

SCOMM

142:23

HOUSE COMMITTEE REPORT

Date Referred to Committee: January 17, 2006

FURTHER REFERRALS: State Affairs
Finance

Date of Committee Action: 2/6/06

The HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS considered:

HB 375

HOUSE BILL NO. 375

RETIREMENT BENEFIT LIABILITY ACCT/PF

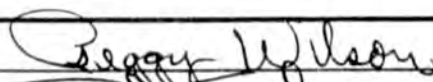
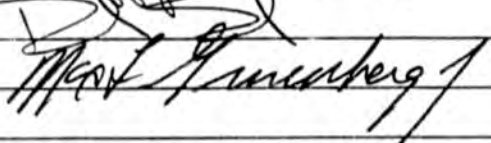
"An Act relating to the retirement benefit liability account and appropriations from that account; relating to deposits of certain income earned on money received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District); and providing for an effective date."

Recommends it be replaced with ☒ HCS or ☐ CS for HB 375 (WFM)
For Senate Bills with new title: ☐ Technical Title ☐ New Title: HCR _____ ☐ Same Title ☐ New Title

☐ attach amendments
☐ add new referral to _____ Committee
☐ Letter of Intent _____ Committee

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

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Signing with recommendations		Printed Last Name	DP	DNP	NR	AM
 	WILSON	✓				
	SAMUELS				X	
	Grunberg	✓				
Chair:	Blythe on	Wierbraich	x			
Chair:						

ALASKA STATE LEGISLATURE

REPRESENTATIVE BRUCE WEYHRAUCH

CHAIR



ALASKA
STATE CAPITOL
JUNEAU, ALASKA 99801-1182

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HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

Sponsor Statement HB 375

"An Act relating to the retirement benefit liability account and appropriations from that account; relating to deposits of certain income earned on money received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District); and providing for an effective date.

There is a \$6 billion unfunded liability in the State of Alaska retirement systems for public employees (PERS), and teachers (TRS).

HB 375 establishes the Retirement Benefit Liability Account in the Department of Revenue.

The source of the funding for the account is earned income from funds in State v. Amerada Hess in the Permanent Fund. Appropriations from those earnings will be made for the public purpose of addressing the PERS and TRS unfunded liability.

Retirement Benefit Liability Acct/PF
Sponsor Statement for House Bill 375
Released: January 19, 2006
Ginny Austerman

HB 375 establishes the Retirement Benefit Liability Account in the Department of Revenue.

Money in the Retirement Benefit Liability Account established by this bill would be used for payment of the employer contributions to past service liabilities of the public employees' retirement system and teachers' retirement system for state and political subdivisions of the state, including regional education attendance areas. Any income that is earned on the money in the account would be appropriated back into the account.

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http://www.akrepublicans.org/houspwnm/24/spst/houspwnm_hb375.php

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FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: _____

Bill Version: HB 375

() Publish Date: _____

Revision Date/Time (Note if correction): _____

Dept. Affected: Administration

Title An Act relating to the retirement benefit liability
account...relating to deposits of certain income...

RDU Centralized Administrative Services

Component Retirement and Benefits

Sponsor House Special Committee on Ways and Means

Requester House Special Committee on Ways and Means

Component No. 64

Expenditures/Revenues

(Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 375 establishes a new account, the Retirement Benefit Liability Account (RBLA), in the Department of Revenue from which appropriations may be made by the legislature for grants to political subdivisions and regional education attendance areas. Appropriations may also be made to the State. The purpose of the appropriations from the RBLA may be for participating employers to pay their past service liabilities to the Public Employees' and Teachers' Retirement systems or for other purposes.

The legislation also directs half of the annual income earned on the money awarded or received from State v. Amerada Hess be deposited into the Retirement Benefit Liability Account.

This bill has no fiscal impact on the Division of Retirement and Benefits.

Prepared by: Melanie Millhorn, Director

Division: Retirement and Benefits

Approved by: Mike Tibbles, Deputy Commissioner

Agency: Department of Administration

Phone 465-4408

Date/Time 1/20/06 8:03 AM

Date 1/20/2006

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 374
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
 Title An Act relating to establishment of a retirement RDU Centralized Administrative Services
benefit liability account in the Dept. of Revenue... Component Retirement and Benefits
 Sponsor House Special Committee on Ways and Means
 Requester House Special Committee on Ways and Means Component No. 64

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 374 establishes a new account, the Retirement Benefit Liability Account (RBLA), in the Department of Revenue from which appropriations may be made by the legislature for grants to political subdivisions and regional education attendance areas. Appropriations may also be made to the State. The purpose of the appropriations from the RBLA may be for participating employers to pay their past service liabilities to the Public Employees' and Teachers' Retirement systems or for other purposes.

The legislation also directs the annual dividend from the Alaska Housing Finance Corporation be deposited into the Retirement Benefit Liability Account.

This bill has no fiscal impact on the Division of Retirement and Benefits.

Prepared by: Melanie Millhorn, Director Phone 465-4408
 Division Retirement and Benefits Date/Time 1/20/06 8:03 AM
 Approved by: Mike Tibbles, Deputy Commissioner Date 1/20/2006
 Agency Department of Administration

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 375
 () Publish Date: 1/19/2006

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title An Act relating to establishment of a retirement RDU Taxation and Treasury
 benefit liability acct; relating to Amerada Hess income Component Treasury Division
 Sponsor House Ways and Means
 Requester _____ Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB374 creates a new account in the Department of Revenue, Treasury Division, called the retirement benefit liability account. Subject to appropriation, it also directs one half of the income of the Amerada Hess earnings to this new account. APFC estimates the annual earnings at \$27.6 million dollars: 50% of the earnings would be \$13.8 million.

This fiscal note assumes the funds would stay in the retirement benefit liability account for one quarter and would be transferred to each political subdivision, including regional education attendance areas, participating in teachers' retirement system or public employees retirement system. The total amount available for transfer in FY2007 and in subsequent years would be \$13,912,125. In order to avoid administrative costs of processing the transfers, the Department of Revenue would work with _____

Prepared by: Susan M. Taylor, Comptroller Phone 907-465-2352
 Division Treasury Date/Time 1/19/2006, 4:00 pm
 Approved by: Tom Boutin, Deputy Commissioner Date 1/19/2006
 Agency Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. HB375

ANALYSIS CONTINUATION

the Department of Education and Early Development and Department of Commerce, Community and Economic Development for efficiencies in transferring the funds to the pension system participants according to their normal schedule of payments to political subdivisions, including regional educational attendance areas, participating in the pension systems.

**ESTIMATED CONTRIBUTION SHORTFALL TO PERS AND TRS FUNDS
FY 2006 AND FY 2007**

	A	B	C	D	E	F
1						
2						F = E - D
3		FY 2006	1 FY 2006 Estimated Payroll	2 Expected Contributions	3 Actuarially Required Contributions	FY 2006 Estimated Shortfall
4		POLITICAL SUBDIVISIONS	\$ 358,620,780	\$ 54,475,558	\$ 89,464,421	\$ (34,988,863)
5		SCHOOL DISTRICTS	\$ 781,895,084	\$ 154,299,976	\$ 267,931,858	\$ (113,631,882)
6		STATE OF ALASKA	\$ 770,031,322	\$ 136,830,957	\$ 215,039,301	\$ (78,208,344)
7		UNIVERSITY	\$ 168,783,099	\$ 28,629,598	\$ 45,706,057	\$ (17,076,460)
8		OTHER PUBLIC ORGANIZATIONS	\$ 72,417,369	\$ 11,376,009	\$ 12,952,044	\$ (1,576,035)
9		TOTAL BY ER GROUP	\$ 2,151,747,655	\$ 385,612,098	\$ 631,093,680	\$ (245,481,582)
10						
11		PERS	\$ 1,552,366,466	\$ 259,742,048	\$ 398,234,089	\$ (138,492,040)
12		TRS <i>21%</i>	\$ 599,381,188	\$ 125,870,050	\$ 232,859,592	\$ (106,989,542)
13		TOTAL BY FUND	\$ 2,151,747,655	\$ 385,612,098	\$ 631,093,680	\$ (245,481,582)
14						
15						
16						
17						F = E - D
18		FY 2007	1 FY 2007 Estimated Payroll	2 Expected Contributions	3 Actuarially Required Contributions	FY 2007 Estimated Shortfall
19		POLITICAL SUBDIVISIONS	\$ 369,379,404	\$ 73,339,696	\$ 102,620,395	\$ (29,280,698)
20		SCHOOL DISTRICTS	\$ 802,052,465	\$ 197,708,179	\$ 295,534,006	\$ (97,825,827)
21		STATE OF ALASKA	\$ 793,104,496	\$ 180,585,280	\$ 245,190,674	\$ (64,605,394)
22		UNIVERSITY	\$ 173,588,305	\$ 38,113,661	\$ 49,990,914	\$ (11,877,254)
23		OTHER PUBLIC ORGANIZATIONS	\$ 74,579,127	\$ 13,485,148	\$ 13,938,105	\$ (452,957)
24		TOTAL BY ER GROUP	\$ 2,212,703,797	\$ 503,231,963	\$ 707,274,094	\$ (204,042,131)
25						
26		PERS	\$ 1,598,937,460	\$ 343,652,715	\$ 450,842,519	\$ (107,189,803)
27		TRS <i>26%</i>	\$ 613,766,337	\$ 159,579,248	\$ 256,431,576	\$ (96,852,328)
28		TOTAL BY FUND	\$ 2,212,703,797	\$ 503,231,963	\$ 707,274,094	\$ (204,042,131)
29						
30		NOTES				
31		1- Based on FY 2005 payroll data pulled from CRS and inflated for system average experience FY 2001-2005.				
32		(3.0% PERS and 2.4% TRS)				
33						
34		2- Expected contributions based on Board adopted rates.		FY 2006	FY 2007	
35		[individual ER rates used for PERS]		PERS	16.77%	21.77%
36				TRS	21.00%	26.00%
37						
38		3- Actuarially required rates.		FY 2006	FY 2007	
39		[individual ER rates used for PERS]		PERS	25.63%	28.19%
40				TRS	38.85%	41.78%