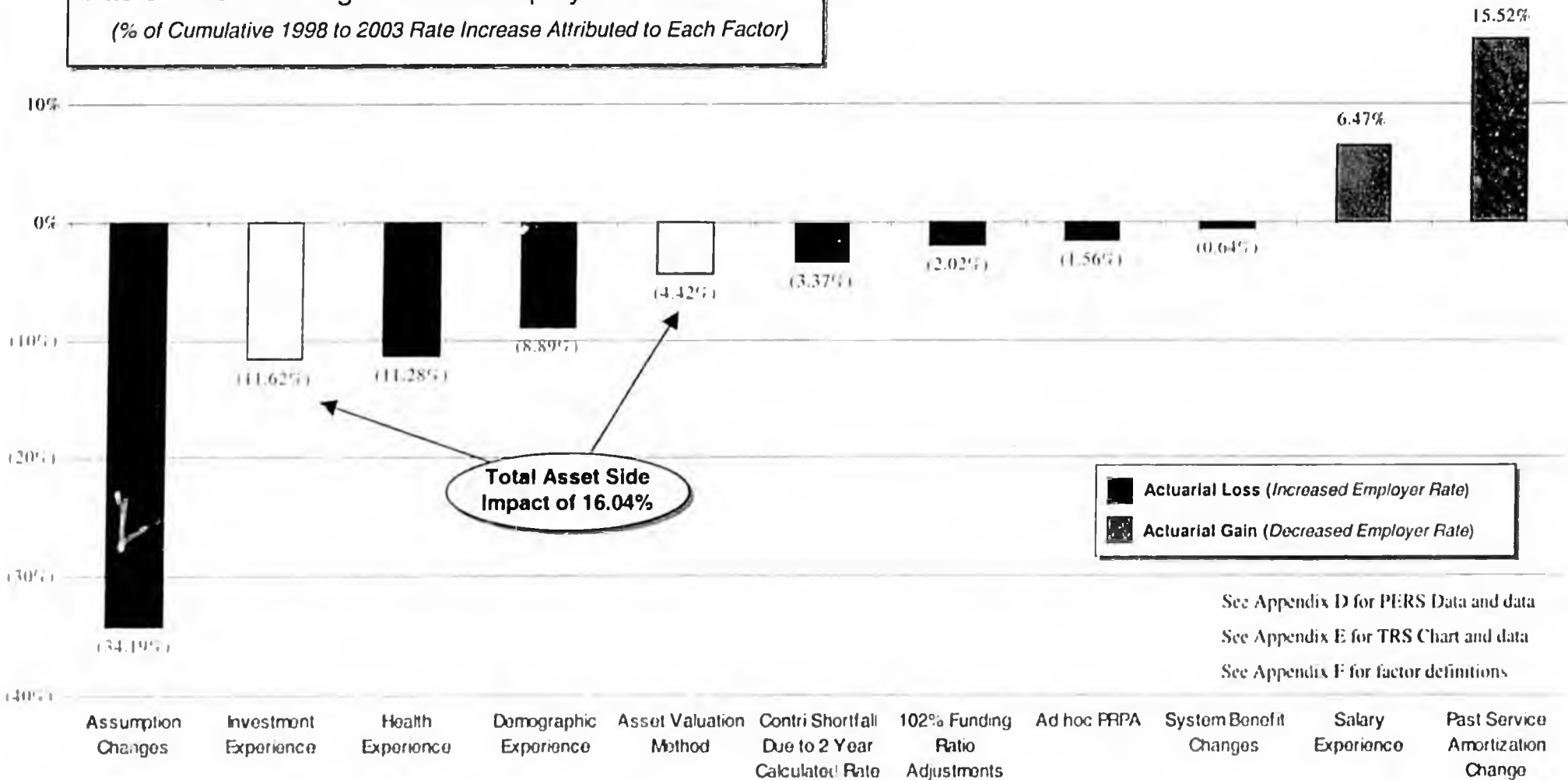
- Inaccurate assumptions
- Historical understatement of system liabilities
- Rising health costs
- 3-yr bear market
- Declining interest rates
- Unfavorable demographic changes
- Timing of the recognition of market losses
- Artificially low contribution rates in good times
- Legislation that has increased benefits
- Awarding of Post Pension Retirement Adjustments

A Combination of Factors Created Our Present Situation





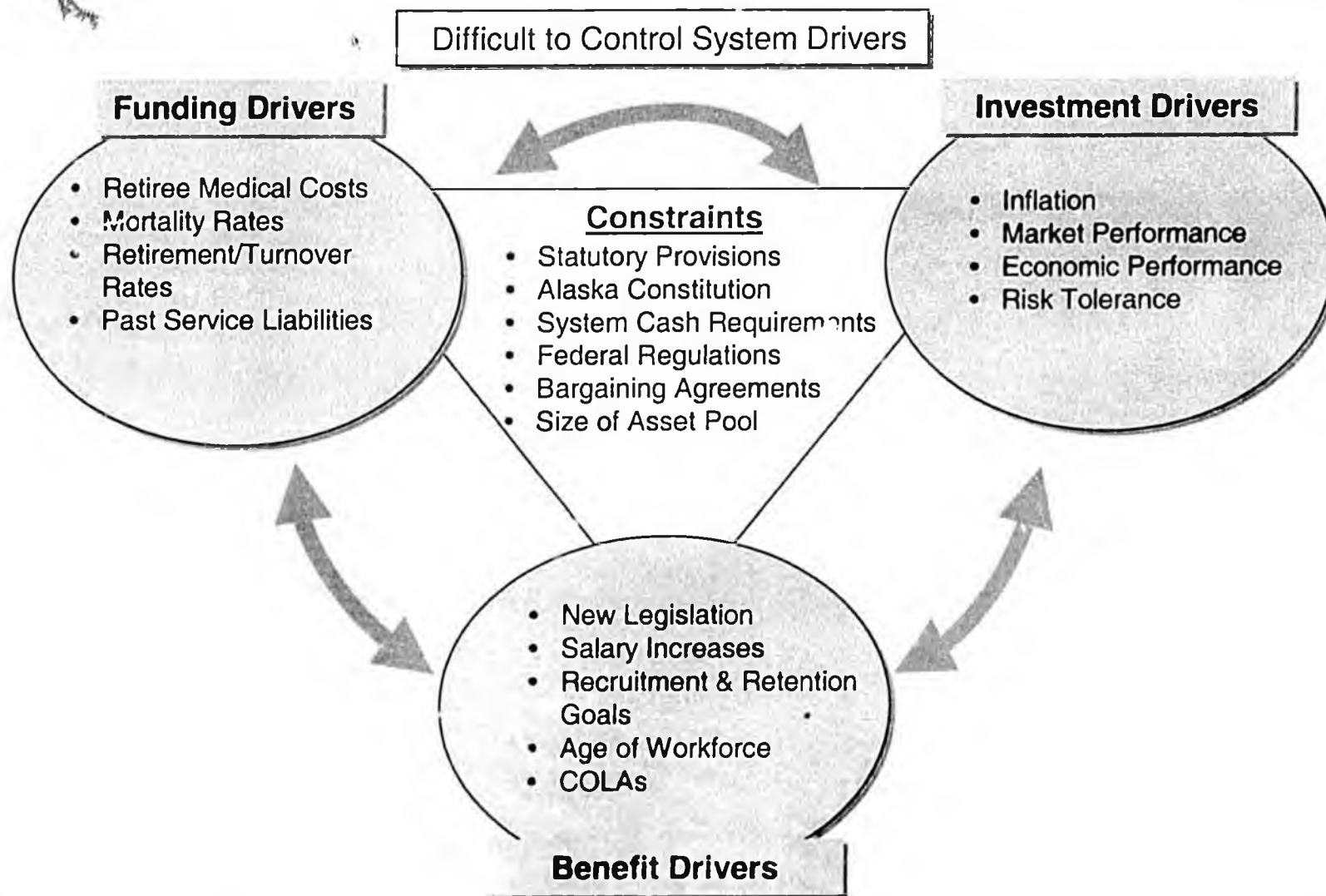
Factors Contributing to PERS Employer Rate Increase*
 (% of Cumulative 1998 to 2003 Rate Increase Attributed to Each Factor)



* PERS Employer Rate increased 18.3% from 7.36% in 1998 to 25.63% in 2003

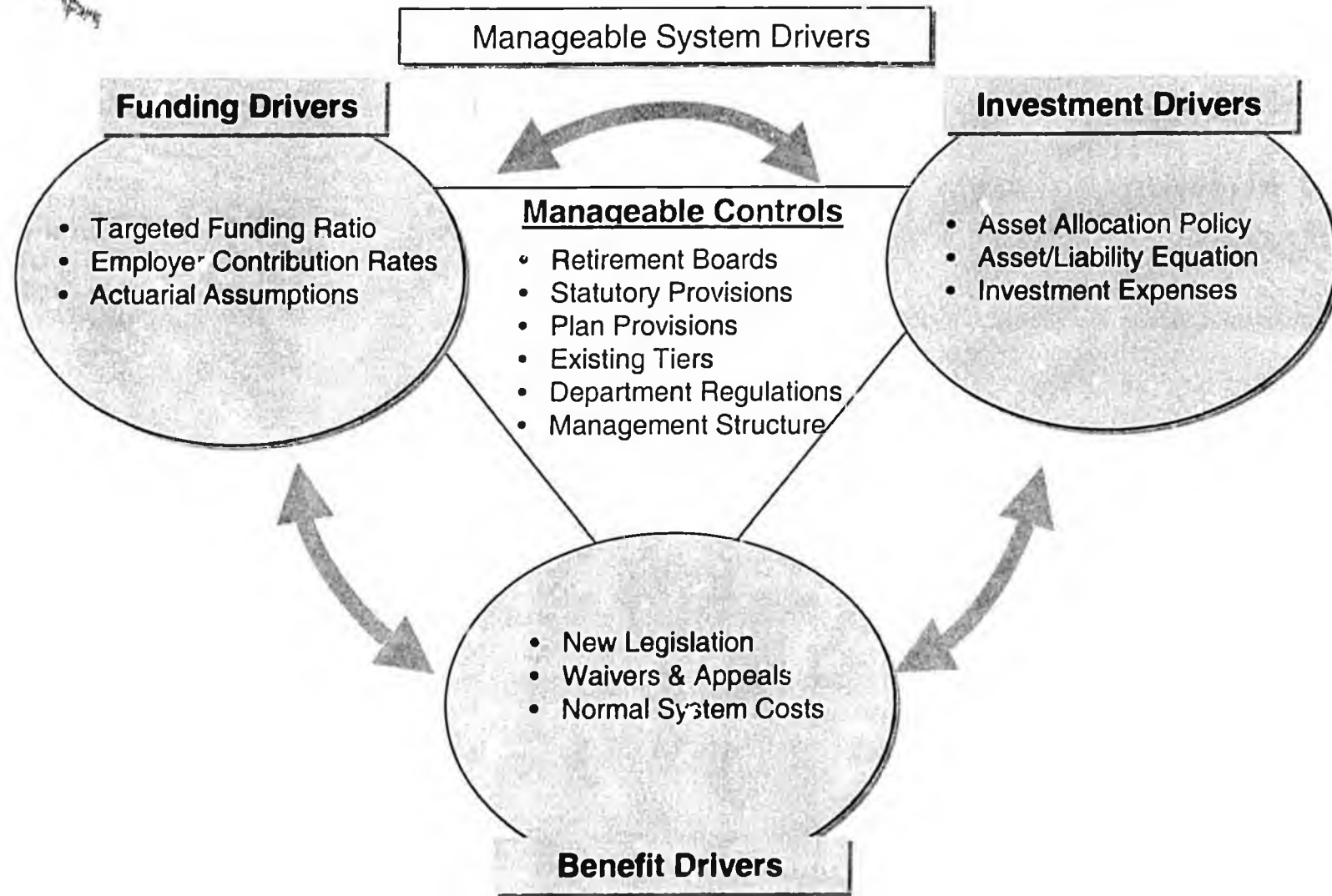
A Combination of Factors Created Our Present Situation





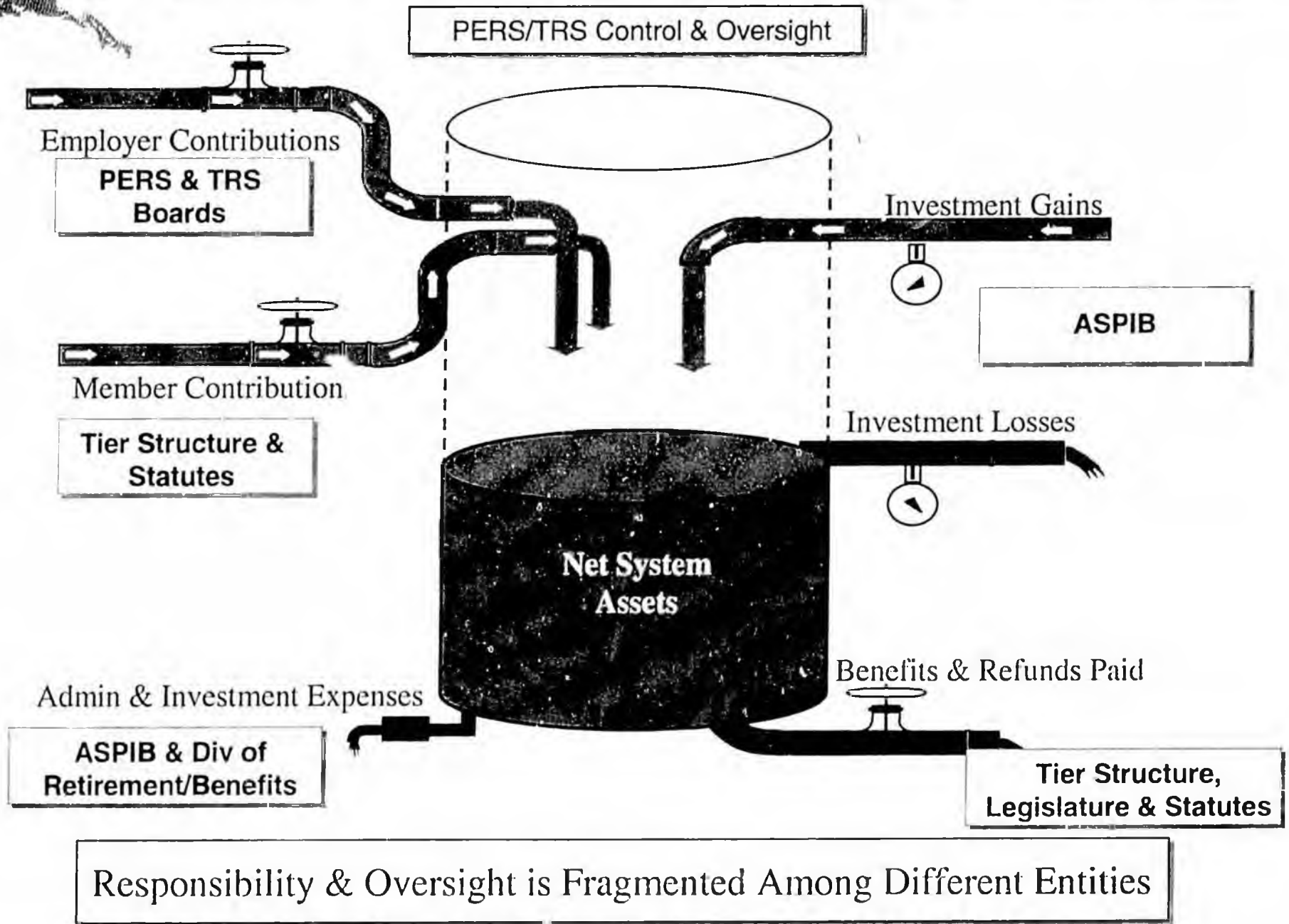
Financial & Economic Drivers are Hard To Predict and Difficult to Control

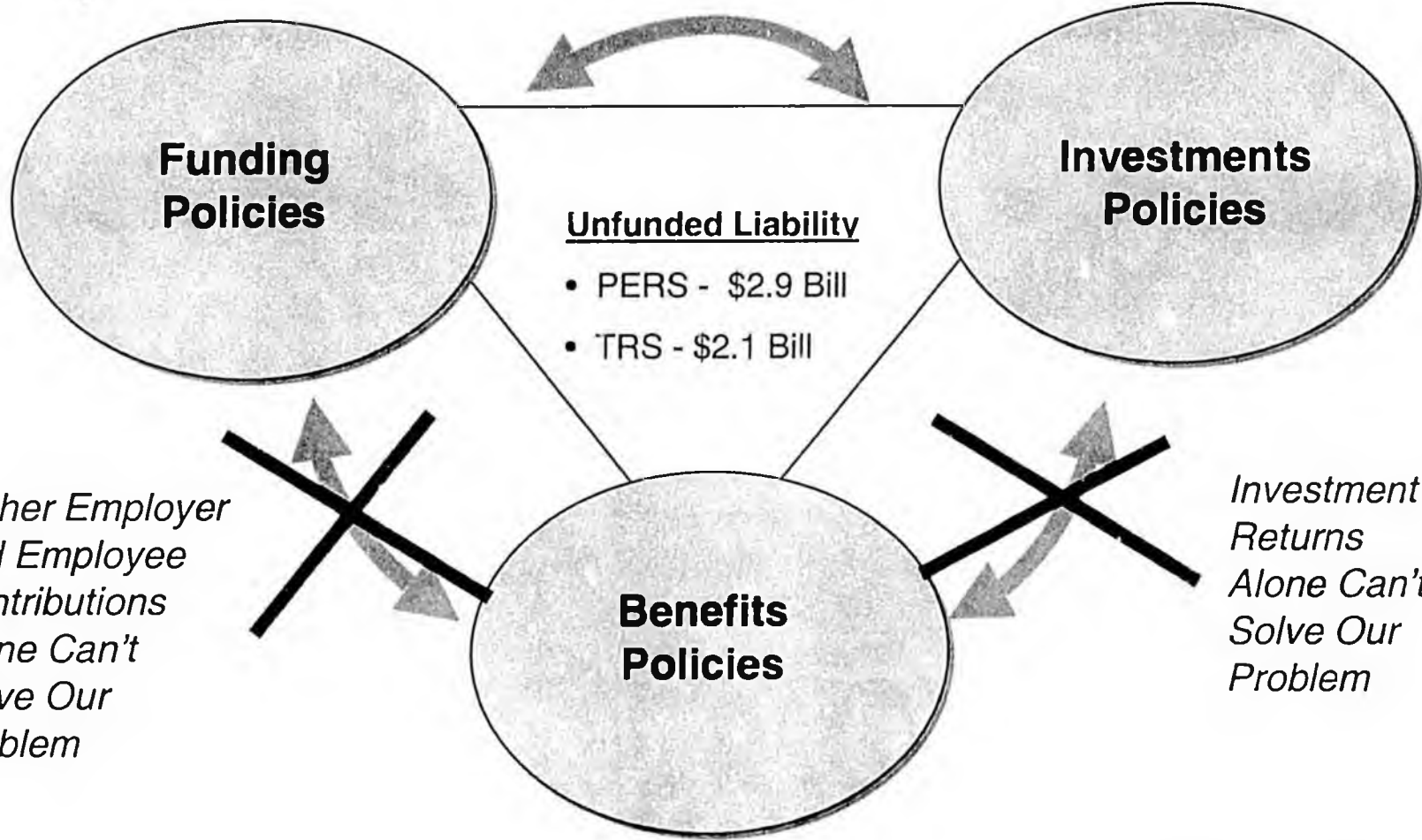




Parts of The System Can...and Should.... be Better Managed







*See Appendix G for Projected PERS/TRS Contribution Rates

Current Funding & Investment Policies Can't Support Our Benefits Policy





Important Conclusions

- System assets and liabilities must be jointly managed
- System volatility needs to be reduced
- Cost predictability and controls must be improved
- Employer contribution rates must be stabilized
- Sources of new liability must be eliminated
- Liability growth must be contained
- Existing liability must be reduced





SB 141 Overview





The **Retirement Security Act** will

- Strengthen Management & Fiduciary Oversight
- Improve Our Ability to Predict and Control Costs
- Constrain the Growth of the Unfunded Liability
- Provide Near Term Financial Relief to Employers
- Pave the Way For Developing a Long-term Financial Fix

While still maintaining our principle objectives of

- Ensuring the Solvency of Alaska's Retirement System
- Maintaining the Attractiveness of Public Sector Employment
- Recruiting and Retaining Talent

RSA Improves the Long-term Health and Security of Our Retirement System





SB 141 – Key Elements:

- Establishes a Defined Contribution (DC) Plan, Retiree Medical Benefit and Health Reimbursement arrangement for new employees
- Replaces the existing boards (PERS, TRS, ASPIB) with a new 9-member Alaska Retirement Management Board (ARMB)
- Establishes ARMB's role to balance system assets with liabilities
- Transfers the quasi-judicial responsibility for hearing appeals to the Office of Administrative Hearings
- Transfers to the Commissioner of Administration responsibility for adopting system regulations and reviewing waiver requests
- Sets the actuarially computed Normal Cost Rate as the floor for annual employer contribution rates

SB 141 is a Complete Solution to the Systemic Problems in PERS/TRS





SB 141 Walk Through

To be picked up March 17th, 2005





Appendix

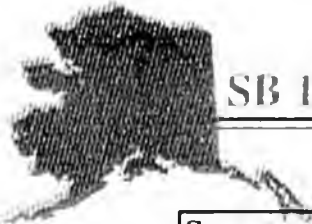




Funding Ratios (Total Benefits)

Year	TRS Funding Ratio	PERS Funding Ratio	Year	TRS Funding Ratio	PERS Funding Ratio
1975	61.0%	61.0%	'90	88.0%	97.0%
'76	55.0%	64.0%	'91	86.0%	88.0%
'77	63.0%	66.0%	'92	90.0%	91.0%
'78	67.0%	69.0%	'93	93.0%	95.0%
'79	72.0%	68.0%	'94	89.6%	94.8%
'80	67.0%	71.0%	'95	90.9%	96.5%
'81	79.0%	82.0%	'96	97.2%	105.8%
'82	77.0%	79.0%	'97	94.0%	106.3%
'83	80.0%	85.0%	'98	97.7%	105.9%
'84	84.0%	88.0%	'99	102.5%	105.5%
'85	82.0%	94.0%	2000	99.6%	101.1%
'86	93.0%	102.0%	'01	95.0%	100.9%
'87	101.0%	100.0%	'02	68.2%	75.2%
'88	99.0%	93.0%	'03	64.3%	72.8%
'89	95.0%	92.0%			





Summary of Accrued Assets and Liabilities - PERS

Valuation Date	Accrued Liability (000's)	Valuation Assets (000's)	Surplus Actuarial (000's)	Market Value Asstes (000's)	Surplus Market (000's)	Funding Ratio	
						Actuarial Value of Assets	Market Value of Assets
June 30, 2003	10,561,653	7,687,281	(2,874,372)	7,391,455	(3,170,198)	72.8%	70.0%
June 30, 2002	9,859,591	7,412,833	(2,446,758)	7,412,833	(2,446,758)	75.2%	75.2%
June 30, 2001	7,868,574	7,941,756	73,182	8,088,382	219,808	100.9%	102.8%
June 30, 2000	7,376,912	7,454,758	77,846	8,756,580	1,379,668	101.1%	118.7%
June 30, 1999	6,648,673	7,016,340	367,667	8,105,358	1,456,685	105.5%	121.9%
June 30, 1998	6,203,991	6,571,562	367,571	7,438,398	1,234,407	105.9%	119.9%
June 30, 1997	5,534,116	5,885,488	351,372	6,566,155	1,032,039	106.3%	118.6%
June 30, 1996	4,979,958	5,271,253	291,295	5,567,721	587,763	105.8%	111.8%
June 30, 1995	4,971,172	4,794,754	(176,418)	4,876,808	(94,364)	96.5%	98.1%
June 30, 1994	4,620,182	4,379,305	(240,877)	4,177,013	(443,169)	94.8%	90.4%

Summary of Accrued Assets and Liabilities - TRS

Valuation Date	Accrued Liability (000's)	Valuation Assets (000's)	Surplus Actuarial (000's)	Market Value Asstes (000's)	Surplus Market (000's)	Funding Ratio	
						Actuarial Value of Assets	Market Value of Assets
June 30, 2003	5,835,609	3,752,285	(2,083,324)	3,602,619	(2,232,990)	64.3%	61.7%
June 30, 2002	5,411,642	3,689,036	(1,722,606)	3,689,036	(1,722,606)	68.2%	68.2%
June 30, 2001	4,603,147	4,372,229	(230,918)	4,086,848	(516,299)	95.0%	88.8%
June 30, 2000	4,198,868	4,184,015	(14,853)	4,484,902	286,034	99.6%	106.8%
June 30, 1999	3,720,954	3,815,633	94,679	4,204,019	483,065	102.5%	113.0%
June 30, 1998	3,528,757	3,446,070	(82,687)	3,915,235	386,478	97.7%	111.0%
June 30, 1997	3,320,069	3,120,044	(200,025)	3,492,071	172,002	94.0%	105.2%
June 30, 1996	2,940,437	2,858,756	(81,681)	3,030,644	90,207	97.2%	103.1%
June 30, 1995	2,913,467	2,647,392	(266,075)	2,688,451	(225,016)	90.9%	92.3%
June 30, 1994	2,761,409	2,472,957	(288,452)	2,351,719	(409,690)	89.6%	85.2%

