

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

3084 SCOMM 142: HOUSE SPECIAL COMMITTEE ON WAYS & MEANS 2005-2006

A MILLIMAN GLOBAL FIRM



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October 24, 2002

Mr. Guy Bell, Director
Department of Administration
Division of Retirement and Benefits
333 Willoughby Ave., 6th Floor
Juneau, AK 99811

Re: 2002 Actuarial Audit of TRS & PERS

Dear Mr. Bell:

The enclosed report presents our findings and comments resulting from a detailed review of the actuarial services currently performed by your retained actuary, William M. Mercer, Inc. (Mercer). Milliman USA, Inc. was selected to perform this review following an RFP process completed in June of this year.

Our findings are categorized under two levels of significance to the overall financing of the Systems, and summarized in Section 1. More detailed commentary on our review process and suggested considerations for adjustments to actuarial assumptions or procedures are included in subsequent sections of this report.

We wish to express our appreciation for the cooperation provided to us by the Mercer consultants, you and your staff. We look forward to discussing our report with you and the two Boards of Trustees on October 24, 2002.

Sincerely,

Mark O. Johnson, F.S.A.
Consulting Actuary

Alaska Division of Retirement and Benefits 2002 Actuarial Audit of TRS & PERS

Section 1

Summary of Recommendations

Purpose and Scope of the Actuarial Audit Review

The purpose of an actuarial audit is to review the work performed by the Systems' actuary to assure the actuarial condition of each System is accurately measured, and that the contribution rate, together with the current assets, is sufficient to provide the benefits promised to members. You need to have an opinion regarding the accuracy and reasonableness of the following:

- The reasonableness, consistency and accuracy of the method, factors, and assumptions used in the actuarial valuations,
- The reasonableness, consistency and accuracy of the compilation of the actuarial valuation, and
- The reasonableness, consistency and accuracy of the results and the actuarial assumptions generated from the experience study.

Our specific methodology for the actuarial audit services requested was discussed in our proposal. We have followed all of the steps outlined in the proposal

Performing an actuarial audit is similar to doing detective work. The auditing actuary is presented with a set of facts, the "clues", and then tries to reconstruct the past events based on the available data. The auditing actuary's information is never as complete or detailed as that available to the retained actuary. Nevertheless, the purpose of the audit is to have the auditing actuary acquire a certain level of confidence that the findings and the results of the retained actuary's work are reasonable and were performed according to generally accepted actuarial standards and principles.

Outstanding Issues

Over the next month, we will complete the following tasks:

- Review the individual employer rate calculations,
- Validate the accounting disclosures, and
- Suggest areas for improvements in the reporting of the findings.

We will be available, as requested, to answer questions about our reviews and provide additional comments as warranted.

Alaska Division of Retirement and Benefits 2002 Actuarial Audit of TRS & PERS

Statement of Key Findings

Based upon a thorough review of the 2000 experience studies and the 2001 actuarial valuation reports, including the underlying data and calculations, we found the actuarial work to be generally reasonable. The valuations were performed in accordance with generally accepted actuarial standards and principles. However, we found a number of areas where changes are needed, and have additional observations and recommendations for improving the actuarial process.

This report includes a detailed discussion of all the elements of our review. The major issues are categorized under two levels of significance to the overall funding status of the Systems.

Level A Areas where changes are needed which will result in a financial impact on the actuarial findings. Because we did not perform a replication audit, we will only be able to offer a "broad-brush" directional analysis of the fiscal impact our findings.

Level B Areas where we recommend changes based on our professional opinions or preferences.

These issues are outlined on the following pages. Our observations and recommendations are discussed in later sections of the report in more detail.



Alaska Division of Retirement and Benefits 2002 Actuarial Audit of TRS & PERS

Level A Findings

Areas where changes are needed which will result in a financial impact on the actuarial findings:

1. TRS: Salary data was collected for the year ending on the valuation date and was used without escalation in the first projected year after the valuation. The Actuarial Liability for active member pensions is understated by one-year's wage growth and merit salary scale.
(understated liabilities)
2. PERS: Salary data was collected for the six-month period ending on the valuation date and was used without escalation in the first projected year after the valuation. The Actuarial Liability for active member pensions is understated by one-half-year's wage growth and merit salary scale.
(understated liabilities)
3. TRS: The salaries for part-time members are not converted to the equivalent full-time rate to project retirement benefits.
(understated liabilities)
4. TRS & PERS: The projected death benefits are calculated without the application of the joint & survivor factors.
(overstated liabilities)
5. TRS & PERS: The projected disability benefits for currently active members do not include service beyond the normal retirement age.
(understated liabilities)
6. PERS: P&F occupational disabilities are always projected at 66.67% of compensation.
(overstated liabilities)
7. PERS: Alaska COLA is assumed to be payable to 71% of retired members for some valuation calculations, even though the last experience study reduced this assumption to 68% of retired members.
(overstated liabilities)

We have discussed all of these technical issues with Mercer and they have indicated their concurrence with our findings. We understand Mercer is currently working on the fiscal impact of making the appropriate changes.



Alaska Division of Retirement and Benefits 2002 Actuarial Audit of TRS & PERS

Level B Findings

Areas where we recommend changes based on our professional opinions or preferences:

8. TRS & PERS: We believe the entire set of methods should be reviewed as a package. A number of the methods in use are unusual and may not, under certain conditions, provide the level of conservatism or stability the Boards desire. We have alternative suggestions to consider for the actuarial cost method, the amortization strategies, and the asset valuation method.
9. TRS & PERS: We recommend the assumption for future medical cost increases be reviewed prior to every valuation. In addition, we recommend the starting point for future projections be pegged to the latest known blended premium rather than an adjusted previous level.
10. TRS & PERS: We recommend the merit salary scale be reviewed carefully with consideration for a graded schedule with higher increases in the early years of employment.
11. TRS: The valuation assumes one simplified set of early retirement reduction factors to predict early retirement benefits. We recommend that the actual factors be used in the valuation.
12. TRS & PERS: The valuation assumes the resident COLA is applied to the entire benefit, rather than only to the basic benefit.
13. PERS: The valuation determines which tier the active member belongs to. We recommend the Systems provide Mercer with a data code, if possible, that indicates each non-retired member's tier.
14. TRS & PERS: The census data provides insufficient detail for the actuary to accurately predict future retirement benefits for vested terminated members. We recommend that Mercer work with the Systems to develop an accrued benefit or improved information on pay and service histories.
15. The observation period for the Experience Studies should be at least four years, rather than the two-year period used in the latest studies.
16. The Experience Studies and the Actuarial Valuations should provide more depth of information. We will provide detailed suggestions in a later report.



Terry Harvey

From: Rep. Bruce Weyhrauch
Sent: Thursday, August 25, 2005 10:51 AM
To: 'Bruce Weyhrauch'
Cc: Ginny Austerman
Subject: FW: PERS & TRS returns

From: Tom H. Boutin [mailto:tom_boutin@revenue.state.ak.us]
Sent: Thursday, August 25, 2005 8:28 AM
To: Rep. Bruce Weyhrauch
Cc: Ginny Austerman
Subject: PERS & TRS returns

Representative Weyhrauch,

I think that some time ago you had asked me for the PERS & TRS FY05 investment returns. We received them this week.

Tom

Tom:

The investment returns for PERS and TRS for the fiscal year ended June 30, 2005 are 8.95% for the PERS and 9.01% for TRS.

Gary

cc Melanie Milhorn



NEA-ALASKA

Affiliated with the National Education Association

House Ways and Means Committee, Bill Bjork's Testimony

September 8, 2005

Good afternoon, Chairman Weyhrauch and members of the House Ways and Means committee. My name is Bill Bjork, I am the president of NEA-Alaska. NEA-Alaska represents more than 12,500 public school employees throughout Alaska. I would like to thank the committee for coming to Fairbanks and for taking their valuable time to have meetings around the state on the PERS and TRS issue.

I will focus on the scope of this meeting, and not dwell on the pitfalls and problems of the legislation passed during special session (Senate Bill 141).

NEA-Alaska believes the critical first step must be to define the problem accurately. Solutions CANNOT be determined until the magnitude of the problem is truly determined or since it is hunting season, do we need the howitzer or would a .22 suffice. Applying either the howitzer or the .22 in the wrong situation could have devastating effects.

We need an independent actuary to review the current retirement systems to determine what actuarial assumptions ought to be applied to the retirement systems.

Joseph Esuchanko, the independent actuary hired by the Legislative council to examine the PERS system, reported to the council that Mercer is using a methodology that only 11-16% of public systems utilize to determine liability of public pension systems. Please note the fact that the method being used leads to higher liability projections.

Before a "solution" can be crafted, agreement on the actuarial assumptions should be reached so that we can all agree on what solution to apply. Solutions CANNOT be determined until the magnitude of the problem is truly determined

Look closely at the actuarial assumptions:

It has been NEA-Alaska's request since May 2004, that the assumptions being used match the experience in Alaska.

Mercer's Assumptions

Inflation will be 3.5%
Wage Growth 3.75-4.5%
Investment return 8.25%
Health Care Costs 12.5% - 5%

Alaska's Experience

2.6% over any ten year period; PF uses 3%.
1.36%
9% over any ten-year period
8% (7.5% according to Esuchanko)

Assumptions attached to Alaska's reality could definitely lead to a different liability amount.

Inflation

If you address inflation, Mercer assumes a 3.5% inflation rate. Alaska's experience is 2.6% over any 10--year period in our state's 46-year history. The Alaska Permanent Fund, one of the most respected funds in the world, currently valued at over \$31 Billion dollars, uses the more accepted 3% inflation figure. So what difference does a .5 percent make (the difference between 3.5% and 3%)? Over 20 years it is \$800 million dollars! Over 30 years, to match retirement eligibility, it is well over a billion dollars!

Wage Growth

Mercer uses a 3.75 to 4.5% figure, our members wish this was true! Since 1989 Alaska teacher salaries have grown by 1.36% per year with the largest growth in the past seventeen years, the 3.23% increase this past year. The erroneous assumption on wage growth has a huge impact on the unfunded liability.

Investment Return

The Alaska State Pension Investment Board has accomplished a rate of return in excess of the actuarial assumptions over every 10-year period.

Medical Care Costs

Mercer predicts current annual increases in excess of 12% tapering off in 2014 to annual increases of 5%. NEA-Alaska's experience is 8% annual increases in the immediate future continuing beyond 2014. Joseph Esuchanko recommended projecting 7.5% annual increases.

The assumptions used by the actuary who helps this committee define the magnitude of the retirement system shortfall ought to be inline with Alaska reality.

The Ways and Means Committee will need additional information about the current retirement systems to accurately define the shortfall.

Liability Associated With Each Tier in TRS and PERS

Common sense suggests the benefits provided by tier 1 of both PERS and TRS produce the majority of the liability. If you separate the tiers and calculate past service costs independently for each tier, is there still liability in the PERS tier 3 and TRS tier 2 retirement packages? This information is critical to assist the committee in defining the shortfall.

Medical Costs

NEA-Alaska believes that a huge portion of the projected liability rests in skyrocketing medical costs. The medical care program currently in place ought to be better managed. The NEA-Alaska Health Trust provides medical coverage for 13,000 people currently. The Trust knows how to manage care and consistently "beats the market" in rate increases. Medical costs are a key to the shortfall and

richly deserve the attention of this committee.

Process Recommendations

NEA-Alaska strongly recommends the state retain an independent actuary. Advice provided by Mercer brought Alaska's retirement system from over funded three years ago to a liability of about \$5.7 billion today! We can't revise the current system until we have confidence that the actuarial assumptions are valid.

Indeed, NEA-Alaska believes the State should research whether Mercer owns part of the liability.

A final recommendation would be a request that a group of stakeholders be brought together to review and analyze data provided by an independent actuary. This analysis would assist the Ways & Means committee on a final work product.

Again I appreciate the opportunity to provide this testimony. NEA-Alaska and our members look forward to future opportunities to participate.

**TESTIMONY of
Sam Trivette, President
Retired Public Employees of Alaska
HOUSE WAYS AND MEANS COMMITTEE
September 8, 2005**

- Please review my written testimony to the Committee of July 14, 2005, in which I give my background on PERS/TRS issues; explain "what got us where we are today"; and make recommendations for examining and correcting problems with our retirement system. It is clear that SB 141 did NOT fix many of the problems that caused the pension under funding nor did it take a hard look at the assumptions on which SB 141 was based.
- Mercer Consulting was employed by the state to provide actuarial information used in the drafting of SB 141. Mercer's actuarial calculation methods are only used by about 11% of the actuaries nationally; therefore I would urge that you hire a different actuarial firm that uses a more common method for calculating actuarial information and have that firm review Alaska's data prepared by a different firm.
- Most legislators understand there are basically two components of the retiree plans, the pension component and the medical benefits component. The pension component is well funded, over 100%. It is the health care component that has contributed to under funding of PERS/TRS. Costs of health care are skyrocketing throughout the United States. It is a problem for public employees, private employees, Medicare, Medicaid, and all who fund these systems. It is NOT unique to public retiree systems. In Alaska health care costs are at least 25% higher than the "lower 48", according to a recent article in the Anchorage Daily News.
- Retirees don't control the costs of health care, but they have voluntarily taken strong action to reduce their health care costs in recent years by RPEA working cooperatively with the PERS/TRS Boards, the health care administrator (Alaska Care), and Retirement and Benefits. Six million Dollars a year is saved annually by the cooperative effort of the retirees, PERS/TRS Boards, and Alaska Care to educate the retirees that everyone benefits by using generic drugs.
- At the last joint PERS/TRS health subcommittee meeting in April 2005, a number of additional ideas were brought forth that could result in significant savings to the cost of the retiree health care system if implemented. Experience has shown repeatedly it is only through the combined cooperative efforts of all the parties these savings will come to pass. And typically a dollar spent on education returns two dollars in savings. The Alaska Constitution guarantees retiree benefits, but plans can be changed and costs reduced if we work with and educate our retirees.

- SB 141 eliminated the PERS/TRS Boards. Some type of advisory board to the new ARM Board involving retirees will be necessary if you hope to achieve the magnitude of savings the PERS/TRS Boards working cooperatively were able to achieve. RPEA is willing to work with you to draft such legislation. This joint effort is critical for containing the costs of medical expenses, a key to increasing the solvency of the retiree trust funds. Working together we can improve upon SB 141 to save retiree trust fund money. A healthy Alaska retiree trust fund benefits all Alaskans.
- Oversight of retiree trust fund money is also important for three programs that are complete self funded by retirees; the Long Term Care Program, the Life Insurance Program, and the Dental, Audio and Visual Insurance Program. I'll gladly provide additional details if you wish.
- The only potential solution to the PERS/TRS under funding I heard mentioned anytime during Senate hearings on SB 141 was Pension Obligation Bonds. After listening to the expert testimony at your July 14 hearing, doing my own subsequent reading and discussing it with some financial experts, I strongly oppose this solution. At this point, I see no other viable option but a general fund appropriation, once you have the additional actuarial analysis done and you have a more definite understanding of the status of the fund. Remember the fund has rarely been close to 100% funded over the last two decades.

Terry Harvey

From: Rep. Bruce Weyhrauch
Sent: Thursday, August 25, 2005 10:51 AM
To: 'Bruce Weyhrauch'
Cc: Ginny Austerman
Subject: FW: PERS & TRS returns

From: Tom H. Boutin [mailto:tom_boutin@revenue.state.ak.us]
Sent: Thursday, August 25, 2005 8:28 AM
To: Rep. Bruce Weyhrauch
Cc: Ginny Austerman
Subject: PERS & TRS returns

Representative Weyhrauch,

I think that some time ago you had asked me for the PERS & TRS FY05 investment returns. We received them this week.

Tom

Tom:

The investment returns for PERS and TRS for the fiscal year ended June 30, 2005 are 8.95% for the PERS and 9.01% for TRS.

Gary

cc Melanie Milhorn

Dorothy Thompson
P.O. Box 80368
Fairbanks, Alaska 99708
(907) 479-6712

Dear Representative Weyhrauch,

Re: Restore Retirement Funding

My husband and I are both retirees under PERS. We are disappointed and concerned that SB141 does nothing to fix the deficit in retirees' and present employees' retirement. The deficit in funding is still just as it was before passage of this flawed legislation.

Further legislative auditing, as proposed by Rep. Mike Kelly, just diverts attention but does nothing to resolve this urgent deficit problem.

Please act to restore funding for our retirement.

Sincerely,

Dorothy Thompson

Testimony on PERS/TRS Funding Short Fall 9-8-05 / Ways & Means Committee

I'm Doris Robbins, retired from Alaska Department of Labor, and a member of the Retired Public Employees of Alaska. Thank you for the opportunity to voice my opinion.

You should have my written testimony in your packet. It is a rather harsh attempt to get your attention, because I feel I and all retirees have been ignored to this point.

We were told all during session that SB 141 legislation would fix the deficit in both retirees' and current employees' retirement funds. It does not do that. The same deficit is there, so we are now attending these hearings on how to fix it.

Rep. Kelly's News-Miner letter yesterday suggested an audit to find out what happened to the money. That would have been a good idea had it come before he helped get SB 141 passed. Normally, the legislature investigates a problem first, legislation is drafted to fix it AND THEN there is an analysis of the bill. After that it goes through the process of passage. That did not happen.

So now we are going to back track to fix a funding short fall similar to that of other states across the country. The old retirement system could have been tweaked, such as was suggested by several different actuarial opinions. The money could be repaid over a long period of time so it would be less of a burden. Any time you replace a system, you incur extra costs just to get the new one going so you have added to the problem.

What I know is that the employment contract I agreed upon is binding. It is the State of Alaska's responsibility to fix the problem because it was state action which allowed it to get so bad.

The PERS/TRS board advised the Administration to be more conservative during the stock market boom, particularly with Baby Boomers coming. The board even hired a second opinion actuary which confirmed their opinion. They were still ignored, as they only have the power to advise.

The Dept. of Administration, the Governor, and the legislature put into law the practices which led to the problem. I acknowledge there was one of those boom to bust periods for which the stock market is famous and the repayment should be dealt with similar to what other states are doing.

I hope you will now look seriously at the facts and work on the problem in a bipartisan manner. There have been some good ideas advanced already. Please go back and look at them. It isn't too late! Don't forget about the cost of health care, which is the largest culprit. You have been given ideas on lowering costs there as well.

Thank you for giving me and other retirees an opportunity to be heard.

Doris Robbins

3763 Mitchell Avenue B

Fairbanks AK 99709

(907) 374-0597



Ginny Austerman

From: Dorothy Thompson [reddot@acsalaska.net]
Sent: Thursday, September 08, 2005 11:36 AM
To: Ginny Austerman
Subject: Restore Retirement Funding

Dear Representative Weyhrauch,

My husband and I are both retirees under PERS. We are disappointed and concerned that SB141 does nothing to fix the deficit in the retirees' and present employees' retirement. The deficit in funding is still just as it was before passage of this flawed legislation.

Further legislative auditing, as proposed by Rep. Mike Kelly, just diverts attention but does nothing to resolve this urgent deficit problem.

Please act to restore funding for our retirement.

Sincerely,
Dorothy H. Thompson
P.O.Box 80368
Fairbanks, Alaska 99708
(907)479-6712

Ginny Austerman

From: Karen Steen [steen@mtaonline.net]
Sent: Thursday, September 08, 2005 10:06 AM
To: Ginny Austerman
Subject: SB141 Teleconference

I am unable to attend the teleconference and express my opinions, so am sending this email.

There are a lot of problems created by this legislation. I don't believe it is in the state's best interests to institute this change, but my interests center on how it affects my retirement. The State contracted for my services, took my money to fund a retirement with certain benefits, including appeals methods, a cost of living allowance and income until I die. I put in my time in good faith. The state can't arbitrarily change the contract.

If this legislation is allowed to stand without correcting the injustices, I can see nothing but law suits into the foreseeable future. This state doesn't need that expense. Fix the problems or rescind the legislation.

THX Nicholas Steen
HC 32 Box 6561
Wasilla, Alaska 99654
(907) 745-2739

Ginny Austerman

From: Steve Porter [srp13ak1@yahoo.com]
Sent: Thursday, September 08, 2005 9:06 AM
To: Ginny Austerman
Subject: PERS

I request that you add my comments to the record of the hearing scheduled for today, September 8, 2005. I am a retired State employee. The changes to the retirement system will result in high transition costs, as well as increased costs to manage the individual private accounts of the new defined contribution plan. In addition, after July 2006 there will be no new members contributing to the PERS system I retired under which only increases the long term viability of the fund. SBS 141 did not fix anything, it only made the "claimed" under funded liability worse. Instead of destroying a proven pension system that provides a modest retirement income to public employees and then increasing costs to the State with a new retirement system, the Legislature should fix the problems in PERS. A few adjustments would be far less costly than the new defined contribution plan.

Stephen R. Porter
700 Cedar Street
Anchorage, AK 99501
907/522-0349

☺ Steve

[Click here to donate to the Hurricane Katrina relief effort.](#)

Ginny Austerman

From: Lois Conway [loisc@mtaonline.net]
Sent: Thursday, September 08, 2005 8:58 AM
To: Ginny Austerman
Subject: PERS/TERS Funds

Whatever you do to make it happen, you must make good your commitment to retirees. That is all I have to say. It is the law.

Lois Conway
P. O. Box 94
Palmer, AK 99645
907-746-0424

Ginny Austerman

From: Michelle Decker [mhd@gci.net]
Sent: Wednesday, September 07, 2005 10:34 PM
To: Ginny Austerman
Subject: Testimony re SB 141

I will keep this short and sweet:

- The above legislation does not correct the problem of the PERS/TRS Retirement Fund as claimed by legislators who pushed it and voted for it. On the contrary, this legislation will ultimately cause MORE underfunding of the system.
- The long-term effects of this legislation will not only cause significant harm to public employees, but to the general public in a trickle-down effect. Legislators are doing this to gain votes now for themselves--the public employees and the future of the state economy be damned.
- There were and are many superior ways to address the underfunding issue and there has been testimony already to that effect. I urge legislators to show some real leadership and statesmanship by stopping this train before it crashes. The public throughout the nation is getting truly fed up with legislators misrepresenting facts for self-serving reasons. It's time to admit that SB 141 was/is a mistake. It's time to apply all the sound suggestions already made for fixing the system, not destroying it, only to be replaced by a seriously flawed system that creates more serious problems. We all know the saying, "The cure is worse than the disease."

Michelle H. Decker
7766 Port Orford Drive
Anchorage, AK 99507

Ginny Austerman

From: Frank Abegg [frankabegg@acsalaska.net]
Sent: Wednesday, September 07, 2005 8:29 PM
To: Ginny Austerman
Subject: *****SPAM***** PERS/TRS Retirement Hearing

I am writing this email to you since I cannot attend tomorrow's teleconference on the State Pension program. I want to go on record of being very concerned with the changes the State of Alaska is making in the State Retirement program. It is not the pension member's fault that the State mismanaged the pension fund and even allowed abuse by some to seriously impact its economic viability. The State is responsible for maintaining our retirement funds. The Administration has always had the final word on managing these accounts. The PERS/TRS Board only acted as advisors to the State in the past. We have held up our end of the deal. It is the responsibility of the State to fix this problem.

Section 112 of the bill makes it impossible for current retirees to earn a cost of living adjustment. The language permits the increase only when the ratio of total fund assets to the accrued liability meets or exceeds 105%. By SB141 removing all future employees – some 5,000 each year – from PERS and TRS, there will be no new money into the system, exasperating the unfunded liability. The liability will only grow larger and further strain the system. The State needs to solve the pension fund's financial deficit, not reduce pension benefits on its participants.

The PERS/TRS pension programs are based on contracts with its employees, who have held up their end of the deal by paying their assigned share as defined by the State. The State needs to ensure that fair and equitable treatment will continue for its pensioners. I also predict that removing pension member representation from the Pension Board may become a major issue in the future if fair treatment of appeals and continued level of the pension benefits is not ensured by the Administration. I trust that the State will maintain its contractual promises to its retirees.

Frank Abegg
PERS Retiree
3512 Ida Lane
Fairbanks, AK. 99709
907-479-3431

Ginny Austerman

From: GRileyH@aol.com
Sent: Wednesday, September 07, 2005 8:00 PM
To: Ginny Austerman
Subject: 141

Don't mess around with my retirement. My wife and I don't have many years left, but we are entitled to retirement increases and health insurance coverage. Election time is not too far off. Maybe we need people in the Senate who care.

G. H. Riley
1918 Parkview Circle
Anchorage, AK 99501
(907) 276-3334

Ginny Austerman

From: GRileyH@aol.com
Sent: Wednesday, September 07, 2005 7:58 PM
To: Ginny Austerman
Subject: SB 141

As a retiree under the PERS system, I was promised pay increases to my retirement pay as well as health insurance coverage for life. That is what the State of Alaska should be doing. Having new people come into the system will shore it up. Please leave what "works" along.

Peggy Riley
1918 Parkview Circle
Anchorage, AK 99501
(907) 276-3334

9/8/2005

Ginny Austerman

From: Elisabeth Christensen [franziska@gci.net]
Sent: Wednesday, September 07, 2005 6:53 PM
To: Ginny Austerman
Subject: SB 141

I do not like SB 141 for the following reasons: (1) It will not correct the underfunding which was not caused by the employees. (2) It leaves future employees unprotected for the remainder of their lives if they care to stay in Alaska. SB 141 needs to be reversed.

Elisabeth R Christensen
PO Box 190744
(Residence) 8741 Kathleen Dr
Anchorage AK 99519
Phone: 907-243-1578
e-mail address: franziska@gci.net

Ginny Austerman

From: Oliver & Andrea Backlund [kestrels@acsalaska.net]
Sent: Wednesday, September 07, 2005 5:42 PM
To: Ginny Austerman
Subject: TRS/PERS funding issue

Please include my comments for consideration by the legislature.

As a former state employee (I worked for the University for 17 years and retired under one of the several RIP programs) I find it difficult to credit the sincerity of the legislature or the executive branch when you claim that there is a crisis in the funding of the retirement program.

After all, the legislature was fully aware that you were asking people to leave their jobs so that presumably cheaper and younger persons could take them. Presumably you were aware that if we retired earlier, we would likely live long enough to draw all if not more than the amounts we had deposited in the system. You or your predecessors created this problem, we simply accepted your offer, assuming that you had made it in good faith. It would be a betrayal of those men and women who have worked for Alaska and helped to build its roads, communities and University for you to change the system from a defined benefits to the defined contribution one proposed. For one thing, this proposal creates a two-class employment system. For another, the defined benefits option relieves the State of its obligation to protect its present and former employees against the exigencies of the market and the economy. How convenient for you, and how full of portent for those who have given you and this state their best years.

Andrea Backlund

P.O. Box 82349

Fairbanks, Alaska 99708

907-479-2632

Ginny Austerman

From: Oliver & Andrea Backlund [kestrels@acsalaska.net]
Sent: Wednesday, September 07, 2005 5:29 PM
To: Ginny Austerman
Subject: PERS/TRS Teleconference on Juderfunding

Do not break faith with present retirees or present public employees whose retirement plans have been carefully planned in advance. Restore funding for retirement.

Oliver Backlund

P.O. Box 82349

Fairbanks, Alaska 99708

907-479-2632

Ginny Austerman

From: Colleen Nicholson [whitedog@aptalaska.net]
Sent: Wednesday, September 07, 2005 3:17 PM
To: Ginny Austerman
Subject: SB141

I am a retired public employee and closely followed all the sessions last spring concerning the Stedman sponsored bill to change the structure of our retirement system, including taking away all representation of the members of PERS/TRS boards and changing from a defined benefit system to defined contribution. We were left with the impression that the bill would also "fix" the fund shortfall in the process. Now I learn that it not the case and I believe this administration has played fast and loose with those who trusted your integrity. Now I believe that not only your integrity is in question, but that we have been lied to by "words", that reliable counsel has been ignored, and that we are victims of a dishonest administration.

Colleen Nicholson
Retired Municipal employee
401 Fram Street
Petersburg, AK 99833 Resident of Alaska continuously since 1944.

Ginny Austerman

From: Spencer [conook38@alaska.net]
Sent: Wednesday, September 07, 2005 3:16 PM
To: Ginny Austerman
Subject: SB141

To Whom it May Concern:

Please include my opinion in your offerings to the legislature concerning SB 141. We NEED to overturn this legislation that will effect my retirement/health care and that of my children who are also teachers. They have contributed under the "old" plan but will not be able to retire with a secure income/healthcare because of this bill.

Judith DeVito
340 Thompson Place
Kenai AK 99611

907-283-7437

Ginny Austerman

From: Gene and Phyllis [epbartels@gci.net]
Sent: Wednesday, September 07, 2005 9:47 AM
To: Ginny Austerman
Subject: Audit of PERS and TRS funds

Please restore the funding for our retirement. Please restore having retiree representation on the Board.

Please answer the question of how the shortfall happened by doing the audit of the fund. Thank you.

Eugene and Phyllis Bartels

Retired PERS employees

1110 Hoselton Road

Fairbanks, AK 99709

907\479-0434

Ginny Austerman

From: Rep. Bruce Weyhrauch
Sent: Wednesday, September 07, 2005 9:20 AM
To: 'Bruce Weyhrauch'
Cc: Ginny Austerman
Subject: FW: My Retirement Funds

-----Original Message-----

From: tmhelm@ptialaska.net [mailto:tmhelm@ptialaska.net]
Sent: Tuesday, September 06, 2005 7:14 PM
To: Rep. Bruce Weyhrauch
Subject: My Retirement Funds

Email For: Representative Bruce Weyhrauch
From: tmhelm@ptialaska.net
Name: Myra Jane Helmer
Street: 2331 Nussbaumer St
City: Fairbanks, AK
Zip Code: 99706

Subject: My Retirement Funds

Dear Sir,

I may not be able to attend the meeting on Thursday at 1:00, but I want to be heard about any 'odd' withdrawals from the Teacher's Retirement Fund. That should not be touched by any of the State's other funds that are suffering.

Please stand firm. Thanks so much,
Myra Helmer

Ginny Austerman

From: Darwin Walter [darwal@gci.net]
Sent: Tuesday, September 06, 2005 12:35 AM
To: Ginny Austerman
Subject: SB 141

"BS" 141 (SB141) solves nothing. It needs to be ammended to provide for defined benefits and real strategies for addressing the shortfall. Penurious Republican philosophies have dire future results...witness the unnecessarily disastrous results of hurricane Katrina. Pennies saved today costs millions of dollars tomorrow.

Ginny Austerman

From: Doris Robbins [drobbins@gci.net]
Sent: Monday, September 05, 2005 9:30 PM
To: Ginny Austerman
Subject: [Fwd: Fw: RPEA ** Call to Action ** 9/8/05 PERS/TRS Teleconference - Group 2]

----- Original Message -----

Subject: Fw: RPEA ** Call to Action ** 9/8/05 PERS/TRS Teleconference - Group 2
Date: Mon, 05 Sep 2005 20:53:00 -0800
From: Carolyn Tuovinen <tuovinen@gci.net>
To: "ZZZ Robbins, Doris" <drobbins@gci.net>
CC: AA Carol Earnhart <carolea@attglobal.net>

----- Original Message -----

From: Lila
To: Carolyn Tuovinen
Sent: Saturday, September 03, 2005 2:14 PM
Subject: Re: RPEA ** Call to Action ** 9/8/05 PERS/TRS Teleconference - Group 2

I cannot be at the teleconference Thursday. Here are my thoughts on this.

I think it is up to the state to cover the shortfall in the retirement fund. The state contracted with their employees at retirement time to manage the fund to cover their retirement payments. They seem to find money to cover anything they want - they can cover this shortfall.

Lila Fergus
840 Rockside Road
Wasilla, AK 99654
907-376-6907

Ginny Austerman

From: Dave Hamilton [dlh0@hotmail.com]
Sent: Monday, September 05, 2005 9:26 PM
To: Ginny Austerman
Subject: PERS Situation...

Please restore funding fro our retirement. The actions taken to date are overly-drastic and heavy handed. I fullfilled my part of the deal by serving a term of service and retired with 25 years state time. I feel a fully funded retirement system is not only possible for the state of Alaska, but a duty and responsibility, as well.

Thank you,

Dave Hamilton
Fairbanks

Ginny Austerman

From: Connie Janzen [lonestarconnie@gvec.net]
Sent: Monday, September 05, 2005 3:01 PM
To: Ginny Austerman
Subject: vote for funding shortfall

Please count my vote for "**Restore funding for our Retirement**" per the RPEA & PERS & TRS RETIREES funding shortfall.

Thank You

Dieter Janzen
279 Gustav Ln
San Marcos, TX 78666

(830) 379-1944

Ginny Austerman

From: terryruthmc@comcast.net
Sent: Monday, September 05, 2005 11:04 AM
To: Ginny Austerman
Subject: Retirement funding

Please register my protest at the proposed cutting of retirement funding. In this time of record oil revenue income it is inconceivable that the legislature would even consider reneging on the State's commitment to its retirees. Please restore the funding to our retirement accounts.

Terry McFadden

Ginny Austerman

From: glenna dunlevy [gbdunlevy@gci.net]
Sent: Monday, September 05, 2005 10:59 AM
To: Ginny Austerman
Subject: state retiree hearings

5 sept 2005 thank you very much for holding hearings on the state retiree system. i really having a hard time living on my retirement because of rising medical costs. i was forced into retirement by my employer because of a fall that resulted in a broken wrist. after 13 years work and no down time i receive a pension of 347.00 dollars. i find it very hard even with social security to make ends meet. again thank you for having the hearings so that all the voices can be heard. i am sure i am not the only one striving to make ends meet these days. yours truly,
glenna dunlevy

Ginny Austerman

From: Terry or Cindy Luther [tcluther@gci.net]
Sent: Monday, September 05, 2005 9:58 AM
To: Ginny Austerman
Cc: Carolyn Tuovinen
Subject: Whose fault is it anyway?

Hello Ginny,

I am a State retiree as of two years ago. I worked for Division of Forestry as a SR19 Pilot II and wildfire suppression specialist. I was Nationally Certified and was the first State pilot awarded that national distinction. It has been said that my direct initial efforts in newly discovered wildfires resulted in over 25 million acres of saved timberland over my ten years in this job. This both in Alaska and Outside. I bet other State employees have done even more. I feel that the Governor's office does not consider little things like this from it's State employees....or care about them.

I can't tell you how angry it makes me to see the State messing around with band aids like SB 141 which does not really address the problem at all. The unfunded liability here is the doing of our Legislature and other hig level planners and it seems they were asleep at the wheel! Now we employees will be asked to suffer for it. The present system works, albeit not perfectly, so lets fix it properly.

So far our Governor has ignored everyone and bought himself a airplane and terminated the Seniors Bonus program.....and now this!

I'm a lifelong Republican but you know what? Whatch me in the next election.....and I'm going to watch every elected officials vote on this issue too.

Our State employees are a wonderful group of dedicated people who DON'T make too much money or get too many benefits. We should take care of them rather than create an adversarial position against them. Our next big move is a general strike as is presently pending with TRS employees.

Terry Luther
Anchorage

Ginny Austerman

From: Marguerite Stetson [ffmas@aurora.uaf.edu]
Sent: Sunday, September 04, 2005 11:45 AM
To: Ginny Austerman
Subject: Restore funding for our retirement...

I would urge that you restore funding for the state retirement system. This is especially important in order to attract new teachers to the educational system throughout Alaska. Alaska no longer has the highest pay for teachers.

Thank you for your consideration.

Marguerite Stetson
3009 Northwood Street
Anchorage, AK 99517

Ginny Austerman

From: brenda martin [gypsyroadqueen2000@yahoo.com]
Sent: Sunday, September 04, 2005 11:22 AM
To: Ginny Austerman
Subject: restoring funds to our retirement system

We are out of state and unable to attend the meeting in Fairbanks but would like our voices to be heard. My husband and I are both retired teachers and are extremely concerned about the underfunding of PERS/TRS. Both systems are good systems when they are funded fully. Please restore the funds to our retirement system.

Sincerely,

Brenda and Ron Martin

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<http://mail.yahoo.com>

Ginny Austerman

From: MARGUERITE STETSON [mstetson1@verizon.net]
Sent: Sunday, September 04, 2005 7:46 AM
To: Ginny Austerman
Cc: lebmrich@gci.net
Subject: Please restore funding for our retirement!

As a retired teacher, I am very concerned about the future of education in Alaska if we do not have an adequate plan for retirement for these teachers. We are no longer the state paying our teachers the highest salary.

Marguerite Stetson
3009 Northwood Street
Anchorage, AK 99517

Ginny Austerman

From: Raymond E. Nelson [renelson@gci.net]
Sent: Saturday, September 03, 2005 2:14 PM
To: Ginny Austerman
Subject: SB-141 (for Teleconference Sep 8, 2005)

To Whom it May Concern:

As a Municipality of Anchorage retiree under the PERS program, I would like to comment on SB-141 as being in opposition to this solution to the problem of retirement funding. As I, personally, will not be affected by this legislation, my comments are made free of self-interest.

There are many other possible fixes and cost-cutting opportunities available to the Legislature rather than the draconian steps that have been taken. To many and well know to mention here, these have all been brought up before the Legislature in past years but nothing was ever done. Certainly the program needs a thorough overhauling and clean-up. Taking this action and putting into place the several other fixes which correct, rather than destroy, the retirement program would have gone a long way toward cutting cuts and restoring viability.

Instead, it seems to me that the Legislature, rather than fixing the various problems in program, has decided to take the opportunity to dump the program altogether, using the so-called threat to the Permanent Fund as the means of enabling the plan. (These days it appears that the perfect way to obtain public support for any dubious project is to say that not doing so will threaten or destroy the Permanent Fund, and the public, not be well-informed on the subject, acquiesce, understandably wishing to protect the Fund).

In this case, if the PERS program were completely overhauled, the errors and loopholes fixed, and various adjustments made, in other words the things done that the Legislature has refused to do over the last several years, the program could be saved without threatening the Permanent Fund in any significant way.

I know that personally, without the PERS program, the checks I receive every month and the health care benefits I have, my retirement would be a rather grim and bleak experience. Certainly the quality and dedication of the Municipal and State employees of the future will decline as their compensation packages decline. Can Alaska, as a State wherein government by necessity plays such a large part in its economic development, really afford the probable mediocrity in its employees?

Surely there is a better outcome possible here, so that people of good will and a Legislature willing to shoulder its proper responsibilities can come to a common understanding that works for everybody, the employees, the Government and, as a result, the people of the State of Alaska.

Sincerely,

Raymond E. Nelson
Member: RPEA
MOA Retired

renelson@gci.net

Ginny Austerman

From: IFEllison@aol.com

Sent: Saturday, September 03, 2005 1:02 PM

To: Ginny Austerman

Subject: RETIREMENT FUNDING

RESTORE FUNDING FOR OUR RETIREMENT!!!

9/7/2005

Ginny Austerman

From: rsamsal@aol.com
Sent: Saturday, September 03, 2005 12:27 PM
To: Ginny Austerman
Subject: *****SPAM***** Retirement Fund Shortfall

To: House Ways and Means Committee
From: judysamsal@cox.net

I am a state retiree writing from Oklahoma where we have moved from Alaska. We are here because of decisions that are made by our government. The decisions made by elected government officials affect the lives of every day people in a big way.

We are here because one of our daughters is in Florida, within driving distance from here, having been stationed there with her husband, who is in the military and is subject to being sent to Iraq. He is often away from home on assignment in locations other than Iraq. They were blessed with triplets three years ago, and the babies are now three years old. However, they are in a position to be without a father, and last year alone, there were five hurricanes which narrowly missed them. Hurricane Katrina, which just hit the Gulf Coast, was, at one point, headed for Florida. We are here so we don't have to fly for 11 hours (if there are any airlines left in business) to get to them in case of a catastrophe, and so one of us can be there in their father's absence. We are also helping with our grandchildren who live in Oklahoma because our economy is such that their mother has to have a full time job. For one thing, their father's overtime has been cut, and now he's working long hours for no extra compensation which complicates the daycare situation, not only in paying for it, but in getting the children picked up on time. Now, with the price of gasoline cutting into their salaries even further, young families are having extreme hardship making ends meet. We are just happy to be able to help with the children and have a part in their lives. I'm not complaining about the children.

This federal administration and frankly, the Alaskan state government, are already creating a grim climate of hardship, and are moving the middle class into poverty and I don't see how it is going better until these people are gone. I would think with oil in the \$60 ? 70 dollar a barrel range, the State of Alaska would somehow find a way to keep their commitments. I hear they have money to spend on luxury jets that have little to do with the enforcement of state laws, and are funneling money into their own pockets. If the government spent as much effort creating good living conditions for the country (which is the job they signed on to do) as they do at feathering their own nests, we might all be in better shape and not just the super wealthy getting wealthier. PLEASE fund our shortfall.

Ginny Austerman

From: Linda Hull [lhull1942@yahoo.com]
Sent: Saturday, September 03, 2005 12:24 PM
To: Ginny Austerman
Subject: *****SPAM***** PERS AND TRS FUNDING

I JUST WANT TO GO ON RECORD ALONG WITH MY HUSBAND WHO IS A PERS PERSON. WE NEED YOU TO FUND OUR RETIREMENT. WE WORKED IN SOME QUITE AMAZING PLACES DOING AMAZING THINGS, BUT WE STUCK IT OUT, AND WE NOW NEED YOUR SUPPORT TO CONTINUE TO MAKE OUR RETIREMENT POSSIBLE. THANK YOU FOR YOUR HELP. LINDA HULL AND LOWELL HULL, 2181 TWIN FLOWER DRIVE, FAIRBANKS, ALASKA 99709.

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Tired of spam? Yahoo! Mail has the best spam protection around
<http://mail.yahoo.com>

Ginny Austerman

From: Donald Frost [frostyak@hotmail.com]
Sent: Saturday, September 03, 2005 12:20 PM
To: Ginny Austerman
Subject: Re: teleconference

Ginny, I am writing in support of RPEA's attempt to influence the legislature in regards to thier changing the retirement system without thoroughly examining other alternatives.

I support RPEA's efforts.

Donald W. Frost retired

Ginny Austerman

From: Stewarts [stewart2642@gci.net]
Sent: Saturday, September 03, 2005 11:48 AM
To: Ginny Austerman
Subject: *****SPAM***** RPEA Member

Please restore funding for or retirement!

Sharon Stewart
19361 Upper Skyline Drive
Eagle River, AK 99577
907-694-2642

Ginny Austerman

From: Norma Bowkett [bowkett@cox.net]
Sent: Saturday, September 03, 2005 9:53 AM
To: Ginny Austerman
Subject: PERS/TRS Funding Shortfall

(For Rep. Bruce Weyhrauch, Chairman, House Ways and Means Committee)

In the interest of quality education for Alaska's youth, we urge you to restore funding for the retirement system.

Sincerely,

Gerald E. Bowkett and Norma S. Bowkett, members, Teachers Retirement System

14604 W Horizon Drive
Sun City West, AZ 85375
(623) 214-7665
bowkett@cox.net

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Version: 7.0.344 / Virus Database: 267.10.18/89 - Release Date: 9/2/2005

Ginny Austerman

From: Pat Corbin [sumfunow@alaska.net]
Sent: Saturday, September 03, 2005 7:26 AM
To: Ginny Austerman
Subject: PERS/TERS

It is unbelievable to me that this oil rich State of Alaska is about to 'crush' the futures of the many, many, loyal, hardworking people who do so much of the work of the State, and keep our 'ball rolling'!! How does this legislature think we are to "grow this economy" and keep the valuable people who make this a great place to live if they pull out the most valued reason the people keep 'pressing on'?! The SB 141 promoters have their priorities and values terribly out of place.

Funding *must be* returned to the retirement of the people who 'carry the load'!

Patricia Corbin.....an extremely dismayed and appalled citizen and voter!

Ginny Austerman

From: rsamsal@aol.com
Sent: Saturday, September 03, 2005 7:20 AM
To: Ginny Austerman
Subject: *****SPAM***** Retired Retirement Bennifits

Dear House and Ways Committee Members:

Please restore funding for our State of Alaska retirement. Since retirement we depend on the money to live on. We moved out of state to help raise our grandkids.

Ronald Samsal
10909 Windmill farms Road
Midwest City, OK 73130
e-mail rsamsal@aol.com

Ginny Austerman

From: Dave and Molly Brann [brann@alaska.net]
Sent: Friday, September 02, 2005 10:43 PM
To: Ginny Austerman
Subject: Pers/Ters

To the Legislature,

I strongly feel that there should be no shortage of funds for the Pers/Ters retirement program. If there is a shortage of funds, it must be because the legislature "borrowed" from Pers/Ters funds in the past.

This is a problem that needs to be solved even if the legislature needs to allocate funds to Pers/Ters from the general fund. Please look at this problem again and find a way to provide the funds that have been promised to Pers/Ters retirement programs.

Thank you,

Molly Brann.

PO Box 1901

Homer, AK 99603

907 235 6018

Ginny Austerman

From: Bev's Mail [mytern@gci.net]
Sent: Friday, September 02, 2005 9:08 PM
To: Ginny Austerman
Subject: SB 141

I am a state retiree, and do not wish to have any benefit changes.....as it would affect my living in Alaska during my retirement. I worked for the state for many years.....and the only reason I stayed with a state job was the benefits. It was certainly not the pay. We were underpaid, but the benefits were good.

There are too many people already affected by Gov. Murkowski's methods with the longevity program. Nobody could afford to live here in this great state if our benefits are reduced by any amount.

Please do not touch the retirees benefits.

Bev.

Ginny Austerman

From: Irene A. Jacobson [iaj@gci.net]
Sent: Friday, September 02, 2005 8:50 PM
To: Ginny Austerman
Subject: My testimony

I agree with other retirees! Please count me in!
Thank you!

I. A. Jacobson

Sing a New Song
Ps. 81:1

Ginny Austerman

From: R & D Wells [wellsbad@chartermi.net]
Sent: Friday, September 02, 2005 11:19 AM
To: Ginny Austerman
Subject: Ways and Means Committee Testimony

My name is Dorothy Wells. Although I am presently living in Michigan, I lived for forty years in North Pole, taught my entire teaching career at Eielson, served 21 years on the TRS board, and the last 12 years on ASPIB -- Alaska really is home. I speak for myself.

Thank you, Representative Weyhrauch, for conducting these hearings. I am sorry this process wasn't followed BEFORE SB 141 was passed. My comments will cover four areas.

1. Although SB 141 is law, and you are presently trying to deal with the funding issue, I have to say that I am very sorry that our very rich state passed such legislation changing a good DB plan to a DC plan. It makes reliable retirement planning nearly impossible. Having said that, I think that once you get good cost information, you will learn that Tier 3 in the PERS system actually costs the employer less than the new DC plan will cost. Further, since the DB plan will go on for at least 70 years more, the funding for that plan will become more and more expensive. Defined benefit plans are funded on the basis of perpetuity, with an unending supply of new people coming into the plan, and with a LONG time horizon, thus allowing investments to ride out economic cycles. That will become more and more impossible as there are fewer and fewer people paying into the system.
2. Since Mercer and Ms. Milhorn testified and gave much of the information before passage of this bill, I think it incumbent on this committee to seek additional information elsewhere now. There are several people in the state who were involved with the retirement systems much longer than Ms. Milhorn has been -- Anselm Stack and Guy Bell to name two. It would be enlightening to get their input.
3. The configuration of the new ARM board concerns me. ASPIB has worked VERY well with eight trustees -- I don't believe there has ever been a four to four vote on anything, thus the even number of trustees has not been an issue in getting business done. Further, PERS and TRS members have a lot of their own money in the retirement systems, and should be able to vote for their trustees instead of having them be governor appointments. The nine member board, all governor appointees, sends out the message that this is a very political board, controlled by the governor, and I don't think that's the message we want to send to state employees.
4. While I disapprove of the entire bill, I do need to point out that teachers are REALLY disadvantaged with this bill in that they are not part of SBS, nor are they covered by Social Security.

Thanks for letting me testify.

add to record

Hon. Representative Bruce Weyhrauch
House Ways and Means Committee
State Capital Room 421
Juneau AK 99801-1182

RE: PERS/TERS Funding Shortfall
Date: September 8, 2005

Summary of Testimony of Charles H. Gallagher, State of Alaska Retiree

I am submitting for your consideration a paper I wrote for myself after I retired in 2002. I wrote the paper before the issues before this committee became apparent. I wrote this paper because, as an auditor I needed to try and understand my pension and retirement finances.

It shows the State of Alaska in effect used my contributions and theoretically their obligations to my PERS retirement account well before I got to use them.

Under the Windfall Elimination Provisions of the Social Security Act in the early 1980's the State of Alaska was allowed to withdraw from participation. That also meant it withdrew me and my spouse from a substantial amount of participation in Social Security benefits. That needs to be remembered in these deliberations.

The legislature established the Supplement Benefits System. By the simple comparison of the two systems, PERS and SBS, one can see the enormous effect of the nation's financial expansion in the 1990s. In a nutshell it appears my interest at PERS grew at 2.3% while the SBS at times was growing at 18%.

This could be regarded as gross mismanagement, or as an odd Ponzi scheme. In effect it allowed our various governments to spend those monies elsewhere deferring their responsibilities for another day.

Thus in a way the public has already had a certain financial relief. It just happened during the past decade. Now it is time to return the funding and the opportunity is fortunately at hand through enormously high oil prices.

Thank you for offering me this opportunity to be heard.

PAY: Analysis for 25 years

When I was hired by the State of Alaska it was not my intent to make money, nor had I taken the job for a career. I took the job because there nothing else to do. Having been through several Fairbanks recessions I knew things could get tough, here at the end of the road. When there were no jobs, there were no jobs, and there was no nearby place to go. I took the job because I wanted to stay in Fairbanks. I knew I could earn a living, but no one ever thinks about a government job being lucrative. The times and circumstances in Alaska were to make my job quite worthwhile, but it was due to luck and some good decisions.

My pay as an adjudicator, investigator and auditor was enough to squeeze by on as there were benefits. The State Government increases one's pay based upon a merit system; however, the merit system was never actually based on merit, but upon longevity. I never heard of a merit increase not being granted. If it was not, the logic was that it would be contested by the union. Pay increased incrementally by steps toward a journey level after about fifteen years unlike the standard four or five years as in most occupations. My job paid just below the published average for an auditor when I attained my full merit increases.

Soon after I began work in 1977 Alaska State income tax was eliminated. That single item meant an increase in expendable income in itself for all Alaskans.

The pension is the Public Employees Retirement System -PERS. The pension plan offered when I started was relatively standard despite the constant griping from the public and legislature. It is no Cadillac of a plan. The record shows about a 6% contribution by me each pay period. It paid a constant 2.3% interest for 25 years. During many of those same years the Standard and Poor Index Fund was averaging 18%. The fund was reaping the theoretical 16% difference on my personal contributions, but not to my account. Tenure was achieved at five years.

The Employer supposedly matched my contributions. However, the Employer's (State's) theoretical contribution never showed up on the balance sheet. By Law I was entitled to the plan I began permanent employment under in March 1977.

This pension alone would not have allowed me to retire at 55. It entitled me to about \$28,000.00 per year. That is poverty level for a family of four.

What made the difference was the State's leaving the Social Security System in 1982. This was allowed because of the provisions for separation of Federal and State power in the Constitution, Article 11. The change coincided with the beginning of the greatest economic expansion in U.S. history. Former Social Security contributions by the Employer and Employee went into the Supplemental Benefit Retirement System -SBS. As with the pension plan the contribution was about 6%. Both Employer and Employee contributions were accounted for by a regular statement. Contributions could be invested at the Employee's direction depending upon personal risk.

Our contributions expanded exponentially with the national expansion. At one point our employment condition was described as the "Golden Handcuffs". One was simply increasing their retirement more than they were being paid. One could not afford to leave work without forfeiting future potentials.

One did need to know when and where to manage their money/risk. Investments in low risk funds yielded little. Future recessions could risk higher risk funds. I was in an index fund, and the expansion covered most minor setbacks. In November 1998 I had left the markets for shelter in Money Markets. I knew from 30 years experience on Wall Street whenever every Tom, Dick, and Harry gets in, it is time to get out. I had made a lot. On 5-9-2001 I left the Market with my SBS at about 11,000 on the Dow Jones. I felt it was too risky. It was the third high on a backside of the market. I moved to treasury notes, the markets contracted into recession soon afterwards.

As the pipeline oil flow decreased from two million barrels per day to one, the legislature modified the State Employee pension plans three times since 7-1-77 in attempts to come to grips with State budgets. After 7-1-77 the calculations of the pensions eliminated leave cash-outs for new employees. In 1986 Legislative changes subsequently hit first the minimum age to retire and some benefits. Again in the mid-1990s another change increased retirement age to 65 and benefits were essentially eliminated. Somewhere in the mix tenure increased from five to ten years.

Ginny Austerman

From: Don & Carolyn Gray [dcgray@mosquiconet.com]
Sent: Friday, September 09, 2005 5:27 PM
To: Ginny Austerman
Subject: Re: David Teal's handouts from yesterday

Hi Ginny, Thank you for the David Teal handouts.

Also, I am attaching my written testimony since some of the legislators were out of the room when my turn came to speak and I would like for them to have it for the record.

Thanks,

Don

Don I. Gray
399 Hillside Drive
Fairbanks, AK 99712
(907) 457-5737 home
(907) 322-3408 cell

Here is the testimony I gave to the Alaska House Ways and Means Committee Thursday afternoon:

" My name is Don Gray and I am a 35 year resident of Fairbanks.

Because of SB141, new public service employees in PERS and TRS in the defined contribution plan will no longer contribute to the pool of funds for earlier retirees, but the employers, (State of Alaska, boroughs, cities and local school districts) still have the obligations previously agreed upon in contract for the two retirement systems.

Earlier, Director David Teal of the Division of Legislative Finance described the advantage of paying down the unfunded long-term liability sooner rather than later as reducing the pain on school districts and municipalities in particular. This also reduces the pain on local taxpayers. The Director of the Division of Retirement and Benefits today told us that the actuary has recommended that employer contribution rates must increase 5% annually until they reach 28.19% for PERS and 41.78% for TRS and then remain at that level for approximately twenty-five years.

This 5% annual contribution increase, in and of itself, creates a cash-flow problem for many PERS and TRS employers, who in turn must turn to their local taxpayers for revenue.

Paying down the unfunded liability by the state now is, in effect, a form of municipal revenue sharing, with the exception that in this case the Legislature can direct that public money is spent as intended to reduce the liability and is not simply a windfall to any municipality. Money is fungible, so spending in one part of a budget permits saving in another part. As Director Teal indicated, it is pay now or pay later. If you postpone state payments, local taxpayers will feel directly the additional annual 5% increased employer contribution rates.

It is fairer if the State prepays unfunded pension liabilities and eliminates increased local employer contributions since this benefits communities in organized boroughs who would otherwise have to fund shortfalls from local taxes while other employers are funded entirely from state and federal sources and not from local taxes.

I urge you to pay down the unfunded long-term liability sooner rather than later. Debt is not our friend. "

=====

On Sep 9, 2005, at 11:59 AM, Ginny Austerman wrote:

Some of you might not need this information, but sending to all at once saves me lots of time.

Ginny

Ginny

<Ways_Means_Committee_Packet_1.PDF>

North Slope Borough School District



September 8, 2005

Representative Weyhrauch, Chair
House Ways and Means
State of Alaska
Juneau, Ak 99801

First of all I would like to thank you for the long hours and hard work that has been put into SB141.

Today I would like to speak on the issue of how the current PERS/TRS increases affect our District – as it directly relates to delivering education.

According to a presentation made by a Mercer Human Resource Consulting representative to a joint PERS and TRS Retirement Board Meeting March 24, 2004, the PERS employer rate should be increased from then 11.77 % to 25.63% and the TRS employer rate should be raised from 16% to 38.85% to meet the needs.

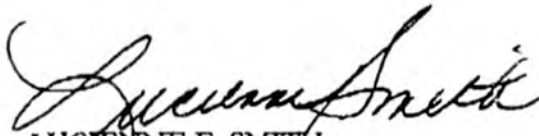
Increases have been approved by the PERS and TRS Boards for FY05 and FY06, 5% and 5% respectively, and will likely be forthcoming for each of the next several years in an attempt to make the retirement systems financially sound. The Alaska Retirement Management Board is scheduled to set the FY07 rates at their upcoming meeting. The incremental impact of such a plan for the North Slope Borough School District (NSBSD), assuming the same number of staff each year, is estimated to be:

		<u>TRS</u>	<u>PERS</u>	<u>Total Increase</u>
Increase	FY06	\$644,594	\$614,567	\$1,259,161
Increase	FY07	722,000	530,000	1,252,000
Increase	FY08	723,600	532,650	1,256,250
Increase	FY09	727,180	535,313	1,262,493
Increase	FY10	<u>730,854</u>	<u>537,989</u>	<u>1,268,843</u>
		\$3,548,228	\$2,750,519	\$6,298,747

To put such increases into perspective for NSBSD, it could equate to the annual elimination of approximately 12-15 teaching positions if additional revenue is not forthcoming. Please bear in mind that the impact of the incremental rates for NSBSD for FY07 is over \$1.2 million dollars. This increase alone is estimated to require \$190 additional base student allocation.

Has the Alaska Teachers' Retirement System and the Public Employee Retirement System been an important element in attracting and keeping capable employees – absolutely! These systems were put in place during a time that Alaska was struggling to attract a qualified teaching pool, of which a large percent came from 'outside'. A large percent still are hired from other states, however, we are beginning to grow our own from our University system.

Once again, thank you for your work in education as well as shoring up our current retirement systems and making the new system palatable.



LUCIENNE E. SMITH
Director of Business Affairs

LES/

Ginny Austerman

From: LIO Ketchikan
Sent: Thursday, September 15, 2005 1:53 PM
To: Ginny Austerman
Subject: RE: 9/8 W & M hearing head count

Hello. The only person in attendance was Miles Baker - staff to Sen. Stedman. Thanks, Cherene

From: Ginny Austerman
Sent: Thursday, September 15, 2005 1:38 PM
To: LIO Ketchikan
Subject: FW: 9/8 W & M hearing head count

Hi, can you please give me the breakdown, same as I requested below.

Thanks, Ginny

From: Ginny Austerman
Sent: Thursday, September 15, 2005 1:35 PM
To: LIO Kenai; LIO Homer
Subject: 9/8 W & M hearing head count

Hi guys,

Can I get a head count from you on the 9/8 W & M hearing, please?

Legislators #, Public #

Thanks,

Ginny

Ginny Austerman
Legislative Aide to Representative Bruce Weyhrauch
Committee Aide/ House Ways & Means Committee
Room 421 State Capitol
(907) 465-6863 (direct)
(907) 465-2273 (fax)

Ginny Austerman

From: LIO Mat-Su
Sent: Thursday, September 15, 2005 11:44 AM
To: Ginny Austerman
Subject: RE: 9/8 W & M hearing

Ginny,
Rep. Carl Gatto was the only one present and there was no public participants.
~Julie Dickerson
Matsu LIO

From: Ginny Austerman
Sent: Thursday, September 15, 2005 11:42 AM
To: LIO Mat-Su
Subject: 9/8 W & M hearing

Hi:

Can you please tell me how many people were at your location for the Ways and Means hearing last week.
Legislators #, and public #.

Thanks, Ginny

Ginny Austerman
Legislative Aide to Representative Bruce Weyhrauch
Committee Aide/ House Ways & Means Committee
Room 421 State Capitol
(907) 465-6863 (direct)
(907) 465-2273 (fax)

Mat-Su 1
Kodiak - 0
HOMER
FAI
ANC
KENAI 1

[9/15/2005 1:17 PM]

Meeting Information Report
For the Period from 9/8/2005 to 9/8/2005

Page 3

Meeting ID: 4926
Meeting Name: HWAM

Organizer: Lori Yorba
Contact: Lori Yorba
Billing Code: HWAM

	Scheduled	Actual
Date of Meeting:	09/08/05	09/08/05
Start time of Meeting:	01:00 PM	12:48 PM
Participants:	21	44
Length (minutes):	180	237
Total recording minutes:		202

Peak Number of Participants in meeting	26
Number of profile accesses to recording :	0
Number of guest accesses to recording:	0
Number of MeetingTime accesses to recording:	0

Attendees (includes those invited + those attended):

User ID	Time in Meeting		
	Voice	Workstation	Data Conference
Anch School Dist	191 min	0 min	0 min
Anchorage LIO1	191 min	0 min	210 min
Anchorage TC	0 min	0 min	0 min
Barrow Schedule	0 min	0 min	45 min
BobDell	6 min	0 min	0 min
BonnieCheney	169 min	0 min	0 min
Charise/Kohring	86 min	0 min	0 min
ChrisE.	103 min	0 min	0 min
DaveDonaldson	98 min	0 min	0 min
David Teal	0 min	0 min	0 min
Erica	28 min	0 min	0 min
Fairbanks LIO	0 min	0 min	0 min
Fairbanks LIO2	190 min	0 min	215 min
Fairbanks Schedule	0 min	0 min	38 min
Guest User	1 min	0 min	0 min
HeatherBrakes	186 min	0 min	0 min
Homer LIO	190 min	0 min	0 min
Homer Schedule	0 min	0 min	202 min

Ginny -
This is the
test of
our system.
Hope it
helps.
Teg

[9/15/2005 1:17 PM]

Meeting Information Report
For the Period from 9/8/2005 to 9/8/2005

Page 4

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Attendees (includes those invited + those attended):

User ID	Time in Meeting		
	Voice	Workstation	Data Conference
JerryBurnett/Rev	186 min	0 min	0 min
Joe/Seekins	137 min	0 min	0 min
JoeEsuchanko	190 min	0 min	0 min
Kenai LIO	194 min	0 min	200 min
Ketchikan LIO	0 min	0 min	201 min
Ketchikan LIO	188 min	0 min	0 min
KevinBrooks	50 min	0 min	0 min
Kodiak Schedule	0 min	0 min	116 min
Kotzebue Schedule	0 min	0 min	45 min
LindseySovde	78 min	0 min	0 min
Lori Yorba	0 min	0 min	0 min
MarkPrussing	36 min	0 min	0 min
Matsu LIO	187 min	0 min	0 min
Matsu Schedule	0 min	0 min	201 min
Melanie Millhorn	0 min	0 min	0 min
MikeOhare/Kott	116 min	0 min	0 min
Nome Schedule	0 min	0 min	93 min
Peg Warren	0 min	0 min	111 min

[9/15/2005 1:17 PM]

Meeting Information Report
For the Period from 9/8/2005 to 9/8/2005

Page 5

Meeting ID: 4926
Meeting Name: HWAM

Organizer: Lori Yorba
Contact: Lori Yorba
Billing Code: HWAM

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Length (minutes):	180	237
Total recording minutes:		202

Peak Number of Participants in meeting	26
Number of profile accesses to recording :	0
Number of guest accesses to recording:	0
Number of MeetingTime accesses to recording:	0

Attendees (includes those invited + those attended):

User ID	Voice.....	Time in Meeting..... Workstation	Data Conference
Peg/Jnu	237 min	0 min	0 min
PegLIO	183 min	0 min	0 min
Rep Gruenberg	74 min	0 min	0 min
Rep Max Gruenberg	68 min	0 min	0 min
RepWilson	186 min	0 min	0 min
RichardDahlstrom	189 min	0 min	0 min
WaltonSmith	123 min	0 min	0 min
WaltonSmith/Y	53 min	0 min	0 min
Chris eshleman/hom	88 min	0 min	0 min
markPrussing	28 min	0 min	0 min
Mary Lou Elton	198 min	0 min	0 min
ted moninski	197 min	0 min	0 min
washingtondcaller	53 min	0 min	0 min

DATE: 9-8-05

UPDATE #:

Y or N

REPRESENTING/AFFILIATION

[illegible]

SCOMM

142.11

ALASKA STATE LEGISLATURE

REPRESENTATIVE BRUCE WEYHRAUCH



ALASKA
STATE CAPITOL
JUNEAU, ALASKA 99801-1182

(907) 465-3744
FAX (907) 465-2273

WAYS AND MEANS COMMITTEE

PERS/TRS Funding Shortfall Issue

Kenai Legislative Information Office

145 main St. Loop, Suite 217
Juneau location Terry Miller Building Conference Room
(Teleconferenced)

December 7, 2005
1:30 p.m. – 4 p.m.

AGENDA

Introduction - Chair Bruce Weyhrauch

Public Testimony (3 minutes per person)

David Teal, Director, Legislative Finance Division (15 minutes)

Melanie Millhorn, Director Retirement and Benefits (15 minutes)

Gail Schubert, Chair, Alaska Retirement Management Board (15 minutes)

Community Perspective –

Larry Semmens – Finance Director, City of Kenai (15 minutes)

Richard Alstrom - City Manager, City of St. Mary's (15 minutes)

Rick Gifford - Manager, Kodiak Island Borough and

Jerome Selby – Mayor, Kodiak Island Borough (15 minutes)

Jeff Sinz - Director of Finance, Municipality of Anchorage (15 minutes)

Public Testimony (3 minutes per person)

Adjournment

1,000,000

<u>Fiscal Years</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Assets	9.0	10.0	10.8	11.6	12.3	11.1	11.4	11.9
PERS	5.89	6.57	7.02	7.45	7.94	7.41	7.69	8.03
TRS	3.12	3.45	3.82	4.18	4.37	3.69	3.75	3.85
Liabilities	9.1	9.5	10.4	11.6	12.5	15.3	16.4	17.6
PERS	5.53	6.20	6.65	7.38	7.87	9.86	10.56	11.44
TRS	3.53	3.32	3.72	4.20	4.60	5.41	5.84	6.12
 Deficit/ Surplus	 (0.0573)	 0.49	 0.46	 0.06	 (0.16)	 (4.17)	 (4.96)	 (5.69)
 Funding Ratio	 99%	 105%	 104%	 101%	 99%	 73%	 70%	 68%

	\$	3.30
State PERS	\$	1.96
Local PERS	\$	0.68
School PERS	\$	0.41
Univ PERS	\$	0.20
Other PERS	\$	0.05
TRS	\$	2.28
	\$	5.58

Figure 1
PERS/TRS
Assets vs. Accrued Liability
(billions)

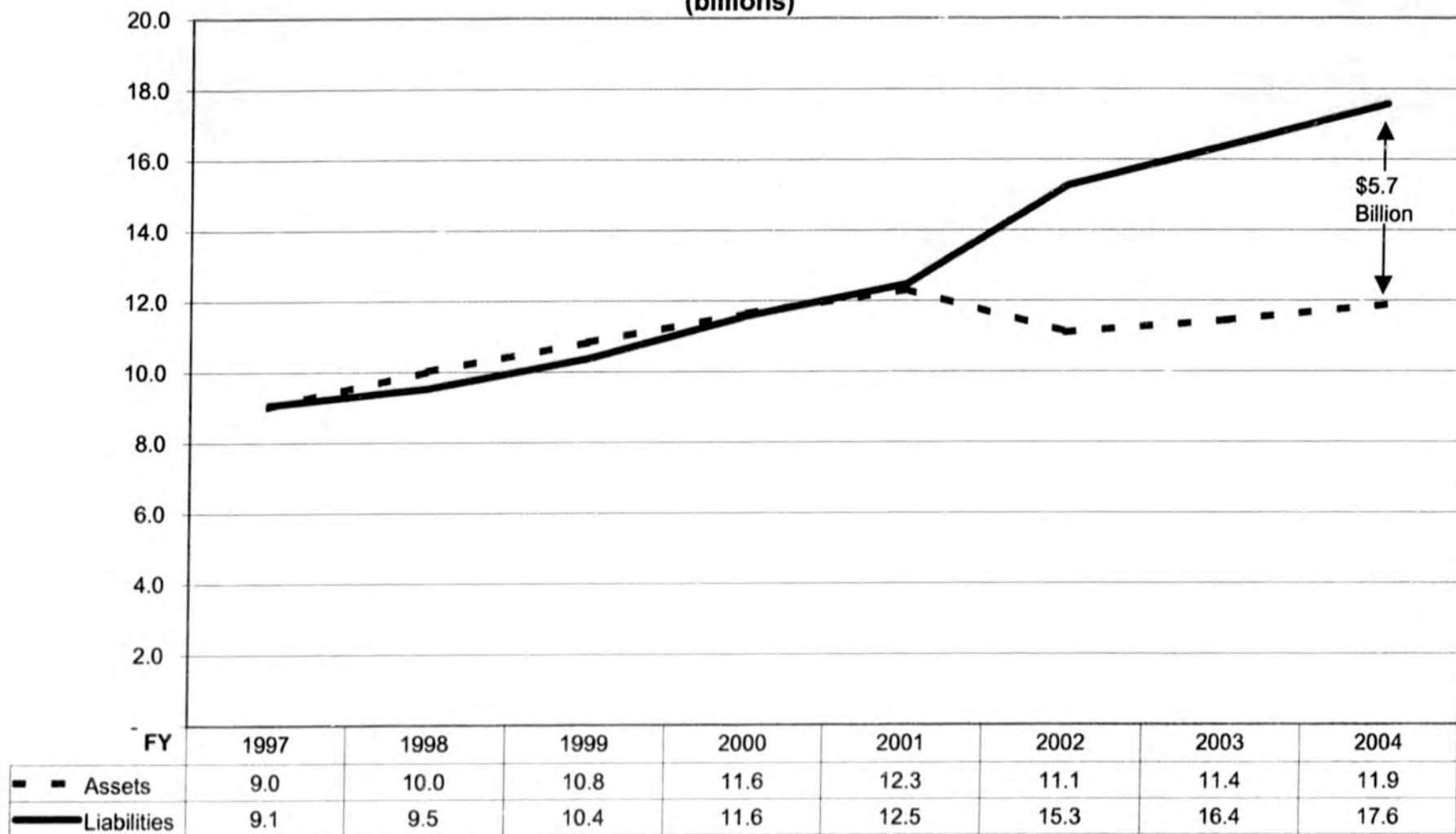


Figure 2. Shares of Alaska Retirement System Unfunded Liability (\$ billions)

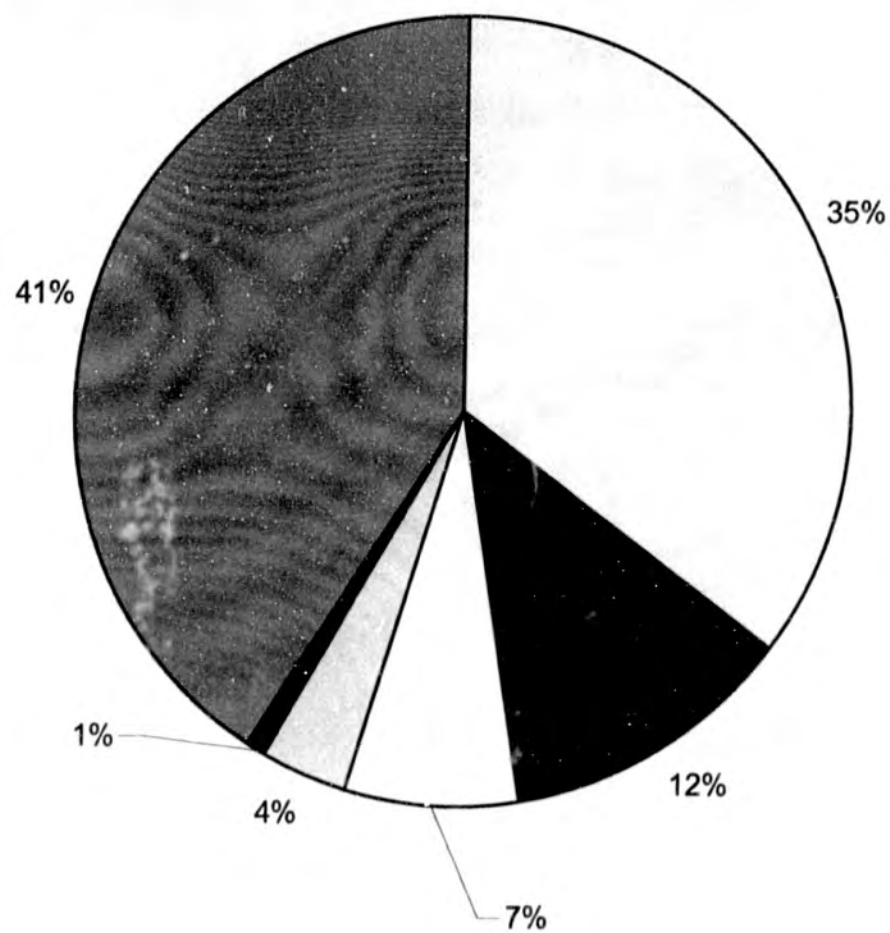


Figure 3. Projection of "Cash on the Table" during the FY07 Budget Process									
		FY05	FY06	FY07					
1	Operating	2,321.7	2,225.5	2,225.5	Start with the FY06 budget as a base				
2	Adjust for Public Education Fund			414.2					
3					Add:				
4				20.0	Contractual Salary Adjustments				
5				25.0	Agency PERS Costs				
6				40.0	Local Govt PERS Relief				
7				40.0	K-12 TRS Relief				
8					FMAP				
9				25.0	AMHS				
10				4.0	Elections				
11				50.0	Medicaid				
12	Note: Shading indicates Governor's proposals outlined in a speech to the AFN			5.0	Youth Success Initiative				
13				5.0	Public Cost Equalization				
14				5.0	UNEMP				
15				4.0	Bring the Kids Home				
16				50.0	K-12 Formula				
17				50.0	UA request				
18				80.0	K-12 Geographic Differential???				
19				408.5	Total Additions				
20									
21	Total Operating	2,321.7	2,225.5	3,048.2					
22									
23	Capital	8.8	338.7	100.0	Minimum required for matching funds				
24	Additional Capital	128.8		25.0	Authorized in FY06				
25	Total Capital	137.6	338.7	125.0					
26	Public Education Fund	414.2							
27	FY05 supplemental Appropriations	181.2							
28	Total Budget	3,054.7	2,564.2	3,173.2					
29									
30	Revenue	3,054.7	3,815.0	3,409.0	FY06 and FY07 revenue is based on oil at \$60/bbl and \$51.5/bbl, respectively.				
31	Surplus	-	1,250.8	235.8					
32									
33	Supplemental Operating		156.5	75.0					
34	FMAP								
35	Fairshare		50.0						
36	AMHS		25.0						
37	Small City Energy Impact Program		6.5						
38	Other		75.0	75.0					
39									
40	Surplus after Supplemental Appropriations	-	1,094.3	160.8	Cash available after estimated supplemental appropriations				



"Village with a Past, City with a Future"

210 Fidalgo Avenue, Kenai, Alaska 99611-7794

Telephone: (907) 283-7535 / Fax: (907) 283-3014

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House Ways and Means Committee, December 7, 2005

Testimony of Larry Semmens, Finance Director

Intergenerational Equity is a term that essentially means that services provided today are paid for by the people who are using those services. In Alaska we all thought we were putting the correct amount of money into the retirement systems to pay the cost of benefits that employees were earning. To do otherwise would have been passing the financial burden on to future generations. Unfortunately the actuarial projections that indicated an over-funded status were incorrect and we now realize that we have huge liabilities for services already rendered.

The impact of rising PERS rates is significant. In Kenai property taxes may need to increase over 50% to cover the increased rates. To say that this could negatively impact the ability of the City to provide services is an understatement. PERS rates of 30% and higher for the next 25 years are difficult to contemplate.

So what can be done?

Normally in a budget crisis there are two tools that can be used to solve the problem: cut expenses and raise revenues. These tools are normally used together; however, in this situation the cut tool is largely unavailable. The retirement benefits that were promised and earned are guaranteed by the Alaska Constitution. So that leaves us with only the raise revenues tool to deal with the problem.

Revenues to the system could be generated slowly by paying down the debt over 25, 40 or more years. The system currently uses 25 years, but the mortgage rate on this amortization schedule is staggering – 30% or more. The payback period could be extended, but that means that people who aren't born yet will be paying for services provided in years past.

Another option is to pay down some of the debt now and either reduce the payback period or reduce the mortgage rate. There are options for how to do this, some will be more attractive than others.

We could borrow money at say 5.5% and put it in the system to be invested. As long as investments yield more than the interest rate on the new debt this would be a positive action. But there are risks and everyone needs to be fully aware of the risks prior to embarking on this course.

We are \$6 billion in debt. Fortunately we are not broke, in fact this year there will be a substantial surplus in State revenues. Perhaps a meaningful contribution could be made from this surplus to pay down the debt. This will not be an easy choice for legislators to make - unless they believe that this is the right thing to do so that the cost is not passed on to future generations.

We have \$32 billion in the Permanent Fund. Clearly there will be little popular support for using revenues of the Permanent Fund to pay down the debt. Yet I wonder if it makes sense to pay out these revenues as dividends, thereby incurring federal taxation, only to use what is left to make the 30% mortgage payment.

Most municipalities are financially strapped and will find it very difficult to absorb a quadrupling of the cost of funding PERS. The Governor recognizes this impact and is including \$38 million to fund the 10% increase in PERS rates over the last two years. I recently heard an idea that has merit. Instead of an outright grant, make this program a matching grant. In order to receive the PERS aid, municipalities would have to pay last years 5% increase out of their own resources. If a municipality pays the full 10% increase from their own resources they would get the 10% match from the State along with a 2% incentive contribution. The biggest benefit of this idea is that it gets more money into the retirement system which reduces the unfunded liability and future rates. It also gets municipalities used to the idea that they are going to have to fund the higher rates and it rewards those that make the hard choice to pay down this liability now rather than pass it on to others in the future.

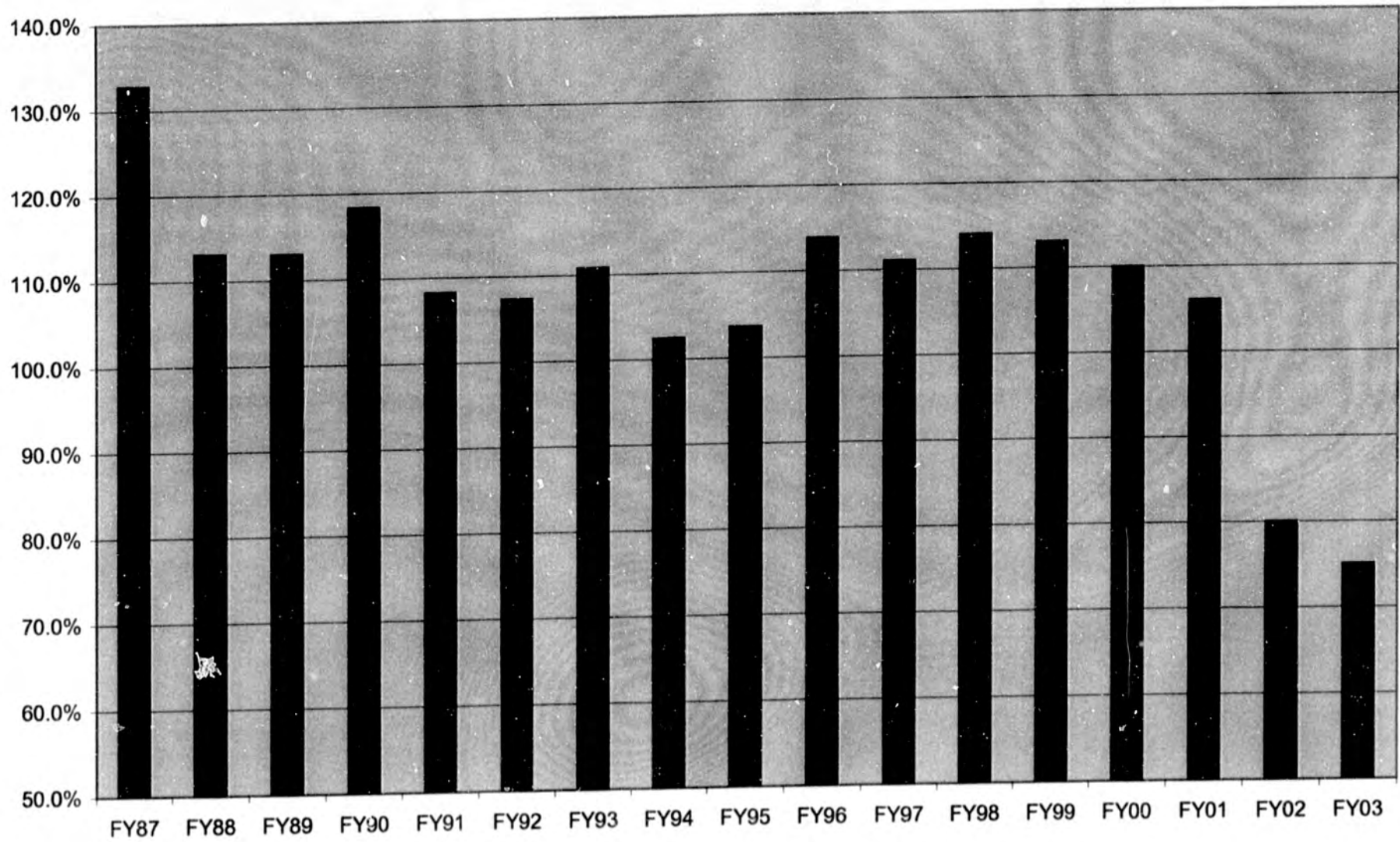
Finally and most significantly, I would like to see the State make a meaningful contribution to the system this year.

Thank you for your time, if you have any questions I would be happy to try to answer them.

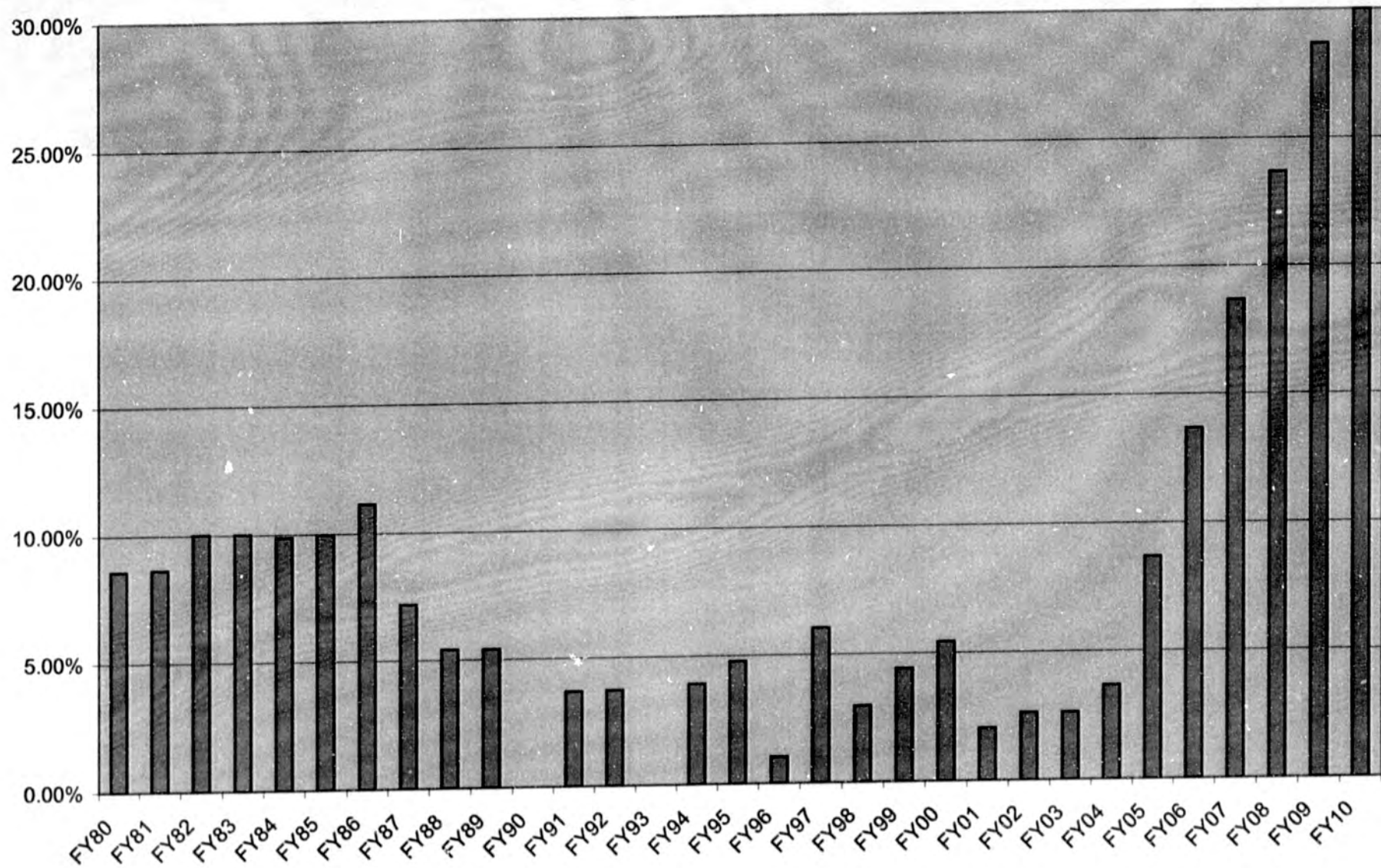
Larry Semmens
Finance Director
City of Kenai

Larry Semmens' graphs for 12/7 W & M hearing

**City of Kenai
Funded Status**



City of Kenai PERS Rates



City of Kenai Future PERS Rates

