ALASKA LEGISLATURE COMMITTEE FILES, 2005-2006 80/2

11477 HOUSE JUDICIARY

Alaska State Legislature

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Representative Mike Kelly

House District 7

SPONSOR STATEMENT

CSHB 177( )

(WO – LS0429\F)

"An Act relating to employee and employer contributions to the teachers' retirement system and the public employees' retirement system; and providing for an effective date."

CSHB 177 is the second of three bills (HB 170 & HB 191) introduced by the sponsor in response to the growing unfunded liability in our state retirement systems.

CSHB 177 would adjust the existing unretired employee contribution rates in the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) from a fixed rate as currently established in statute to a variable rate that may be increased by no more than .5% annually with a maximum increase of 5%. In addition, CSHB 177 stipulates that the increase in employee contributions will only apply to the past service cost rate.

Further, CSHB 177 includes a legislative intent statement the clearly states that money collected from these increases "be used solely for the purpose of stabilizing, restoring, and protecting" the Teacher Retirement and Public Employee Retirement Systems.

The present value of the unfunded liability of the two systems exceeds $5 billion, and the future value of that liability is predicted to be triple that amount over the next 25 years. Now, it is essential that the Legislature implement measures that will stop the unfunded liability from growing and will eliminate it over time.

The adoption of a new Defined Contribution (DC) tier in PERS and TRS (HB 191) will help to eliminate the risk of unfunded liability associated with new hires. We believe that changing employee contribution rates to provide for greater sharing between employers and employees to help offset the increased costs of benefits and eliminate the unfunded liability is a matter of equity. Alaska's government employers cannot pay 26-47% of employees' gross pay to fund retirement and retirement medical benefits without raising local property and sales taxes. The majority of non-beneficiary Alaskans are likely to resist this action. However, if public employees and their employers share the burden to a greater extent, we believe Alaskans will work together to resolve the funding shortfall and make the systems, once again, financially sound. Increased contributions early in the 25-year period will result in significantly lower total costs to Alaska's government employers and employees. This bill would change monthly contributions for existing Tiers, but would not decrease benefits.

We urge your support of CSHB 177.

Member, House Finance Committee
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Sectional Analysis

CSHB 177( )

(WO – LS0429\F)

"An Act relating to employee and employer contributions to the teachers' retirement system and the public employees' retirement system; and providing for an effective date."

Section 1. – The original section one has been replaced with a legislative intent statement. *(Page 1, lines 7-11)*

Section 2. – Like the original version this section changes the member contribution rate for TRS from 8.65% to a variable rate that shall be calculated under the newly created AS 14.25.052. *(Page 1, lines 13-14 through Page 2, lines 1-9)*

Section 3. – While this section creates the new statute, AS 14.25.052 as mentioned above, it is much more limited than the original version. First, it establishes a minimum contribution rate of the existing 8.65%. Second, it establishes that the contribution rate may not exceed an increase of .5% annually. Third, it stipulates that the increased contribution rate may only be applied to the past service cost rate. Lastly, it provides that the employee contribution rate may never exceed 13.65% (or a total increase of 5%). This section also provides for definitions that apply specifically to the section. *(Page 2, lines 10-31)*

Section 4. – This section establishes contribution rates for TRS employers. It makes the stipulation that an increase in the employer contribution rates may not exceed 5% annually. *(Page 3, lines 1-9)*

Section 5. – This is the corresponding language for PERS for Section 2 above. It changes the member contribution rates from a fixed rate (7.5% for police and fire, and 6.75% for all others) to a variable rate to be calculated under the newly created AS 39.35.162 (Page 3, lines 10-23)

Section 6. – This is the corresponding language for PERS for Section 3 above. First, it establishes a minimum contribution rate of the existing 7.5% for police and fire and 6.75% for all other PERS members. Second, it establishes that the contribution rate may not exceed an increase of .5% annually. Third, it stipulates that the increased contribution rate may only be applied to the past service cost rate. Lastly, it provides that the employee contribution rate may never exceed 12.5% for police and fire and 11.75% for all other PERS members (or a total increase of 5%). This section also provides for definitions that apply specifically to the section. (Page 3, lines 24-31 through Page 4, lines 1-19)

Section 7. – This section establishes contribution rates for PERS employers. It makes the stipulation that an increase in the employer contribution rates may not exceed 5% annually. *(Page 4, lines 20-22)*

Section 8. – This section provides for an effective date of July 1, 2005 for this act. *(Page 4, line 23)*

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Representative Mike Kelly
House District 7

SPONSOR STATEMENT

HB 177

(WO – LS0413\Y)

"An Act relating to employee and employer contributions to the teachers' retirement system and the public employees' retirement system; and providing for an effective date."

HB 177 is the second of three bills (HB 170 & HB 191) introduced by the sponsor in response to the growing unfunded liability in our state retirement systems.

HB 177 would adjust the existing unretired employee contribution rates in the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) from a fixed rate as currently established in statute to a floating rate, which would eventually equal the employer contribution rate. Although initial adjustments to the employee contribution rates would result in increases in contribution rates, HB 177 also provides a mechanism for corresponding decreases in contribution rates for both employers and employees as the unfunded liability is paid off.

The present value of the unfunded liability of the two systems exceeds $5 billion, and the future value of that liability is predicted to be triple that amount over the next 25 years. Now, it is essential that the Legislature implement measures that will stop the unfunded liability from growing and will eliminate it over time.

The adoption of a new Defined Contribution (DC) tier in PERS and TRS (HB 191) will help to eliminate the risk of unfunded liability associated with new hires. We believe that changing employee contribution rates to provide for a 50/50 sharing between employers and employees to help offset the increasing costs of benefits and eliminate the unfunded liability is a matter of equity. Alaska's government employers cannot pay 26-47% of employees' gross pay to fund retirement and retirement medical benefits without raising local property and sales taxes. The majority of non-beneficiary Alaskans are likely to resist this action. However, if public employees and their employers share the burden, we believe Alaskans will work together to resolve the funding shortfall and make the systems, once again, financially sound. Increased contributions early in the 25-year period will result in significantly lower total costs to Alaska's government employers and employees. This bill would change monthly contributions for existing Tiers, but would not decrease benefits.

We urge your support of HB 177.

24-LS0429\F
Craver
4/12/05

CS FOR HOUSE BILL NO. 177( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE KELLY

A BILL

FOR AN ACT ENTITLED

"An Act relating to employee and employer contributions to the teachers' retirement system and the public employees' retirement system; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE INTENT. It is the intent of the legislature that the money collected from the increased employee contributions authorized by AS 14.25.052, added by sec. 3 of this Act, and by AS 39.35.162, added by sec. 6 of this Act, be used solely for the purposes of stabilizing, restoring, and protecting in perpetuity the teachers' retirement system (AS 14.25) and the public employees' retirement system (AS 39.35).

*** Sec. 2.** AS 14.25.050(a) is amended to read:

(a) Except as provided in (c) of this section, beginning **<u>July 1, 2005</u>** [JANUARY 1, 1991], each member shall contribute to the system **<u>a percentage</u>** [AN

AMOUNT EQUAL TO 8.65 PERCENT] of the member's base salary accrued from July 1 to the following June 30**, as determined under AS 14.25.052**. The employer shall deduct the contribution from the member's salary at the end of each payroll period, and the contribution shall be credited by the system to the member contribution account. The contributions shall be deducted from employee compensation before the computation of applicable federal taxes and shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member may not have the option of making the payroll deduction directly in cash instead of having the contribution picked up by the employer.

* **Sec. 3.** AS 14.25 is amended by adding new sections to read:

Sec. 14.25.052. Calculation of member contribution rate. (a) Each active member shall contribute a percentage of the member's base salary to be determined annually in advance by the administrator. The minimum member contribution rate is 8.65 percent.

(b) The member contribution rate may be increased over the minimum member contribution rate only if the increase is needed to pay the system's past service cost. The member contribution rate increase may not be applied toward the normal cost of the system.

(c) Notwithstanding (b) of this section, the member contribution rate may not increase more than 0.5 percentage points each fiscal year and may never exceed 13.65 percent.

(d) In this section,

(1) "normal cost" means the value of member benefits expected to be earned by active members during a fiscal year;

(2) "past service cost" means the annual payment to be made over a stipulated number of years to amortize the system's unfunded liability; in this paragraph,

(A) "accrued liability" means the present value of all member benefits accrued by member service during a fiscal year;

(B) "unfunded liability" means the amount by which the accrued liability of the system exceeds the assets of the fund;

* **Sec. 4.** AS 14.25.070 is amended to read:

Sec. 14.25.070. Contributions by employer. An employer shall contribute to the system an amount equal to the percentage, as certified by the administrator, of the sum total of the base salaries of all members that is required in addition to member contributions to provide the benefits of this chapter times the sum total of the base salaries paid to members, including any adjustments to contributions required by AS 14.25.173(a), by the employer. **The maximum increase in the contribution rate for employers from one year to the next may not be more than five percentage points, as actuarially calculated.**

* **Sec. 5.** AS 39.35.160(a) is amended to read:

(a) Beginning **July 1, 2005** [JANUARY 1, 1987], each peace officer or fire fighter shall contribute to the system **a percentage** [AN AMOUNT EQUAL TO SEVEN AND ONE-HALF PERCENT] of the peace officer's or fire fighter's compensation **as determined under AS 39.35.162**. Except as provided in (d) of this section, beginning **July 1, 2005** [JANUARY 1, 1987], each other employee shall contribute to the system **a percentage** [AN AMOUNT EQUAL TO SIX AND THREE-QUARTERS PERCENT] of the employee's compensation **as determined under AS 39.35.162**. The contributions shall be deducted by the employer at the end of each payroll period. The contributions shall be deducted from employee compensation before computation of applicable federal taxes, and the contributions shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member may not have the option of making the payroll deduction directly instead of having the contribution picked up by the employer.

* **Sec. 6.** AS 39.35 is amended by adding a new section to read:

Sec. 39.35.162. Calculation of member contribution rate. (a) Each peace officer or fire fighter shall contribute a percentage of the peace officer's or fire fighter's compensation to be determined annually in advance by the administrator. The minimum peace officer or fire fighter contribution rate is 7.5 percent. Each other employee shall contribute a percentage of the employee's compensation to be determined annually in advance by the administrator. The minimum contribution rate for each other employee is 6.75 percent.

(b) The rate for peace officers, fire fighters and other employees may be increased over the minimum rate set in (a) of this section only if the increase is needed to pay the system's past service cost. A rate increase may not be applied toward the normal cost of the system.

(c) Notwithstanding (b) of this section the rate for members may not increase more than 0.5 percentage points each fiscal year and may never exceed 12.5 percent for peace officers and fire fighters or 11.75 percent for other employees.

(d) In this section,

(1) "normal cost" means the value of benefits expected to be earned by active members in the system during a fiscal year;

(2) "past service cost" means the annual payment to be made over a stipulated number of years to amortize the system's unfunded liability; in this paragraph,

(A) "accrued liability" means the present value of all member benefits accrued by member service during a fiscal year;

(B) "member" means a peace officer, fire fighter or other employee who is a member of the retirement system in this chapter;

(C) "unfunded liability" means the amount by which the accrued liability of the system exceeds the assets of the fund.

*** Sec. 7.** AS 39.35.250 is amended by adding a new subsection to read:

(d) The maximum increase in the contribution rate for employers from one year to the next may not be more than five percentage points, as actuarially calculated.

*** Sec. 8.** This Act takes effect July 1, 2005.

Public Fund Survey - Contribution Rates

Default sort is Ascending by State. To switch sort order to Descending, select button:

- Then click column headings to sort
- Click single 'Plan Name' to view report for selected record
- View graph showing median contribution rates

Scroll through Plans alpha by State

State	Plan Name	Coverage SS Eligible	Employee Contribution Rate	Employer Contribution Rate	for FY ended
AK	Alaska PERS	Both	6.75% for general employees; 7.5% for police and fire	6.75%	6/30/2004
AK	Alaska Teachers	No	8.65%	7.68%	6/30/2004
AL	Alabama ERS	Yes	5.0%; state police contribute 10.0%	3.95% for state employees; local employer rates vary	9/30/2003
AL	Alabama Teachers	Yes	5.0%	5.02%	9/30/2003
AR	Arkansas PERS	Yes	non-contributory	10.0%	6/30/2004
AR	Arkansas Teachers	Yes	3.90%	13.0%	6/30/2003
AZ	Arizona Public Safety Personnel	Yes	7.65%	weighted average of 3.75%; varies by employer depending on valuation, with a minimum of 2.0%	6/30/2003
AZ	Arizona SRS	Yes	5.70%	5.70%	6/30/2004
AZ	Phoenix ERS	Yes	5.0% picked up by employer	6.86%	6/30/2003
CA	California PERF	Both	Most state employees contribute 5.0%; an agreement with employee unions resulted in the suspension of required employee contribution rates for FY 04. Most other employees contribute 7.0% to 9.0%.	14.8% for most state employees; rates vary for participating political subdivisions.	6/30/2004
CA	California Teachers	No	8.0%	8.25%	6/30/2004
CA	Contra Costa County	Both	weighted average rate is 5.98%; ranges from 2.71% for general members to 9.08% for safety employees participating in the enhanced benefit structure	weighted average rate is 24.22%; ranges from 14.22% for general members to 42.61% for safety employees participating in the enhanced benefit structure	12/31/2003

CA	LA County ERS	Yes	Between 5% and 15%, depending on age and date of entry into the plan; new participants may elect a non-contributory option	Varies by employee; aggregate average is approximately 4.7%	6/30/2003
CA	San Diego County	B	8.39% to 8.85%; 9.27% for public safety personnel	0%; 6.87% for public safety personnel	6/30/2003
CA	San Francisco City & County	Both	7.5%	0%	6/30/2003
CO	Colorado Municipal	No	8.0%	9.60%	12/31/2003
CO	Colorado State & School	No	8.0%; state troopers contribute 10.0%	10.15%; 12.85% for state troopers	12/31/2003
CO	Denver Schools	No	8.0%	4.98%	12/31/2003
CT	Connecticut SERS	Yes	2.0%; 5.0% for public safety personnel	4.9%	6/30/2002
CT	Connecticut Teachers	No	7.0%	9.20%	6/30/2003
DC	DC Police & Fire	No	8.0%	22.9%	9/30/2002
DC	DC Teachers	No	8%	0.3%	9/30/2002
DE	Delaware State Employees	Yes	3.0% of earnings above $6,000	4.2% for state employees; rates for local governments ranges from 3.78% to 16.8%	6/30/2004
FL	Florida RS	Both	non-contributory	6.28%; 17.42% for public safety personnel	6/30/2004
GA	Georgia ERS	Yes	1.25%	10.41%	6/30/2003
GA	Georgia Teachers	Yes	5.0%	9.24%	6/30/2004
HI	Hawaii ERS	Yes	non-contributory	14.47%; 15.33% for police and fire	6/30/2004
IA	Iowa PERS	Yes	3.7%; 5.93% for most public safety personnel	5.75%; 8.90% for most public safety personnel	6/30/2004
ID	Idaho PERS	Yes	5.86%; 7.21% for public safety personnel	9.8%; 10.01% for public safety personnel	6/30/2003
IL	Chicago Teachers	No	9.0%	4.6%	6/30/2003
IL	Illinois Municipal	Yes	4.50% for general employees; 6.50% for law enforcement personnel	6.22%; 14.04% for law enforcement personnel	12/31/2003
IL	Illinois SERS	Yes	4.0% for those covered by Social Security, 8.0% for those not covered; public safety members contribute 10.5%	21.675%%	6/30/2004
IL	Illinois Teachers	No	9.0%	13.8%	6/30/2004
IL	Illinois Universities	No	8.0%; public safety personnel contribute 9.5%; employers pick-up member contributions	7.6%	6/30/2004
IN	Indiana PERF	Yes	3.0%	5.6%	6/30/2003
IN	Indiana Teachers	Yes	3%	25.2%	6/30/2003
KS	Kansas PERS	Yes	4.0%	5.18% for state and	6/30/2004

				school; 3.82% for local governments; 5.7% for correctional employees	
KS	Wichita Employees	Yes	7.0%	4.7%	12/31/2003
KS	Wichita Fire & Police	Yes	6.0%	11.7%	12/31/2003
KY	Kentucky County	Yes	5.0%; 8.0% for hazardous duty employees	7.34%; 18.51% for hazardous duty employees	6/30/2004
KY	Kentucky ERS	Yes	5.0%; 8.0% for hazardous duty workers	3.76% for most employers; 17.6% for hazardous duty workers	6/30/2004
KY	Kentucky Teachers	No	9.855%; employee contributions are picked up by the employer	13.105% for non-university participants; 13.84% for university participants	6/30/2004
LA	Louisiana SERS	No	7.5%; public safety personnel contribute 8.5% and correctional officers contribute 9.0%	17.8%	6/30/2004
LA	Louisiana Teachers	No	8.0%	13.1%	6/30/2003
MA	Massachusetts SERS	No	9.0% plus 2.0% of pay above $30,000; state police contribute 12% plus 2% above $30,000	6.64%	12/31/2003
MA	Massachusetts Teachers	No	5% to 11%, depending on member's date of entry		12/31/2003
MD	Maryland PERS	Yes	2.0%	8.06%	6/30/2004
MD	Maryland Teachers	Yes	2.0%	9.35%	6/30/2004
ME	Maine Local	Both	6.5%	varies depending on employer plan selection	6/30/2003
ME	Maine State and Teacher	No	7.65%; 8.65% for state police	12.19% for state employees; 17.71% for teachers	6/30/2003
MI	Michigan Municipal	Yes	0% to 10%, depending on employer election	varies by employer	12/31/2003
MI	Michigan Public Schools	Yes	3.0% of first $5,000 of pay, plus 3.6% of next $10,000, plus 4.3% of pay above $15,000	6.2%	9/30/2004
MI	Michigan SERS	Yes	non-contributory	8.75%	9/30/2004
MN	Duluth Teachers	Yes	5.5%	5.79%	6/30/2003
MN	Minneapolis ERF	Yes	9.75%	24.0%	6/30/2003
MN	Minneapolis Teachers	Yes	8.5%	12.14%	6/30/2004
MN	Minnesota PERF	Yes	5.10%	5.53%	6/30/2004
MN	Minnesota State Employees	Yes	4.0%	4.0%	6/30/2003
MN	Minnesota Teachers	Yes	5.0%	5.0%	6/30/2004
MN	St. Paul Teachers	Yes	8.0%	11.64	6/30/2004
MO	Missouri DOT and Highway Patrol	Yes	non-contributory	23.29% for non-uniformed; 34.94% for uniformed	6/30/2003

				personnel	
MO	Missouri Local	Yes	non-contributory or 4%, depending on employer election	varies by plan type and actuarial valuation	6/30/2004
MO	Missouri Non-Teachers	Yes	5.0%	5.0%	6/30/2004
MO	Missouri State Employees	Yes	non-contributory	9.35%	6/30/2004
MO	Missouri Teachers	No	10.5%	10.5%	6/30/2004
MO	St. Louis School Employees	Yes	5.0%	8.03%	12/31/2003
MS	Mississippi PERS	Yes	7.25%	9.75%	6/30/2004
MT	Montana PERS	Yes	6.9%	6.9%	6/30/2003
MT	Montana Teachers	Yes	7.15%	7.58%	6/30/2003
NC	Charlotte Firefighters	No	12.65%	12.65%	6/30/2003
NC	North Carolina Local Government	Yes	4.8% for general employees and firefighters, 5.27% for law enforcement personnel	varies by employer	6/30/2003
NC	North Carolina Teachers and State Employees	Yes	6.0%	0.22%	6/30/2003
ND	North Dakota PERS	Yes	4.0%; the state picks up its employees' contributions	4.12%; 8.33% for public safety personnel	6/30/2004
ND	North Dakota Teachers	Yes	7.75%	7.75%	6/30/2004
NE	Nebraska Schools	Yes	7.25%	8.02%	6/30/2004
NH	New Hampshire Retirement System	Yes	5.90% for general employees and teachers; 9.30 for public safety personnel	4.06%, 12.11% for police officers; 20.86% for firefighters	6/30/2004
NJ	New Jersey PERS	Yes	5.0%	0% due to actuarial surplus	6/30/2003
NJ	New Jersey Police & Fire	Yes	8.5%	16.3%	6/30/2003
NJ	New Jersey Teachers	Yes	4.5%	0%	6/30/2003
NM	New Mexico PERF	Yes	7.42%	16.59%	6/30/2004
NM	New Mexico Teachers	Yes	7.60%	8.65%	6/30/2003
NV	Nevada Police Officer and Firefighter	No	16.3%; most employers pay employee contributions in lieu of salary increases as certified by employers	16.3%; most employers pay employee contributions in lieu of salary increases	6/30/2004
NV	Nevada Regular Employees	No	10.03% paid by employers for most members, in lieu of salary increases or by salary reduction as certified by employers	10.03%; most employers also pay employee contributions, in lieu of salary increases or by salary reduction	6/30/2004
NY	New York City ERS	Yes	3.0%	2.22%	6/30/2003
NY	New York City Teachers	Yes	3.0%	11.695%	6/30/2003
NY	New York State Teachers	Yes	0% for Tiers 1 and 2; 3.0% for Tiers 3 and 4	2.52%	6/30/2004
NY	NY State & Local ERS	Yes	3%	The average contribution rate for FY 04 was approximately 5.9% of payroll.	3/31/2004
NY	NY State & Local Police & Fire	Yes	0%	The average	3/31/2004

				employer contribution rate for PFRS for fiscal year ended March 31, 2004 was approximately 5.8% of payroll.	
OH	Ohio PERS	No	8.5%; public safety personnel pay 9.0%; law enforcement pays 10.1%	13.31% state, 13.55% local employers, 16.70% law enforcement and public safety personnel	12/31/2003
OH	Ohio Police & Fire	No	10.0%	19.5% for police; 24.0% for fire	12/31/2002
OH	Ohio School Employees	No	9.0%	14.0%	6/30/2003
OH	Ohio Teachers	No	10.0%	14.0%	6/30/2004
OK	Oklahoma PERS	Yes	3.0% on first $25,000 of pay and 3.5% thereafter for state employees; the combined ee and er rate for county and local agencies is 13.5%, composed of a minimum ee rate of 3.5% to a max of 8.5%, and a minimum er rate of 5.0% to a max of 10.0%	10.0% for state er's; the combined ee and er rate for county and local agencies is 13.5%, composed of a minimum ee rate of 3.5% to a max of 8.5%, and a minimum er rate of 5.0% to a max of 10.0%	6/30/2004
OK	Oklahoma Teachers	Yes	7.0%	11.5%	6/30/2004
OR	Oregon PERS	Yes	6.0%	11.31% for the state & cc's; 11.11% for schools; 9.08% for police & fire; 9.73% in aggregate for political subdivisions	6/30/2004
PA	Pennsylvania School Employees	Yes	7.5%	3.37%	6/30/2004
PA	Pennsylvania State ERS	Yes	6.25%	1.1%	12/31/2003
RI	Rhode Island ERS	Yes	8.75% for state employees, 9.5% for teachers	7.68% for state employees; range for teachers from 4.63% to 6.93%	6/30/2003
RI	Rhode Island Municipal	Yes	7.0%; 8.0% for public safety personnel	rates vary based on participating plans' valuation	6/30/2003
SC	South Carolina Police	Yes	6.5%	10.3%	6/30/2004
SC	South Carolina RS	Yes	6.0%	7.55% for state employers and school districts	6/30/2004
SD	South Dakota PERS	Yes	6.0%; public safety personnel contribute 8.0%	6.0%; public safety personnel contribute 8.0%	6/30/2004
TN	TN Political Subdivisions	Yes	Employers may elect the non-contributory option; otherwise, 5%	Varies by employer based on actuarial valuation	6/30/2004
TN	TN State and Teachers	Yes	noncontributory for most state and higher ed employees; 5% for teachers	7.29% for state and higher ed employees; 3.39% for teachers	6/30/2004
TX	City of Austin ERS	Yes	8.0%	8.0%	12/31/2003

TX	Houston Firefighters	No	7.7%; rising to 8.35% 9/1/03 and 9.0% 7/1/04	15.4%	6/30/2003
TX	Texas County & District	Yes	6.79%	9.1%	12/31/2003
TX	Texas ERS	Yes	6.0%	6.0%	8/31/2004
TX	Texas LECOS	Yes	non-contributory	0%	8/31/2004
TX	Texas Municipal	Yes	5%, 6%, or 7%, depending on ER election	Matching of 100%, 150%, or 200% of EE contributions	12/31/2003
TX	Texas Teachers	No	6.9%, which includes 0.5% for health care benefits.	7.4%, which includes 1.4% for health care benefits.	8/31/2004
UT	Utah Noncontributory	Yes	non-contributory	11.70% for state and school employees; 9.62% for local government employees	12/31/2003
VA	Fairfax County Schools	Yes	2.0%	4.0%	6/30/2003
VA	Virginia Retirement System	Yes	5.0%	1.07% for state employees (for disability only); 3.77% for teachers; rates vary for political subdivisions from 0% to 22%	6/30/2004
VT	Vermont State Employees	Yes	4.49%	6.70%	6/30/2004
VT	Vermont Teachers	Yes	3.9%	3.9%	6/30/2004
WA	Washington LEOFF Plan 1	Yes	0%	0.22%	6/30/2004
WA	Washington LEOFF Plan 2	Yes	5.11%	3.1%	6/30/2004
WA	Washington PERS 1	Yes	6.0%	1.40%	6/30/2004
WA	Washington PERS 2/3	Yes	1.67	1.9%	6/30/2004
WA	Washington School Employees Plan 2/3	Yes	0.85%	1.07%	6/30/2004
WA	Washington Teachers Plan 1	Yes	6.0%	1.39%	6/30/2004
WA	Washington Teachers Plan 2/3	Yes	0.87%	1.39%	6/30/2004
WI	Wisconsin Retirement System	Yes	5.4%	5.2%	12/31/2003
WV	West Virginia PERS	Yes	4.5%	10.5%	6/30/2003
WV	West Virginia Teachers	Yes	6.0%	21.62%	6/30/2003
WY	Wyoming Public Employees	Yes	5.57%; law enforcement personnel pay 9.3%	5.68%	12/31/2003

Public Fund Survey - Actuarial Funding Levels

- Default sort is Ascending by State. To switch sort order to Descending, select button:

- Then click column headings to sort
- Click single 'Plan Name' to view report for selected record
- View graph showing funding levels and liabilities

Scroll through Plans alpha by State

Dollars are in 000's

	Actuarial Funding Ratio	Actuarial Assets (000's)	Actuarial Liabilities (000's)	Unfunded Liability (Surplus) (000's)
Aggregate for the 127 Plans shown here	88.9%	$2,089,287,328	$2,349,106,832	$259,819,504

No.	State	Plan Name	Actuarial Funding Ratio	Actuarial Assets	Actuarial Liabilities	Unfunded Liability (Surplus)	Actuarial Valuation Date
1	AK	Alaska PERS	72.8%	$7,687,281	$10,561,653	$2,874,372	6/30/2003
2	AK	Alaska Teachers	64.3%	$3,752,285	$5,835,609	$2,083,324	6/30/2003
3	AL	Alabama ERS	95.4%	$8,100,846	$8,493,369	$392,523	9/30/2002
4	AL	Alabama Teachers	93.6%	$18,110,470	$19,357,735	$1,247,265	6/30/2003
5	AR	Arkansas PERS	88.7%	$4,438,000	$5,005,000	$567,000	6/30/2004
6	AR	Arkansas Teachers	85.9%	$8,113,000	$9,445,000	$1,332,000	6/30/2003
7	AZ	Arizona Public Safety Personnel	93.6%	$4,435,373	$4,739,613	$304,240	6/30/2003
8	AZ	Arizona SRS	96.8%	$22,572,000	$22,935,000	$363,000	6/30/2003
9	AZ	Phoenix ERS	88.5%	$1,330,584	$1,504,125	$173,541	6/30/2003
10	CA	California PERF	87.7%	$158,596,000	$180,922,000	$22,326,000	6/30/2003
11	CA	California Teachers	82.5%	$108,667,000	$131,777,000	$23,110,000	6/30/2003
12	CA	Contra Costa County	89.6%	$3,296,736	$3,677,624	$380,888	12/31/2002
13	CA	LA County ERS	99.4%	$28,262,129	$28,437,493	$175,364	6/30/2002
14	CA	San Diego County	75.4%	$3,831,334	$5,078,067	$1,246,733	6/30/2002
15	CA	San Francisco City & County	117.9%	$11,102,516	$9,415,905	($1,686,611)	6/30/2002
16	CO	Colorado Municipal	80.2%	$1,907,786	$2,379,229	$471,443	12/31/2003
17	CO	Colorado State & School	75.2%	$28,522,222	$37,914,502	$9,392,280	12/31/2003
18	CO	Denver Schools	90.6%	$2,531,746	$2,793,788	$262,042	1/1/2004
19	CT	Connecticut SERS	61.6%	$7,893,700	$12,806,100	$4,912,400	6/30/2002
20	CT	Connecticut Teachers	75.9%	$10,387,300	$13,679,900	$3 292,600	6/30/2002
21	DC	DC Police & Fire	100.0%	$1,097,300	$1,097,300	$0*	10/1/2000

22	DC	DC Teachers	100.0%	$798,900	$798,900	$0*	10/1/2000
23	DE	Delaware State Employees	103.0%	$5,387,560	$5,229,927	($157,633)	6/30/2004
24	FL	Florida RS	112.1%	$106,707,426	$95,185,433	($11,521,993)	7/1/2004
25	GA	Georgia ERS	100.5%	$12,428,736	$12,370,563	($58,173)	6/30/2003
26	GA	Georgia Teachers	101.1%	$42,372,661	$41,905,676	($466,985)	6/30/2003
27	HI	Hawaii ERS	71.7%	$8,797,133	$12,271,331	$3,474,198	6/30/2004
28	IA	Iowa PERS	88.6%	$16,951,943	$19,128,411	$2,176,468	6/30/2004
29	ID	Idaho PERS	83.8%	$6,297,800	$7,512,400	$1,214,600	7/1/2003
30	IL	Chicago Teachers	92.0%	$10,494,755	$11,411,528	$916,773	6/30/2003
31	IL	Illinois Municipal	97.6%	$17,529,891	$17,966,103	$436,212	12/31/2003
32	IL	Illinois SERS	54.2%	$9,990,187	$18,442,665	$8,452,478	6/30/2004
33	IL	Illinois Teachers	61.9%	$31,544,729	$50,947,451	$19,402,722	7/1/2004
34	IL	Illinois Universities	66.0%	$12,586,300	$19,078,600	$6,492,300	6/30/2004
35	IN	Indiana PERF	99.2%	$8,994,854	$9,066,132	$71,278	7/1/2002
36	IN	Indiana Teachers	42.1%	$6,176,574	$14,664,661	$8,488,087	6/30/2002
37	KS	Kansas PERS	75.2%	$10,853,462	$14,439,546	$3,586,084	12/31/2003
38	KS	Wichita Employees	106.8%	$374,171	$350,444	($23,727)	12/31/2003
39	KS	Wichita Fire & Police	106.2%	$361,687	$340,524	($21,163)	12/31/2002
40	KY	Kentucky County	75.1%	$7,541,441	$10,041,709	$2,500,268	6/30/2004
41	KY	Kentucky ERS	70.9%	$7,167,473	$10,112,600	$2,945,127	6/30/2004
42	KY	Kentucky Teachers	69.4%	$14,414,000	$20,784,200	$6,370,200	6/30/2004
43	LA	Louisiana SERS	59.3%	$6,071,631	$10,237,574	$4,165,943	6/30/2004
44	LA	Louisiana Teachers	68.9%	$11,826,926	$17,173,256	$5,346,330	6/30/2003
45	MA	Massachusetts SERS	83.9%	$15,930,753	$18,996,053	$3,065,300	12/31/2003
46	MA	Massachusetts Teachers	69.6%	$17,074,000	$24,519,000	$7,445,000	1/1/2002
47	MD	Maryland PERS	91.2%	$11,514,655	$12,621,578	$1,106,923	6/30/2003
48	MD	Maryland Teachers	92.8%	$20,155,415	$21,724,178	$1,568,763	6/30/2004
49	ME	Maine Local	117.1%	$1,537,235	$1,313,083	($224,152)	6/30/2002
50	ME	Maine State and Teacher	69.4%	$5,877,158	$8,469,835	$2,592,677	6/30/2002
51	MI	Michigan Municipal	79.8%	$4,133,000	$5,181,200	$1,048,200	12/31/2002
52	MI	Michigan Public Schools	86.5%	$38,726,000	$44,769,000	$6,043,000	9/30/2003
53	MI	Michigan SERS	88.8%	$10,441,000	$11,761,000	$1,320,000	9/30/2003
54	MN	Duluth Teachers	95.7%	$278,467	$291,109	$12,642	7/1/2003
55	MN	Minneapolis ERF	92.3%	$1,519,421	$1,645,921	$126,500	7/1/2003
56	MN	Minneapolis Teachers	50.8%	$877,764	$1,729,551	$715,069	7/1/2004

57	MN	Minnesota PERF	76.7%	$11,477,961	$14,959,465	$3,481,504	6/30/2004
58	MN	Minnesota State Employees	99.1%	$7,757,292	$7,830,671	$73,379	6/30/2003
59	MN	Minnesota Teachers	100.0%	$17,519,909	$17,518,784	($1,125)	6/30/2004
60	MN	St. Paul Teachers	71.8%	$898,860	$1,251,460	$352,600	6/30/2004
61	MO	Missouri DOT and Highway Patrol	56.4%	$1,363,953	$2,418,146	$1,054,193	6/30/2003
62	MO	Missouri Local	95.9%	$2,808,907	$2,929,172	$120,265	2/29/2004
63	MO	Missouri Non-Teachers	82.7%	$1,837,308	$2,221,210	$383,902	6/30/2004
64	MO	Missouri State Employees	84.6%	$6,118,214	$7,230,011	$1,111,797	6/30/2004
65	MO	Missouri Teachers	82.0%	$21,501,572	$26,225,259	$4,723,687	6/30/2004
66	MO	St. Louis School Employees	82.1%	$873,300	$1,063,200	$189,900	1/1/2003
67	MS	Mississippi PERS	74.9%	$17,103,285	$22,847,260	$5,743,975	6/30/2004
68	MT	Montana PERS	100.0%	$3,076,781	$3,077,764	$983	6/30/2002
69	MT	Montana Teachers	83.4%	$2,484,800	$2,980,100	$495,300	7/1/2002
70	NC	Charlotte Firefighters	93.9%	$261,022	$277,843	$16,821	7/1/2003
71	NC	North Carolina Local Government	104.2%	$11,393,460	$10,929,356	($464,104)	12/31/2002
72	NC	North Carolina Teachers and State Employees	108.7%	$43,226,837	$39,770,839	($3,455,998)	12/31/2002
73	ND	North Dakota PERS	94.0%	$1,272,900	$1,196,500	($76,400)	6/30/2004
74	ND	North Dakota Teachers	80.3%	$1,445,600	$1,800,400	$354,800	7/1/2004
75	NE	Nebraska Schools	87.3%	$5,118,011	$5,864,260	$746,249	7/1/2004
76	NH	New Hampshire Retirement System	71.1%	$3,901,151	$5,355,387	$1,454,236	6/30/2003
77	NJ	New Jersey PERS	107.3%	$27,576,238	$25,689,891	($1,886,347)	6/30/2002
78	NJ	New Jersey Police & Fire	95.8%	$18,425,172	$19,227,962	$802,790	6/30/2002
79	NJ	New Jersey Teachers	100.0%	$35,148,246	$35,146,592	($1,654)	6/30/2002
80	NM	New Mexico PERF	93.0%	$9,275,676	$9,973,755	$698,079	6/30/2004
81	NM	New Mexico Teachers	81.1%	$7,518,200	$9,266,600	$1,748,400	6/30/2003
82	NV	Nevada Police Officer and Firefighter	71.7%	$3,159,795	$4,408,373	$1,248,578	6/30/2004
83	NV	Nevada Regular Employees	80 5%	$13,670,516	$16,977,008	$3,306,492	6/30/2004
84	NY	New York City ERS	99.9%	$43,561,103	$43,619,936	$58,833	6/30/2002
85	NY	New York City Teachers	100.0%	$34,177,750	$34,181,065	$3,315	6/30/2002
86	NY	New York State Teachers	99.4%	$71,780,400	$72,209,400	$429,000	6/30/2003
87	NY	NY State & Local ERS	100.0%	$107,610,000	$107,610,000	$0*	4/1/2002
88	NY	NY State & Local Police & Fire	100.0%	$19,412,000	$19,412,000	$0*	4/1/2002

89	OH	Ohio PERS	85.9%	$43,706,000	$50,872,000	$7,166,000	12/31/2002
90	OH	Ohio Police & Fire	92.8%	$9,076,469	$9,785,766	$709,297	1/1/2002
91	OH	Ohio School Employees	82.5%	$8,772,000	$10,634,000	$1,862,000	6/30/2003
92	OH	Ohio Teachers	74.8%	$52,253,798	$69,867,425	$17,613,627	6/30/2004
93	OK	Oklahoma PERS	76.1%	$5,412,167	$7,114,778	$1,702,611	7/1/2004
94	OK	Oklahoma Teachers	47.3%	$6,660,900	$14,080,100	$7,419,200	6/30/2003
95	OR	Oregon PERS	86.1%	$38,400,000	$44,600,000	$3,983,400	12/31/2003
96	PA	Pennsylvania School Employees	97.2%	$52,900,500	$54,443,800	$1,543,300	6/30/2003
97	PA	Pennsylvania State ERS	104.9%	$27,466,000	$26,180,000	($1,286,000)	12/31/2003
98	RI	Rhode Island ERS	65.1%	$5,695,359	$8,746,641	$3,051,282	6/30/2003
99	RI	Rhode Island Municipal	99.7%	$1,527,847	$1,532,471	$4,624	6/30/2003
100	SC	South Carolina Police	91.5%	$2,511,369	$2,744,849	$233,480	7/1/2003
101	SC	South Carolina RS	82.8%	$20,197,936	$24,398,931	$4,200,995	7/1/2003
102	SD	South Dakota PERS	97.7%	$4,937,500	$5,051,700	$114,200	6/30/2003
103	TN	TN Political Subdivisions	91.9%	$3,605,529	$3,923,475	$317,946	7/1/2003
104	TN	TN State and Teachers	99.8%	$22,099,252	$22,151,745	$52,493	7/1/2003
105	TX	City of Austin ERS	86.9%	$1,348,800	$1,551,800	$203,000	12/31/2003
106	TX	Houston Firefighters	112.9%	$1,863,100	$1,650,800	($212,300)	7/1/2001
107	TX	Texas County & District	100.5%	$10,871,670	$10,813,500	($58,170)	12/31/2003
108	TX	Texas ERS	97.3%	$20,036,647	$20,591,848	$555,201	8/31/2004
109	TX	Texas LECOS	109.3%	$679,243	$621,457	($57,786)	8/31/2004
110	TX	Texas Municipal	82.6%	$10,815,100	$13,100,100	$2,285,000	12/31/2003
111	TX	Texas Teachers	91.8%	$88,784,000	$96,737,000	$7,953,000	8/31/2004
112	UT	Utah Noncontributory	92.5%	$11,640,475	$12,587,893	$947,418	12/31/2003
113	VA	Fairfax County Schools	95.6%	$1,619,889	$1,693,956	$74,067	6/30/2002
114	VA	Virginia Retirement System	96.4%	$39,243,000	$40,698,000	$1,455,000	6/20/2003
115	VT	Vermont State Employees	97.6%	$1,081,359	$1,107,634	$26,275	6/30/2004
116	VT	Vermont Teachers	90.2%	$1,284,833	$1,424,662	$139,829	6/30/2004
117	WA	Washington LEOFF Plan 1	112.4%	$4,803,000	$4,275,000	($528,000)	9/30/2003
118	WA	Washington LEOFF Plan 2	100.0%	$2,740,400	$2,740,400	$0*	9/30/2003
119	WA	Washington PERS 1	80.6%	$10,227,000	$12,692,000	$2,465,000	9/30/2003
120	WA	Washington PERS 2/3	100.0%	$10,084,230	$10,842,300	$758,070	9/30/2003
121	WA	Washington School Employees Plan 2/3	100.0%	$1,546,000	$1,546,000	$0*	9/30/2002
122	WA	Washington Teachers Plan 1	88.0%	$9,086,000	$10,325,000	$1,239,000	9/30/2003

123	WA	Washington Teachers Plan 2/3	100.0%	$3,949,000	$3,949,000	$0*	9/30/2003
124	WI	Wisconsin Retirement System	99.2%	$62,685,300	$63,211,700	$526,400	12/31/2003
125	WV	West Virginia PERS	73.2%	$2,699,941	$3,691,001	$991,060	6/30/2003
126	WV	West Virginia Teachers	19.2%	$1,190,882	$6,243,834	$5,052,952	6/30/2003
127	WY	Wyoming Public Employees	91.7%	$4,657,898	$5,077,443	$419,545	1/1/2004

*Funds with an unfunded liability of zero use the aggregate cost actuarial valuation method. Under this method, the actuarial value liabilities is equal to the actuarial value of assets and no unfunded liability is identified.

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Public Fund Survey - Normal Retirement Provisions

- **Default sort is Ascending by State. To switch to Descending, select button:**

- Then click column headings to sort
- Click single 'Plan Name' to view report for selected record
- View graph showing median retirement multipliers

Scroll through Plans alpha by State

State	Plan Name	Normal Retirement (age/svc)	Benefit Factor
AK	Alaska PERS	60/5, any/30	2% for first 10 years, 2.25% for years 11-20; 2.5% for years thereafter. Public safety ee's receive 2% for the first 10 years and 2.5% thereafter
AK	Alaska Teachers	60/8, any/20	2% for first 20 years, 2.5% thereafter
AL	Alabama ERS	any/25, 60/10	2.0125%
AL	Alabama Teachers	any/25, 60/10	2.0125%
AR	Arkansas PERS	65/5, any/28, 55/35	1.72%
AR	Arkansas Teachers	any/28, 60/5	2.15%
AZ	Arizona Public Safety Personnel	62/15, any/20	for 20 to 25 years of service, 50% of FAS plus 2% for each year above 20; for more than 25 years, 2.5% for each year above 20
AZ	Arizona SRS	65/any, 62/10, Rule of 80	2.1% for first 20 years, 2.15% for 20 to 25 years, 2.2% for 25 to 30 years, and 2.3% for 30 or more years
AZ	Phoenix ERS	60/10, 62/5, Rule of 80	2.0%
CA	California PERF	60/5; 50/5 or 55/5 for public safety personnel, depending on employer election	2.0% at 60/5, rising to 2.418% at 63/5; employers may select from a range of benefit structures, including 3.0% at 50 and 55 for law enforcement personnel
CA	California Teachers	60/5	2.0%, rising to 2.4% at age 63
CA	Contra Costa County	50/10, any/30, 70/any	based on age at retirement, from 0.83% at age 50, rising to 1.73% at age 65
CA	LA County ERS	50/10, any/30; 50/10, any/20 for public safety personnel	1.66%; 2 % for public safety personnel
CA	San Diego County	60/10, any/30, 70/any; 50/10	3.0%
CA	San Francisco City & County	50/20, 60/10; for public safety personnel, 50/25	1.67% for general employees, 50% of FAS plus 3% for each addition year of service for public safety personnel
CO	Colorado Municipal	65/5, 50/30, Rule of 80	2.5%

CO	Colorado State & School	65/5, 50/30, Rule of 80	2.5%
CO	Denver Schools	65/5, 55/25, 50/30	2.5%
CT	Connecticut SERS	62/5, 60/25; any/20 for public safety personnel	1.33% plus 0.5% for salary above Social Security breakpoint (approx. $36,400 in 2003); 2.5% for public safety personnel
CT	Connecticut Teachers	60/20, any/35	2.0%
DC	DC Police & Fire	55/5, any/25	2.5%
DC	DC Teachers	62/5, 60/20, 55/30	2.0%
DE	Delaware State Employees	62/5, 60/15, any/30	1.85%
FL	Florida RS	62/6, any/30; 55/6, any/25 for public safety personnel	2.0% for teachers, who do not participate in Social Security; 1.60% for most general employees; 3.0% for most public safety personnel
GA	Georgia ERS	65/10, any/30	2.0%
GA	Georgia Teachers	60/10, any/30	2.0%
HI	Hawaii ERS	62/10, 55/30	1.25%
IA	Iowa PERS	65/any, 62/20, Rule of 88	2.0%
ID	Idaho PERS	65/5; 60/5 for public safety personnel	2.0%; 2.3% for public safety personnel
IL	Chicago Teachers	55/20, 62/5	2.2%; 1.67% for service before 7/1/98 for each of first 10 years, 1.9% for years 11-20, 2.1% for years 21-30, and 2.3% for each year above 30. Svc earned before 7/1/98 can be upgraded to 2.2% thru higher ee contributions
IL	Illinois Municipal	55/35, 60/8; 50/20 for law enforcement personnel	1.67% for first 15 years and 2.0% for years in excess of 15; 2.5% for first 20 years for law enforcement personnel, plus 2.0% for years 20 to 30, and 1.0% for each year above 30
IL	Illinois SERS	60/8, Rule of 85	1.67%; 2.2% for those not covered by Social Security
IL	Illinois Teachers	62/5, 60/10, 55/35	2.2% for service after 7/1/98; for previous service: 1.67% for first 10 years; 1.9% for next ten years, 2.1% for next ten years, and 2.3 % for years above 30. Members may upgrade service earned before 7/1/98 to 2.2% thru service purchase
IL	Illinois Universities	62/5, 55/8, any/35	2.2%
IN	Indiana PERF	65/10, 60/15, Rule of 85	1.1% plus a DC component
IN	Indiana Teachers	65/10, 60/15, Rule of 85 at age 55	1.1% plus a DC component
KS	Kansas PERS	65/any, 62/10, Rule of 85	1.75%
KS	Wichita Employees	62/7	2.25%

KS	Wichita Fire & Police	any/30, 50/20	2.5%
KY	Kentucky County	Non-hazardous: 65/any, any/27; Hazardous: 55/any, any/20	Non-hazardous: 2.20%; hazardous: 2.5%
KY	Kentucky ERS	Non-hazardous: 65/any, any/27; Hazardous: 55/any, any/20	Non-hazardous:1.97% to 2.2%; Hazardous: 2.49%
KY	Kentucky Teachers	60/27, 55/5	2.5%, 3.0% if the member retires with 30 years of service; members joining after 6/30/02 who accrue less than 10 yrs of service receive 2.0%
LA	Louisiana SERS	any/30, 60/10, 55/25	2.5%
LA	Louisiana Teachers	65/20, 55/25, any/30	2.5%
MA	Massachusetts SERS	65/10, any/20; 60/10 for public safety personnel	2.5%
MA	Massachusetts Teachers	65/10, any/20	2.5%; teachers who elected into RetirementPlus and have 30 or more years of service receive an additional 2% for each year of service above 24
MD	Maryland PERS	any/30, 62/5, 63/4, 64/3, 65/2	larger of: 1) 1.2% of FAS for service prior to 6/30/98; 2) 0.8% FAS up to SSIL* plus 1.5% FAS above that level for service prior to 6/30/98; 3) 1.4% FAS after 6/30/98.
MD	Maryland Teachers	any/30, 62/5, 63/4, 64/3, 65/2	larger of: 1) 1.2% of FAS for service prior to 6/30/98; 2) 0.8% FAS up to SSIL* plus 1.5% FAS above that level for service prior to 6/30/98; 3) 1.4% FAS after 6/30/98.
ME	Maine Local	60/5	2.0%
ME	Maine State and Teacher	60/5, 62/5, 62/10; any/25 for state police	2.0%
MI	Michigan Municipal	60/10; participating employers may also choose other retirement criteria	1.3% to 2.5%, depending on employer election
MI	Michigan Public Schools	any/30, 60/10	1.5%
MI	Michigan SERS	60/10, 55/30	1.5%
MN	Duluth Teachers	Same as age of eligibility for full Social Security benefits, not to exceed age 66	1.7%
MN	Minneapolis ERF	60/10, any/30	2% for first ten years plus 2.5% for each additional year
MN	Minneapolis Teachers	66/3	1.7%
MN	Minnesota PERF	Upon attaining normal Social Security retirement age, not to exceed 66	1.7%
MN	Minnesota State Employees	Same age as eligibility for full Social Security benefits, not to exceed age 66.	1.7%
MN	Minnesota Teachers	Upon attaining normal Social Security retirement age, not to	1.7%

		exceed 66	
MN	St. Paul Teachers	65/3	1.7%
MO	Missouri DOT and Highway Patrol	62/5, Rule of 80	1.7%
MO	Missouri Local	60/5; 55/5 for public safety personnel	varies based on employer election; most are 1.5%; many are 1.25% and 1.0%
MO	Missouri Non-Teachers	60/5, any/30, Rule of 80	1.61%
MO	Missouri State Employees	62/5, Rule of 80 for MSEP 2000; MSEP: 65/4 if active, 65/5, 60/15, Rule of 80	1.7% for MSEP 2000; 1.6% for MSEP
MO	Missouri Teachers	60/5, any/30, Rule of 80	2.5%; 2.55% for 31 or more years of service
MO	St. Louis School Employees	65/any, Rule of 85	2.0%
MS	Mississippi PERS	60/4, any/25	2.0% for the first 25 years and 2.5% for each year thereafter
MT	Montana PERS	any/30, 65/any, 60/5	1.785%; 2.0% for members with 25 years of service
MT	Montana Teachers	any/25, 60/5	1.667%
NC	Charlotte Firefighters	50/25, 60/5, any/30	2.6%
NC	North Carolina Local Government	65/5, 60/25, any/30; 50/15 for public safety personnel	1.82%
NC	North Carolina Teachers and State Employees	65/5, 60/25, any/30; 55/5 for public safety personnel	1.82%
ND	North Dakota PERS	65/3, Rule of 85; 55/3 for public safety personnel	2.0%
ND	North Dakota Teachers	65/any, Rule of 85	2.0%
NE	Nebraska Schools	65/5, Rule of 85, any/35	2.0%
NH	New Hampshire Retirement System	60/any for general employees and teachers; 45/20, 60/any for police and fire	1.67% for general employees and teachers prior to age 65, 1.5% after attaining age 65; 2.5% for police and fire
NJ	New Jersey PERS	60/10	1/55 for each year of service (1.818%)
NJ	New Jersey Police & Fire	55/10	2.0%
NJ	New Jersey Teachers	60/10	1/55 for each year of service (1.818%)
NM	New Mexico PERF	65/5, 64/8, 63/11, 62/14, 61/17, 60/20, any/25	3.0% for service after 12/96
NM	New Mexico Teachers	65/5, any/25, Rule of 75 at age 60	2.35%
NV	Nevada Police Officer and Firefighter	55/10, 50/20, any/25	2.5%; 2.67% for svc earned after 7/1/01
NV	Nevada Regular Employees	65/5, 60/10, any/30	2.5% for svc earned before 7/1/01 and 2.67% for svc earned thereafter
NY	New York City ERS	62/5	1.67% if service is less than 20 years, 2.0% if service is 20 or more years, and 1.5% for each year above 30
NY	New York City Teachers	62/5, 55/30	1.67% if service is less than 20

			years, 2.0% if service is 20 or more years, and 1.5% for each year above 30
NY	New York State Teachers	62/5, 55/30	2% up to 30 years (1.67%) if less than 20 years), plus 1.5% for each year above 30
NY	NY State & Local ERS	62/5, 55/30	1.67% if service is less than 20 years, 2.0% if service is 20 or more years, and 1.5% for each year above 30
NY	NY State & Local Police & Fire	62/5, 55/30	1.67% if service is less than 20 years, 2.0% if service is 20 or more years, and 1.5% for each year above 30
OH	Ohio PERS	60/5, 55/25, any/30; for law enforcement officers, 48/25	2.2% up to 30 years and 2.5% thereafter; for law enforcement officers, 2.5% up to 25 years and 2.1% thereafter
OH	Ohio Police & Fire	48/25, 62/15	2.5% for first 20 years, 2.0% for next 5, 1.5% for each year thereafter
OH	Ohio School Employees	60/5, 55/25, any/30	2.2%, 2.5% for each year above 30
OH	Ohio Teachers	65/30	2.2% up to 30 years; for each year above 30, formula rises by 0.1% per year, beginning with 2.5% for year 31, not to exceec 100% of final average salary; the Combined Plan factor is 1.0%
OK	Oklahoma PERS	62/8, Rule of 90; members who joined before 7/1/92 qualify for the Rule of 80	2.0%
OK	Oklahoma Teachers	62/5, Rule of 90; members who joined before 7/1/92 qualify for the Rule of 80	2.0%
OR	Oregon PERS	50/5	1.67%; 2.0% for public safety personnel
PA	Pennsylvania School Employees	62/1, 60/30, any/35	2.5%
PA	Pennsylvania State ERS	60/3, any/35	2.5%
RI	Rhode Island ERS	60/10, any/28	1.7% for first 10 years, 1.9% for the next ten years, 3.0% for the next 14 years, and 2% for year 35.
RI	Rhode Island Municipal	58/10, any/30; 55/10, any/25 for public safety personnel	2.0%
SC	South Carolina Police	55/5, any/25	2.14%
SC	South Carolina RS	65/5, any/28	1.82%
SD	South Dakota PERS	65/3, Rule of 85; 55/3; Rule of 75 for public safety personnel	Higher of Enhanced Benefit, which is 1.625% for svc before 7/1/02 plus Base Benefit: 1.55% for svc after 7/1/02 ; or Alternate Benefit--see SDRS website for details
TN	TN Political Subdivisions	60/5, any/30	1.5% plus .25% of FAS over SSIL

TN	TN State and Teachers	60/5, any/30	1.5% plus .25% of FAS over SSIL
TX	City of Austin ERS	62/5, any/23, 55/20	3.0
TX	Houston Firefighters	any/20	2.5% for first 20 years and 3% for additional years up to 30; 1.7% for those retiring with less than 20 years of service
TX	Texas County & District	60/8, any/30, Rule of 75	na
TX	Texas ERS	60/5, Rule of 80	2.3%
TX	Texas LECOS	50/any, Rule of 80, any/20	2.8%
TX	Texas Municipal	depends on ER election; most have chosen 60/5 and 50/25 or any/25	TMRS is a form of cash balance plan. Benefits depend upon the sum of the employee's contributions, with interest, and city-funded credits, with interest. Credits are a percentage (100%, 150%, or 200%) of the employee's accumulated contributions.
TX	Texas Teachers	65/5, Rule of 80	2.3%
UT	Utah Noncontributory	any/30, 65/4	2.0%
VA	Fairfax County Schools	60/5, any/30	0.8%
VA	Virginia Retirement System	65/5, 50/30	1.7%
VT	Vermont State Employees	62/any, any/30	1.67%
VT	Vermont Teachers	62/any, any/30	1.67% up to 50% of FAS
WA	Washington LEOFF Plan 1	50/5	2.0% for 20 or more years of service; 1.5% for 10 to 19 years; 1% for 5 to 9 years
WA	Washington LEOFF Plan 2	50/20, 53/5	2.0%
WA	Washington PERS 1	60/5, 55/25, any/30	2.0%
WA	Washington PERS 2/3	65/5	2.0%
WA	Washington School Employees Plan 2/3	65/5	2.0% for Plan 2 members; 1.0% for Plan 1
WA	Washington Teachers Plan 1	any/30, 60/5, 55/25	2.0%
WA	Washington Teachers Plan 2/3	65/any	2.0% for Plan 2 members; 1.0% for Plan 3
WI	Wisconsin Retirement System	65/any; 55/any for public safety personnel	1.6%; 1.765% for service before 2000
WV	West Virginia PERS	60/5, Rule of 80	2.0%
WV	West Virginia Teachers	60/5, 55/30, any/35	2.0%
WY	Wyoming Public Employees	60/4, Rule of 85; for law enforcement personnel, any/25 at age 50	2.125% for first 15 years, 2.25% for each year of service thereafter

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LEGAL SERVICES

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

MEMORANDUM January 29, 2005

SUBJECT: Accrued benefits of public employment retirements systems and legislative changes to the employee contribution rate (Work Order No. 24-LS0429)

TO: Representative Mike Kelly
Attn: Heath Hilyard

FROM: Barbara R. Craver BRC
Legislative Counsel

You have asked questions regard the scope of Article XII, sec. 7 of the Alaska constitution[1] and how it affects the legislature's ability to amend the employee contribution rates of the teacher's retirement system (TRS) and the public employee's retirement system (PERS).[2] In our conversations about this request you asked about changing the contribution rates of vested employees.[3]

---

[1] Alaska Constitution Article XII, Sec. 7:

> SECTION 7. Retirement Systems. Membership in employee retirement systems of the State or its political subdivisions shall constitute a contractual relationship. Accrued benefits of these systems shall not be diminished or impaired.

This provision protects the "accrued benefits" of the systems. The question considered here is whether the employee contribution rate is part of the "accrued benefits."

[2] AS 14.25.050 and AS 39.35.160 respectively.

[3] PERS has three tiers at this time, the contribution rates are the same for employees in all tiers, but the benefits are decreased in Tier II and Tier III:

> police and fire employees - 7.5% (last increased in 1987)
> "other" employees - 6.75% (last increased in 1987)
> school district employees - 9.6% (last increased in 1999)

Tier I is for employees first employed between January 1, 1961 and June 30, 1986,
Tier II is for employees entering service between July 1, 1986 through June 30, 1996,
and Tier III applies to employees entering service July 1, 1996 and later.

TRS has two tiers, the employee contribution is 8.65%, last increased in 1991.
Tier I is for teachers first employed between July 1, 1955 and June 30, 1990,

Employee contribution rates have been raised on several occasions in the past without creating a new tier of employees. In 1986 the PERS employee contribution rates were changed from 5% to 7.5% for firefighters and police officers, and the contribution rates for all others were raised from 4.25% percent to the current 6.75%.[4] In 1990 the TRS employee contribution rates were raised from 7% to 8.65%.[5] Both of these changes in compensation rates were made after the Hammond v. Hoffbeck decision in 1981. Hammond v. Hoffbeck, 627 P.2d 1052 (Alaska 1981).[6] These increases in contribution rates apparently did not result in legal challenges. This memorandum, thus, considers whether a new law which raises the employee contribution rates in TRS and PERS while maintaining the accrued benefits in each Tier would be subject to constitutional challenge.

While such a challenge may certainly be brought, it is not a foregone conclusion that the argument would prevail. A strong counter argument can be made that the employee contribution rates are not part of the "accrued benefit" to which members are entitled. The accrued benefits are the rights to receive the retirement and medical plan offered upon employment; the rights accrue as they are earned. A person's contribution rate cannot be changed retroactively for benefits that have already accrued, however, it can be argued that the employee contribution rate can change prospectively to pay for vested benefits.

An employee facing an increased contribution rate for vested benefits can reject the increase by terminating employment while still preserving the employee's vested right to "accrued benefits."[7] An accrued benefit is one that has already been earned, it is not one

---

Tier II is for teachers first employed on July 1, 1990 and later.

[4] sec. 15, ch. 82 SLA 1986.

[5] sec. 1, ch. 97 SLA 1990. There was at least one other change in PERS for noncertificated employees of school districts to 9.6% in 1999.

[6] The reductions in benefits in the Hammond v. Hoffbeck case involved a reduction in occupational disability benefits for public safety employees, a requirement that an employee be totally unemployable in order to be eligible for an occupational disability pension rather than "incapacitated for service in the position held" and reducing occupational death benefits from one hundred per cent to forty per cent of monthly salary at the time of death.

[7] A New York case (New York has constitutional protection of pension benefits like Alaska) involving diminution of disability benefits to employees in the public service makes this point, that employees do not have a constitutional right to stay in public employment:

that has not yet been earned. The constitutional promise is that earned benefits cannot be diminished, and the future right to a specified benefit is vested, however Hoffbeck recognized that "rigid adherence to labels like "gratuity," "compensation," "contract," and "vested rights" has not allowed courts the flexibility necessary to deal properly with legitimate legislative response to changing economic and social conditions."[8] The Hoffbeck court found the following language in a California case to be "instructive."

> An employee's vested contractual pension rights may be modified prior to retirement for the purpose of keeping a pension system flexible to permit adjustments in accord with changing conditions and at the same time maintain the integrity of the system. Such modifications must be reasonable, and it is for the courts to determine upon the facts of each case what constitutes a permissible change. To be sustained as reasonable, alterations of employees' pension rights must bear some material relation to the theory of a pension system and its successful operation, and changes in a pension plan which result in disadvantage to employees should be accompanied by comparable new advantages. [9]

Following that discussion the decision found:

> We agree with this analysis and hold that the fact that rights in PERS vest on employment does not preclude modifications of the system; that fact does, however, require that any changes in the system that operate to a given employee's disadvantage must be offset by comparable new advantages to that employee.

An important qualification is found in note 11 of Hoffbeck. It may apply to the situation at hand where the system finds that failing to increase employee contributions, and thus increasing the projected unsupportable burden on employers, will threaten the fiscal future of the system as a whole:

> It is long settled, however, that the fact that there can be no constitutional impairment of pension system benefits does not create a constitutional right to stay in public employment. To do this would place the regulation of public employment beyond the control of any authority, which certainly was not intended by our Constitution (Gorman v. City of New York, 280 App Div 39, 45, affd 304 NY 865).

Cook v. Binghamton, 48 N.Y.2d 323, 332 (N.Y., 1979)

[8] Hammond v. Hoffbeck, 627 P.2d at 1057

[9] Id.

> We are not called upon to consider the problem, which has frequently arisen in other jurisdictions, presented by a pension fund that is insufficient to satisfy all employee claims brought under its provisions. We intimate no view as to the appropriate legal analysis of any legislative alteration in employee benefits systems made in response to such circumstances.

In this case, it may not be that the system is currently insufficient to handle current claims, and no alteration in the benefits to be received is contemplated. However, the continued fiscal health of the plan for future claims by current beneficiaries may reasonably require a prospective increased contribution rate. Such an argument is not precluded by Hammond v. Hoffbeck.

Four other states have constitutional protection for public employee retirement benefits very similar to Alaska: Hawaii,[10] Michigan,[11] New York and Illinois[12]. There is a case from Michigan which is squarely on point. The Michigan Supreme Court was asked to determine whether a statute increasing the employee contribution rate for certain employees was constitutional. Advisory Opinion re Constitutionality of 1972 PA 258, 389 Mich. 659, (Mich. 1973). The court found that "the Legislature cannot diminish or impair accrued financial benefits, but we think it may properly attach new conditions for earning financial benefits which have not yet accrued."[13] The Michigan court found that raising the employee contribution rate was a "new condition" which was not "a diminishment or impairment of such accrued benefits unless the new conditions were unreasonable and hence subversive of the constitutional protection."

---

[10] Art. XVI, Section 2 of the Hawaii Constitution, provides:

> Membership in any employees' retirement system of the State or any political subdivision thereof shall be a contractual relationship, the accrued benefits of which shall not be diminished or impaired.

[11] Michigan's constitution, art 9, sec. 24 reads:

> The accrued financial benefits of each pension plan and retirement system of the state and its political subdivisions shall be a contractual obligation thereof which shall not be diminished or impaired thereby. Financial benefits arising on account of service rendered in each fiscal year shall be funded during that year and such funding shall not be used for financing unfunded accrued liabilities.

[12] While the constitutional provisions are similar in Illinois and New York the cases have focused on the time of vesting, not relevant to this discussion.

[13] Advisory Opinion re 1972 PA 258, 389 Mich. 659, emphasis added.

A case in Hawaii involved determining the date a firefighter was considered to have begun his retirement. Chun v. Employee's Retirement Sys., 607 P.2d 415, 421 (Hawaii 1980). The court discussed its constitutional protection of public employee retirement systems and found that although benefits attributable to past services could not be reduced, the legislature could make general changes in the retirement system. While not discussed in that case, it could be argued that the employee compensation rate for continued benefits may be a condition that can be changed without violating the constitutional protection of accrued benefits.[14]

After Hoffbeck the next discussion of Article XII, sec. 7 by the Alaska Supreme Court occurred in 2003 where the court considered how to evaluate changes to public employee benefits, specifically health plans. Duncan v. Retired Public Employees of Alaska, Inc. (Duncan) 71 P.3d 882, (Alaska 2003) The state argued that health insurance benefits were not covered by Article XII, sec. 7, and if they were, the dollar amount of the

---

[14] Id. at 421, citations omitted.

> This court has never been called upon to examine or construe this particular provision of the Hawaii Constitution. It was proposed from the floor of the 1950 Constitutional Convention and adopted by the Committee of the Whole. The Committee of the Whole Report states:
>
> > It should be noted that the above provision would not limit the legislature in effecting a reduction in the benefits of a retirement system provided the reduction did not apply to benefits already accrued. In other words, the legislature could reduce benefits as to (1) new entrants into a retirement system, or (2) as to persons already in the system in so far as their future services were concerned. It could not, however, reduce the benefits attributable to past services. Further, the section would not limit the legislature in making general changes in a system, applicable to past members, so long as the changes did not necessarily reduce the benefits attributable to past services.
>
> The Committee of the Whole's interpretation of the provision, which we accept, indicates that a member of the retirement system is entitled to the benefits available under the system that have been accrued by the member. From the Committee of the Whole Report, we conclude that the provision was meant to protect an employee from a reduction in accrued benefits. However, the extent of such benefits as well as the conditions under which an employee should receive benefits, are governed by applicable statutory provisions. . . .

premium was all that was protected, not the type of coverage, and third if the first two arguments failed, that changes could be made to vested health benefits so long as any disadvantages from changes were outweighed by advantages, as considered from a group perspective. The court agreed with the third argument only, and found that health benefits could be changed without violating the constitution. Duncan states that "[t]he natural and ordinary meaning of "benefits" in a health insurance context refers to the coverage provided rather than the cost of the insurance."[15]

The language in Duncan does not preclude an argument that the employee contribution rate, applied prospectively, does not diminish accrued benefits. The Michigan case illustrates the argument that employee contribution rates are a condition of current and prospective employment and do not diminish accrued rights. Because the Alaska court has not spoken in regard to the rate of employee contributions in public retirement systems, there can be no certainty. However, there have been changes in employee contribution rates since Hoffbeck, none of them generating a constitutional challenge. Increasing the contribution rates of employees prospectively is not explicitly barred by Hoffbeck, or Duncan. Other states with similar constitutional protections have either allowed increases in contribution rates or have acknowledged the need for some flexibility in administering the retirement programs while protecting accrued benefits of public employees.

If I may be of further assistance, please advise.

BRC:med
05-066.med

[15] Duncan, 71 P.3d 882 at 888 - 889. One of the issues in Duncan was whether health benefits consisted of a certain level of coverage, or only a certain dollar amount applied towards health insurance premiums.

HB

183

HOUSE COMMITTEE REPORT

(7)
Date Referred to Committee: March 30, 2005 **FURTHER REFERRALS:**

Date of Committee Action: April 13, 2005

The JUDICIARY Committee considered: **HB 183**

HOUSE BILL NO. 183 **CAMPAIGN FINANCE: SHARED EXPENSES**

"An Act relating to the use of campaign contributions for shared campaign activity expenses and to reimbursement of those expenses."

Recommends it be replaced with [ ] HCS *or* [X] CS for HB 183 **(** JUD **)**
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_______ **[X] 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

***NEW* FISCAL NOTES** *Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero
ADM	1			✓

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
[signature]	Gruenberg	–			
[signature]	Kott	✓			
[signature]	Dahlstrom	X			
[signature]	Coghill	✓			
[signature]	Gara				✓
[signature]	Anderson	X			
Chair: [signature]	McGuire	✓			
Chair:					

0

HOUSE COMMITTEE REPORT

3-30-05

(7)
Date Referred to Committee: February 28, 2005 **FURTHER REFERRALS: Judiciary**

Date of Committee Action: 3/29/05

The STATE AFFAIRS Committee considered: **HB 183**

HOUSE BILL NO. 183 **CAMPAIGN FINANCE: SHARED EXPENSES**

"An Act relating to the use of campaign contributions for shared campaign activity expenses and to reimbursement of those expenses."

Recommends it be replaced with [ ] HCS *or* [X] CS for HB 183 (STA)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_______ **[X] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to ___________Committee
[ ] Letter of Intent___________Committee

List of Abbrev for Depts.:
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***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero
ADM	1			✓

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations:	Printed Last Name	DP (2)	DNP	NR (2)	AM
Berta Gardner	Gardner			X	
[signature]	RAMRAS			X	
[signature]	ELKINS	✓			
Chair: Paul Seaton	Seaton	✓			
Chair:					

Amendment #1 - PASSED

to CSHB 183(STA), version "F" by Rep. Gruenberg

Page 2, line 18

Delete "three"
Insert "five"

Representative Mike Hawker
Alaska State Legislature

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House Finance Committee
Legislative Budget
& Audit Committee

House District 32:
Eagle River
Anchorag
Rainbow
Indian
Bird
Girdwood
Portage
Whittier
Sunrise
Hope

To: Representative Lesil McGuire
Chairman, House Judiciary Committee

From: Representative Mike Hawker ML

Date: March 30, 2005

Re: House Bill 183

I request that House Bill 183, which would allow a candidate to reimburse another candidate for costs incurred in a shared campaign expense, to be scheduled at your earliest convenience.

Currently, when more than one candidate is involved in an event, vendors must collect separately from each candidate. This complication is an unnecessary inconvenience for vendors and does not substantially enhance Alaska's strict campaign finance regulation.

The intent of current law is to prohibit one campaign from making a loan or contribution to another campaign. This prohibition is accomplished by imposing the burden of compliance on business owners rather than candidates. It is reasonable to expect candidates to know and comply with campaign statutes, but it is not appropriate to impose this expectation on merchants during the ordinary conduct of their business.

Please feel free to contact me if you need any additional information. You may also contact my legislative aide, Juli Lucky.

rep.mike.hawker@legis.state.ak.us • www.akrepublicans.org\hawker\

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 183(STA)
(H) Publish Date: 3/30/05

Revision Date/Time (Note if correction):
Dept. Affected: Administration

Title	Campaign Finance: Shared Expenses in State election advertising
Sponsor	Hawker
Requester	House State Affairs
RDU	Alaska Public Offices Commission
Component	Alaska Public Offices Commission
Component No.	70

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
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	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 (FY2005) cost: 0.0

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

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

This bill will have no fiscal impact.

Prepared by: Brooke Miles, Executive Director
Phone 907-334-1726
Division: Alaska Public Offices Commission
Date/Time 3/29/05 7:38 AM

Approved by: Mike Tibbles, Deputy Commissioner
Date 3/29/2005
Agency: Department of Administration

(Revised 9/23/2004 OMB)

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Hope

House Bill 183
Sponsor Statement

"An Act relating to the use of campaign contributions for shared campaign activity expenses and to reimbursement of those expenses."

House Bill 183 allows a candidate to reimburse another candidate for costs incurred in a shared campaign expense within three working days of the expenditure. Currently, when more than one candidate is involved in an event, vendors must collect separately from each candidate. This complication is an unnecessary inconvenience for vendors and does not substantially enhance Alaska's strict campaign finance regulation.

The intent of current law is to prohibit one campaign from making a loan or contribution to another campaign. This prohibition is accomplished by imposing the burden of compliance on vendors rather than candidates. It is reasonable to expect candidates to know and comply with campaign statutes, but it is not appropriate to impose this expectation on merchants during the ordinary conduct of their business.

This bill allows one candidate participating in a shared campaign activity to pay a vendor if the other candidate(s) involved reimburse their portion of that payment within three working days. If the complete reimbursement is not received within that time limit, the expenditure would be an illegal campaign-to-campaign contribution.

The proposed statute relieves vendors of unnecessary responsibilities while maintaining our strict statutory prohibition of campaign-to-campaign loans or contributions.

Staff Contact: Juli Lucky 465-4949

3/30/2005

rep.mike.hawker@legis.state.ak.us · www.akrepublicans.org\hawker\

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Legislative Budget & Audit Committee

House District 32:
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Anchorage
Rainbow
Indian
Bird
Girdwood
Portage
Whittier
Sunrise
Hope

Fact Sheet for House Bill 183

Short Title: Campaign Finance: Shared Expenses

Current Version: HB 183

Staff Contact: Juli Lucky, 465-4949

Summary:

- Clarifies that a payment for a shared expense made by one candidate that is reimbursed by the other participating candidate(s) within three working days is not an illegal campaign-to-campaign contribution.

Benefits:

- Puts the onus for complying with campaign finance regulations regarding shared expenses on the candidate.
- Reduces paperwork and helps vendors receive prompt payment when providing services for political campaigns.

Background:

Current statute and regulations do not give clear guidance about payment for shared campaign activities, such as jointly hosted fundraisers. The statute clearly states that one campaign cannot make a contribution to another. The regulations clarify that candidates (or groups) may share campaign efforts if the costs and income are accounted for separately. The regulation has been interpreted to prohibit one candidate from paying a bill in full then collecting a reimbursement from each participating candidate.

This prohibition puts the burden on businesses to collect from each candidate on a pro-rata basis and reimburse any funds received over the pro-rata amount. House Bill 183 would allow for one candidate to make the expenditure and then collect from the other campaigns within three working days, thereby reducing the burden on businesses.

Revised 3/30/2005

rep.mike.hawker@legis.state.ak.us • http://www.akrepublicans.org/hawker/

HB
184

LEGAL SERVICES

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

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

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

MEMORANDUM April 4, 2005

SUBJECT: Consistent Municipal Ordinances Relating to Firearms
CSHB 184(JUD)

TO: Representative Lesil McGuire
Attn: Vanessa Tondini

FROM: Gerald P. Luckhaupt
Legislative Counsel

Enclosed is the CS(JUD) you requested. I have one comment. By changing the word "inconsistent" to "in conflict" I believe we are now less certain as to how a court will interpret this provision. When the legislature has chosen to preempt the authority of home rule municipalities to adopt or enforce ordinances inconsistent with state law on a certain topic or in a particular area or field, the legislature has consistently used the term "inconsistent with".[1] in this regard.

An example of these efforts is AS 28.01.010(a) which provides:

> The provisions of this title and the regulations adopted under this title are applicable within all municipalities of the state. **A municipality may not enact an ordinance that is inconsistent with the provisions of this title or the regulations adopted under this title.** A municipality may not incorporate into a publication of traffic ordinances a provision of this title or the regulations adopted under this title without specifically identifying the provision or regulation as a state statute or regulation.

Traffic laws, or rather violations of those laws, are the most common type of criminal or quasi-criminal proceeding. By Alaska standards a fairly large body of case law has developed to interpret what the legislature means when it says "inconsistent with" in relation to preempting municipal ordinances.[2]

---

[1] See, e.g., AS 04.21.010 relating alcohol importation, possession, and taxation; AS 28.01.010, relating to motor vehicle and traffic laws; and AS 29.35.020(b), relating to extraterritorial application of municipal ordinances.

[2] See, e.g., *Adkins v. Lester*, 530 P.2d 11(Alaska 1974); *Cremer v. Anchorage*, 575 P.2d 306(Alaska 1978); *Simpson v. Municipality of Anchorage*, 635 P.2d 1197(Alaska App. 1981); *McCormick v. Municipality of Anchorage*, 999 P.2d 155(Alaska App. 2000).

If the legislature intends the same application and meaning in the context of municipal firearms ordinances, by continuing to use the term "inconsistent with" the legislature is able to gain a measure of precision and security. The legislature can assume that the term "inconsistent with" will continue to be interpreted by the courts in the same manner that the term has been interpreted in the past.

This is preferable to using a new term that has not previously been used by the legislature or interpreted by the courts in this context. The legislature has never used the term "in conflict with" in the context of preemption of municipal ordinances. There are 39 references to "in conflict with" in state law. None of those references relate to municipal ordinances or state preemption of municipal ordinances. The vast majority of those references relate to what is to be done when one provision of state law is in conflict with another provision of state law.[3] Other provisions deal with state regulation conflicts with federal law,[4] insurance companies policies and practices may not be in conflict with state law, teacher CBA's and tenure provisions may not conflict with state law, articles of incorporation or by laws may not conflict with state law, state employees may not enforce federal laws in Glacier Bay, among others. The legislature has never used the term "in conflict with" in relation to municipal ordinances or in relation to preempting municipal ordinances that might be in conflict with state law. The legislature has always used the term "inconsistent with" in this regard.

This issue may not be that big of a deal overall. It just comes down to (1) whether the legislature wants to use the term that the legislature has used in the past with regard to preemption of municipal ordinances and thereby avail itself of the interpretation of that term by the courts, or (2) use a new term that has not been used in this regard and has not been interpreted by the courts specifically in this regard.

GPL:med
05-234.med

Enclosure

---

[3] For example, provision A applies if it is not in conflict with provision B. See, e.g., AS 38.05.069(d).

[4] The state regulation falls by the wayside. See, e.g., AS 21.89.090(f) and AS 41.15.180.

HOUSE COMMITTEE REPORT

(7)
Date Referred to Committee: March 22, 2005

FURTHER REFERRALS:

Date of Committee Action: April 1, 2005

The JUDICIARY Committee considered: HB 184

HOUSE BILL NO. 184 MUNICIPAL FIREARM ORDINANCES

"An Act relating to firearms."

Recommends it be replaced with [ ] HCS *or* [X] CS for HB 184 (JUD)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR ______ [X] 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

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero
CED	1			✓
LAW	2			✓

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
Pete Kott	KOTT	X			
Max F. Gruenberg, Jr.	Gruenberg	✓			
Tom Anderson	ANDERSON	X			
Nancy Dahlstrom	DAHLSTROM	X			
John Coghill	COGHILL	✓			
[signature]	GARA			✓	
Chair: [signature]	McGUIRE	X			
Chair:					

HOUSE COMMITTEE REPORT

3-22-05

(7)
Date Referred to Committee: February 28, 2005 — FURTHER REFERRALS: Judiciary

Date of Committee Action: 3/22/05

The COMMUNITY AND REGIONAL AFFAIRS Committee considered: HB 184

HOUSE BILL NO. 184 — MUNICIPAL FIREARM ORDINANCES

"An Act relating to firearms."

Recommends it be replaced with [ ] HCS *or* [ ] CS *for* ______ (______)
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.:
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***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero
CED	1			✓
LAW	2			✓

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP 3	DNP 1	NR	AM 3
[signature]	Salmon	✓			
[signature]	LeDoux				✓
[signature]	CISSNA		✓		
[signature]	Neuman	✓			
[signature]	Kott				—
CO Chair: [signature]	Thomas				✓
CO Chair: [signature]	OLSON	✓			

ALASKA STATE LEGISLATURE

State Capitol, Room 120
Juneau, AK 99801-1182
(907) 465-4990
Fax (907) 465-6592

House Judiciary Committee

Memorandum

To: Leg. Legal

From: Vanessa Tondini, Committee Aide
House Judiciary Committee

Date: April 1, 2005

Re: CS Request

Please create a final draft House Judiciary Committee Substitute for work order # 24-LS0632\A, HB 184, incorporating the attached amendment. The bill was passed out of committee today.

If you have any questions, please call me at 4990.
Thank you!

Amendment #1 - PASSED

to HB 184 by Rep. Gruenberg

Page 1, line 5:

Delete "inconsistent"
Insert "in conflict"

Alaska State Legislature

Please enter into the record my testimony to the H JUD
committee name

Committee on HB 184, dated 4-1-05
bill # / subject public hearing date

SEE 1 PAGE ATTACHED

Signed: CARY GRAVES
Testifier

CITY OF KENAI
Representing (optional)

210 FIDALGO KENAI, AK 99611
Address

283-8224
Phone number

Chapter 13.15

OFFENSES AGAINST PEACE

Sections:

13.15.010 Discharge of firearms.

It shall be unlawful for any person to:

(a) Discharge a firearm within the City limits not specifically designated by Council as being a proper place for the discharge of firearms. It shall be unlawful for any person to discharge a firearm in any place within the City Limits other than in an area specifically designated in the map marked APPENDIX II and provided in this section.

(KMC 13-16; Ords. 262, 419, 1857-2000, 2015-2003)

Sarah Hook

From: Boness, Fred H. [BonessFH@ci.anchorage.ak.us]
Sent: Thursday, March 31, 2005 3:40 PM
To: Sarah Hook
Subject: RE: Questions from Rep. Max Gruenberg

Ms. Hooks:

Below are the specific criminal law provisions that have been identified by the Municipal Prosecutor:

We could not enforce the following provisions to the extent they are more restrictive than under state law. AMC 8.25.020, Carrying Concealed Weapons; AMC 8.25.030, discharge of firearms, to the extent inconsistent (especially the part about shooting within the Municipality except for lawful hunting areas or at shooting ranges); AMC 8.25.060 Firearms on School Grounds to the extent inconsistent with state law. The CCW provisions are very different, and we could not enforce a general prohibition against shooting. The provisions on school grounds are the same, but there's an exception under state law for unloaded guns in the trunk of the car.

In addition to these specific criminal law provisions, I am concerned that a blanket provision may further enhance the misunderstanding that municipal employees and those doing business with the municipality can bring guns into the municipal work environment. As a result of the change the state made to the concealed weapons law, many municipal employees and citizens doing business with the municipality believe that they have a "right" to bring a gun into the municipal work place. This is not correct and the Municipality has recently revised and redistributed its policy on this matter to inform its employees.

If such legislation moves forward, I would much appreciate either express language, or at a minimum clear legislative history, that makes clear that the State is not attempting to force municipalities to permit its employees, or citizens doing business with the municipal government, to bring g[illegible] into the workplace. We take the safety of our employees very seriously and would find such an approach unwise and unacceptable.

-----Original Message-----
From: Sarah Hook [mailto:Sarah_Hook@legis.state.ak.us]
Sent: Wednesday, March 30, 2005 4:45 PM
To: Boness, Fred H.
Subject: Questions from Rep. Max Gruenberg

Fred,

I work with Rep. Max Gruenberg in his Juneau office.

On Friday in House Judiciary we are scheduled to hear HB 184, "An act relating to firearms" The bill prohibits a municipality from enacting or enforcing an ordinance regulating the possession, sale, transfer, use or transportation of firearms that is inconsistent with state law.

Our office would like to know what ordinances in Anchorage would be impacted by this bill. Can you provide us with that information? Or do you have a suggestion as to who to talk to?

Thanks,
Sarah Hook

Sarah Hook

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To: Sarah Hook
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Thanks,
Sarah Hook

Chapter 8.25 WEAPON CRIMES

8.25.010 Possession of weapon with intent to assault.

A. It is unlawful for any person to knowingly have upon or about his or her person any dangerous weapon with intent to assault another.

B. Violation of this section shall, upon conviction, be punished by a fine of not more than $2,000.00 or imprisonment for not more than six months, or both such fine and imprisonment.

(AO No. 98-59(S), § 1, 5-19-98; AO No. 2003-73, § 3, 4-22-03)

8.25.020 Concealed weapons.

A. It is unlawful for any person other than a peace officer to knowingly carry concealed about his or her person in any manner:

1. A revolver, pistol or other firearm;

2. A switchblade knife, gravity knife or any knife other than an ordinary folded pocket knife (one which has the blade stored in the handle and requires the bearer to physically pull the blade from the handle before it can be used), or a dirk or dagger;

3. A slingshot, metal knuckles, club, billy, blackjack or any other instrument or thing the principal purpose or use of which is as a weapon;

4. Any other instrument or thing which, because of the manner in which it is concealed and the accompanying circumstances, could reasonably be construed as being kept as a weapon or in order to achieve some violent purpose, and by which injury could be inflicted upon the person of another.

B. Nothing in this section shall be construed to prohibit the following:

1. Carrying a weapon concealed in a vehicle so long as the weapon is not also concealed on the person of an occupant of the vehicle; or

2. Carrying a concealed handgun in accordance with AS 18.65.700 through 18.65.790 by a person issued and carrying a valid permit under such state statutes.

C. Violation of this section shall, upon conviction, be punished by a fine of not more than $10,000.00 or imprisonment for not more than one year, or both such fine and imprisonment. In addition, the weapon shall be forfeited to the Municipality of Anchorage.

(AO No. 89-52; AO No. 94-72(S-1), § 1, 4-26-94; AO No. 94-171, § 1, 10-1-94; AO No. 98-59(S), § 1, 5-19-98; AO No. 2003-73, § 3, 4-22-03)

State law references: Misconduct involving weapons in the third degree, AS 11.61.220.

8.25.030 Discharge of firearms.

A. It is unlawful for any person to knowingly:

1. Shoot, discharge or flourish any firearm, air rifle or air pistol within the Municipality of Anchorage except in those areas open to the public for lawful hunting or upon established shooting ranges.

2. Have in his possession or under his control, or use or discharge, a firearm while such person is under the influence of intoxicating liquor or a controlled substance listed under AS 11.71.140 through 11.71.190.

B. This section shall not apply to any officer of the United States, the state or the municipality who is authorized to use firearms in the enforcement of any law or ordinance and who is actually engaged in such enforcement.

C. Violation of this section shall, upon conviction, be punished by a fine of not more than $10,000.00 or imprisonment for not more than one year, or both such fine and imprisonment. In addition, the firearm shall be forfeited to the Municipality of Anchorage. If the conviction under subsection A. of this section is for the discharge of a firearm from a vehicle, the court may order forfeiture of the defendant's interest in the vehicle to the municipality in addition to any other penalties.

(GAAB 18.05.010.D; AO No. 98-59(S), § 1, 5-19-98; AO No. 2003-73, § 3, 4-22-03)

State law references: Misconduct involving weapons in the second degree, AS 11.61.210.

8.25.040 Drive-by shooting.

A. A person commits the offense of a drive-by shooting if the person:

1. Intentionally, knowingly, or recklessly discharges a firearm into or at an occupiable dwelling from a motor vehicle;

2. Intentionally, knowingly, or recklessly discharges a firearm into an occupied or unoccupied motor vehicle from another motor vehicle; or

3. Drives or operates a motor vehicle from which a firearm is discharged into an occupiable dwelling or an occupied or unoccupied motor vehicle with the intent to aid the discharge, or with knowledge or reckless disregard that such action will occur.

B. It is prima facie evidence that a person drove or operated a motor vehicle with the requisite mental state if, after the firearm is discharged, the person does not immediately stop the person's motor vehicle and:

1. Immediately by the quickest means of communication, give notice of such discharge to the police department along with the person's name and address;

2. Ascertain whether any person has been injured as a result of the discharge; and

3. Render reasonable assistance to any person injured due to the discharge, including carrying or making arrangements for the carrying of any injured person for medical treatment if it is apparent medical treatment is necessary; or

4. In the case where only property damage has occurred the driver shall locate the property owner or attach securely in a prominent place in or on the damaged property a legible written notice which includes the person's name and address.

C. It is a defense to the charge under subsection A.3. of this section and any charge of aiding and abetting subsection A.1 or A.2 of this section that the driver or operator complied with the requirements of subsection B. of this section.

D. Drive-by shooting is a misdemeanor punishable by a maximum fine of $10,000.00 and a maximum term of imprisonment of one year, or both such fine and imprisonment. In addition, the firearm shall be forfeited to the Municipality of Anchorage. The court may also order forfeiture of the defendant's interest in the vehicle to the municipality.

(AO No. 95-187(S), § 1, 10-26-95; AO No. 98-59(S), § 1, 5-19-98; AO No. 2003-73, § 3, 4-22-03)

8.25.050 Firearms on premises licensed for sale of alcoholic beverages.

A. It is unlawful for any person to knowingly have in his possession or control any firearm on premises licensed for the sale of alcoholic beverages for consumption, or for any person to conceal a firearm on licensed premises.

B. Subsection A. of this section shall not apply to the owner of the premises or to a peace officer.

C. Violation of this section shall, upon conviction, be punished by a fine of not more than $10,000.00 or imprisonment for not more than one year, or both such fine and imprisonment.

(AO No. 79-24; AO No. 98-59(S), § 1, 5-19-98; AO No. 2003-73, § 3, 4-22-03)

State law references: Misconduct involving weapons in the third degree, AS 11.61.220.

8.25.060 Firearms on school grounds.

A. It is unlawful for any person to knowingly have in his possession or control within the grounds of or on a parking lot immediately adjacent to a public or private preschool, elementary, junior high or high school:

1. A revolver, pistol or other firearm;

2. A switchblade knife, gravity knife or any knife other than a folded pocket knife (one which requires the bearer to physically pull the blade from the handle before it can be used), or a dirk or dagger; or

3. A slingshot, metal knuckles, club, billy, blackjack or other instrument or thing the principal purpose or use of which is as a weapon.

B. Subsection A. of this section shall not apply to peace officers or persons who have express authorization of the school district superintendent or his designee or, in the case of a private or religious school, express authorization of the chief administrative officer of that school.

C. In the case of a conviction under subsection A. of this section the weapon shall be disposed of as provided in Section 8.05.020 .F.

D. Weapons possessed by persons under 18 years of age (minors) in violation of subsection A. of this section shall be seized and may be forfeited to the municipality in accordance with this section.

1. The legal owner of a weapon seized from a minor, if known, shall be notified by first class mail within 30 days of the seizure.

2. The legal owner may redeem the weapon upon providing the chief of police or designee with the following information:

a. Proof of ownership.

b. A description of precautions taken to prevent unauthorized access to the weapon.

c. A statement that the juvenile in possession of the weapon did not have permission to have access to the weapon.

d. A description of the steps the owner intends to take to prevent future incidents of unauthorized access.

3. The chief of police or designee may deny return of the weapon and order it forfeited if the chief, after considering information provided by the purported owner, police reports regarding the incident, information regarding prior incidents involving the weapon or the individuals, and such other relevant information as is presented, determines based upon a preponderance of the evidence that either:

a. The person claiming the weapon is not the rightful owner;

b. The owner failed to store the weapon in a manner which would reasonably be expected to prevent unauthorized access to the weapon; or

c. The owner authorized the minor to access the weapon during school hours.

4. If the legal owner is unknown, or fails to request return of the weapon under subsection D.2 of this section within 30 days of mailing of the notice under subsection D.1 of this section, the weapon may be disposed of pursuant to Chapter 7.25 , pertaining to abandoned property.

E. Violation of this section shall, upon conviction, be punished by a fine of not more than $10,000.00 or imprisonment for not more than one year, or both such fine and imprisonment.

(AO No. 90-122; AO No. 93-56(S); AO No. 98-59(S), § 1, 5-19-98; AO No. 2003-73, § 3, 4-22-03)

State law references: Misconduct involving weapons in the third degree, AS 11.61.220.

8.25.070 Provision of firearm to violent minor by parent or guardian.

A. A parent or guardian may not intentionally or knowingly provide a firearm to, or permit the possession of a firearm by, any minor who has been convicted of a crime of violence in this or any other jurisdiction or any minor who has been adjudicated in a children's proceeding for an offense which would constitute a crime of violence if the minor were an adult. The term "minor" as used in this section means a person under the age of 18.

B. Violation of this section shall, upon conviction, be punished by a fine of not more than $2,000.00 or imprisonment for not more than six months, or both such fine and imprisonment.

(AO No. 94-22, § 2, 2-15-94; AO No. 98-59(S), § 1, 5-19-98; AO No. 2003-73, § 3, 4-22-03)

8.25.080 Duty of parent or guardian who knows that a minor is in possession of a dangerous weapon.

A. It is unlawful for any parent or guardian of a minor who knows that the minor is in possession of a dangerous weapon or a firearm in violation of this Code to fail to make reasonable efforts to remove the weapon or firearm from the minor's possession.

B. Violation of this section shall, upon conviction, be punished by a fine of not more than $2,000.00 or imprisonment for not more than six months, or both such fine and imprisonment.

(AO No. 94-22, § 3, 2-15-94; AO No. 98-59(S), § 1, 5-19-98; AO No. 2003-73, § 3, 4-22-03)

8.25.090 Sale or furnishing of firearms to minors.

A. A person may not knowingly give, barter, sell, lease or otherwise make available any firearm to a minor under 18 years of age unless the minor is accompanied by a parent or guardian.

B. A person, including a parent or guardian, may not knowingly provide a handgun to a minor when the minor is prohibited from possessing a handgun.

C. Violation of this section shall, upon conviction, be punished by a fine of not more than $2,000.00 or imprisonment for not more than six months, or both such fine and imprisonment.

(GAAB 18.05.060; AO No. 94-22, § 1, 2-15-94; AO No. 98-59(S), § 1, 5-19-98; AO No. 2003-73, § 3, 4-22-03)

State law references: Misconduct involving weapons in the third degree, AS 11.61.220.

Alaska State Legislature

Session Address:
Alaska State Capitol
Juneau, AK 99801
Phone: (907) 465 '679
1-800-505-2678
Fax: (907) 465-4822

Interim Address:
600 E. Railroad Avenue
Wasilla, AK 99654
Phone: (907) 376-2679
Fax: (907) 376-4745

Representative Mark A. Neuman

District 15

Dear Members of the House Judiciary Committee,

I am writing to you in support of House Bill 184, an act relating to firearms. As you have read, the intent of this legislation is to provide some consistency with regard to the way firearms are carried, sold or transported in Alaska. Although it is important for certain matters to remain under local control, I do not believe it is the responsibility of a municipal government to protect our right to keep and bear arms.

I understand one of the concerns regarding this HB 184 is that the discharge of firearms in certain areas of a municipality is not safe, however, people intent on breaking the law will do so, regardless of what the law is. This legislation protects those who use guns in an appropriate manner. The Alaska State Constitution says "The individual right to keep and bear arms shall not be infringed by the State or a political subdivision of the State."

I urge your support of HB 184.

Thank you,

Representative Mark Neuman

the city of
KENAI, ALASKA

"Village with a Past, City with a Future"

210 Fidalgo Avenue, Kenai, Alaska 99611-7794
Telephone: 907-283-7535 / FAX: 907-283-3014
www.ci.kenai.ak.us

TO: House Judiciary Committee
FROM: CRG Cary R. Graves, City Attorney
DATE: March 24, 2005
RE: HB 184 Comments

My name is Cary R. Graves. I am the City Attorney for the City of Kenai. The Kenai City Council wanted me to express the City's concerns regarding part of HB 184. The bill would prohibit a municipality from enacting or enforcing an ordinance that regulates the possession, sale, transfer, <u>use</u> or transportation of firearms in a manner that is inconsistent with state law. Our concern is with the part of the bill prohibiting the city from regulating the <u>use</u> of firearms in a manner inconsistent with state law.

For public safety reasons, the City of Kenai prohibits the discharge of firearms in certain areas of the city and allows it in other areas. KMC 13.15.010. Shooting firearms is prohibited in areas around subdivisions and businesses and allowed in the sparsely populated areas.

Our concern is that HB 184 could be interpreted to overrule the city's ban on discharge (i.e., use) of firearms in certain areas of the city. The City Council feels that the city's ordinance is both reasonable and important for public safety in Kenai. The ordinance determining the appropriate areas for discharging firearms was adopted after both citizen and police input as to what was appropriate and safe within the City. The legislature should not overrule a local decision on where firearms can be safely discharged within the city limits of Kenai.

The City requests that you consider changing the language in HB 184, making it clear that it is not intended to keep municipalities from regulating discharge of firearms within their boundaries, by deleting the word "use" from HB184.

Thank you in advance for your time in considering our concerns with part of HB 184. Please feel free to contact me regarding this issue. My email address is cgraves@ci.kenai.ak.us.

Alaska Outdoor Council
PO Box 73902
Fairbanks, AK 99707-3902
Tel: (907) 455-4AOC / /Fax : (907) 455-6447
e-mail: aoc@alaska.net
www.alaskaoutdoorcouncil.org

AOC Testimony 1 April, 2005
To House Judiciary Committee, Representative Lesil McGuire Chair
SUPPORT - HB 184: MUNICIPAL FIREARM

Thank you Madame Chairman and members of the House Judiciary Committee for the opportunity to testify in support of HB 184: MUNICIPAL FIREARM ORDINANCES today.

On behalf of the Board of Directors of the Alaska Outdoor Council, representing over 54 member clubs and nearly 4,000 associate members for a collective membership of nearly 12,000 individuals, which is also the recognized state association for the National Rifle Association I would like to thank Representative Chenault for his sponsorship if HB 184 and offer our enthusiastic support of this legislation.

HB184 more fully recognizes the constitutionally guaranteed right of private individuals to lawfully exercise their right to keep and bear arms, and reduces current confusion faced by law abiding citizens as they attempt to do so.

The proposed legislation before you only addresses municipal ordinances with regards to current Alaska Firearm Statutes. While many decisions should be left to local control, in passing this legislation today, this committee will be validating the constitutionally guaranteed right to keep and bear arms of all law abiding Alaskans, and supporting the fact that any right guaranteed by our founding document should not be infringed.

Three years ago this body passed legislation eliminating the requirement for Alaska's law abiding citizens to obtain a special permit to exercise their right to carry concealed firearms as well as open ones. Currently six municipalities throughout our state have not recognized this change through their own ordinances. These municipal ordinances are not well publicized. This current discrepancy is confusing to well intended law abiding Alaska citizens, and creates an unnecessary dictum for enforcement authorities.

By passing this legislation today, you will be recognizing the constitutionality of the 2nd Amendment of our U.S. Constitution, rewarding Alaska's law abiding citizens by eliminating confusion, and removing an unnecessary burden from the already lengthy duties of our valuable enforcement staff.

The Alaska Outdoor Council strongly advocates the passage of this legislation, and thanks you for your support.

Sincerely,

Jennifer Yuhas Executive Director,
Alaska Outdoor Council

"Protecting your hunting, fishing, trapping, and outdoor heritage since 1955."

STATE OF ALASKA

REPRESENTATIVE
MIKE CHENAULT

Interim:
145 Main St. Loop, Second Floor
Kenai, Alaska 99611
(907) 283-7223
Fax: (907) 283-3075

HOUSE OF REPRESENTATIVES

Official Business

Session:
Capitol Building, Room 432
Juneau, Alaska 99801-1182
(907) 465-3779
Toll Free: (800) 469-3779
Fax: (907) 465-2833

03/21/05

To: Representative McGuire, Chair
Representative Anderson, Member
Representative Coghill, Member
Representative Dahlstrom, Member
Representative Kott, Member
Representative Gara, Member
Representative Gruenberg, Member

From: Representative Mike Chenault

Subject: Request for House Judiciary Committee Hearing

This office respectfully requests a hearing of the House Judiciary Committee on HB 184 "An act relating to firearms" during the week after the Easter Holiday.

If you have further questions on the scheduling of this committee hearing, please contact Sue Wright in Room 505 (907) 465-3779.

Thank you for your time and cooperation.

STATE OF ALASKA

REPRESENTATIVE
MIKE CHENAULT

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HOUSE OF REPRESENTATIVES

Sponsor Statement

HB 184 "An act relating to firearms"

This bill was introduced to ensure that citizens be able to look to one law as the single final authority regarding firearm regulation. This bill will guarantee consistency in firearm law within the State of Alaska.

Representative_Mike_Chenault@legis.state.ak.us

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HB184
() Publish Date:

Revision Date/Time (Note if correction):
Title: Municipal Firearm Ordinance
Sponsor: Chenault, Stoltze, Neuman, Dahlstrom, Harris
Requester: House Community & Regional Affairs

Dept. Affected: Commerce
RDU: Comm Assist & Ec Dev (405)
Component: Community Advocacy
Component No. 2703

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
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 (FY2005) cost: 0.0

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

This legislation requires that municipalities may not enact or enforce an ordinance regulating the possession, sale, transfer, use, or transportation of firearms that is inconsistent with state law.

It would not create a fiscal impact on the operations of the department.

Prepared by: Michael Black, Director
Division: Community Advocacy
Phone: 269-4578
Date/Time: 3/21/05 2:23 PM

Approved by: Edgar Blatchford, Commissioner
Agency: Commerce, Community and Economic Development
Date: 3/21/2005

(Revised 9/23/2004 OMB)

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HB184-LAW-CDCO-3-18
() Publish Date:

Revision Date/Time (Note if correction):
Title "An Act relating to firearms."
Sponsor Representative Chenault
Requester House Community and Regional Affairs

Dept. Affected: LAW
RDU CRIMINAL
Component Criminal Justice Litigation
Component No.

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*
This bill amends AS 29.35.145 (Municipal Powers and Duties. Regulation of firearms.) by amending it prohibiting a municipality from enacting or enforcing ordinances regulating possession, sale, transfer, use, or transportation of firearms that are inconsistent with state law. The unamended language allows such ordinances if ratified by the voters.

Passage of this legislation will have no fiscal impact on the Department of Law.

Prepared by: Kathryn Daughhetee, Director
Division Administrative Services Division
Phone 465-3673
Date/Time 3/18/05 4:24 PM

Approved by: K. Daughhetee for Scott Nordstrand, Acting Attorney General
Agency Department of Law
Date 3/18/2005

(Revision 9/23/2004 OMB)

HB
187

HOUSE COMMITTEE REPORT

(11)
Date Referred to Committee: February 28, 2005 FURTHER REFERRALS: Finance

Date of Committee Action: March 23, 2005

The JUDICIARY Committee considered: HB 187

HOUSE BILL NO. 187 AMERADA HESS INCOME; CAPITAL INCOME ACCT.

"An Act establishing the Alaska capital income account within the Alaska permanent fund; relating to deposits into the account; relating to certain transfers regarding the Amerada Hess settlement to offset the effects of inflation on the Alaska permanent fund; and providing for an effective date."

Recommends it be replaced with [ ] HCS *or* [ ] CS *for* ______ (______)
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

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero
REV	1			✓

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
Tom Anderson	ANDERSON	X			
Nancy Dahlstrom	Dahlstrom		X		
John Coghill	Coghill			✓	
Chair: Lesil McGuire	McGuire	X			
Chair:					

Amerada Hess Chronology re: bias issue

1. September 2, 1977. State of Alaska files lawsuit against 19 oil producers related to underpayment of royalties. *State of Alaska v. Amerada Hess Corp., et al.*, No.1JU-77-847 Civ. (Super. Ct. Alaska).

2. November 2, 1987. Producers file suit in federal district court, *Standard Alaska Prod. Co. v. Schaible*, No. 87-621 (D. Alaska), claiming PFDs create impermissible bias for judges and jurors in *Am Hess* case.

3. 1988. Judge Kleinfeld issues unpublished decision recusing himself from the federal case because of receipt of PFDs. Case assigned to Judge Belloni in Oregon.

4. June 20, 1988. Judge Belloni issues unpublished decision finding bias issue unripe and challenges Alaska to provide a fair forum for case.

5. April 29, 1989. Ninth Circuit dismisses federal bias case as unripe. *Standard Alaska Prod. Co. v. Schaible*, 874 F.2d 624 (9th Cir. 1989), *cert. denied*, 495 U.S. 904 (1990).

6. May 13, 1989. First Am Hess segregation enacted. CSHB 276(Fin) am, ch. 38, SLA 1989 (amending AS 43.23.045(b) to segregate income from "money awarded after trial" from PFD fund).

7. October 12, 1989. Alaska Supreme Court amends civil and criminal rules to provide that receipt of PFD does not provide basis for challenging a juror for cause. Alaska S.Ct. Order 1013 (amending Civil Rule 47(c) and Criminal Rule 24(c)).

8. March 14, 1991. Judge Carpeneti issues "Notice of Intention to Grant Motion for Disqualification" and indicating that 1989 segregation legislation did not go far enough to remove bias issues. *State of Alaska v. Amerada Hess Corp., et al.*, No.1JU-77-847 Civ., Order 91-9 (Super. Ct. Alaska).

9. June 6, 1991. Second Am Hess segregation enacted. HCS CSSB 213(JUD), ch. 18, SLA 1991 (adding new subsection to AS 43.23.045 to segregate income from "money awarded in or received as a result" of the Am Hess case from PFD fund).

10. August 23, 1991. Judge Carpeneti rules that the new legislation cured the bias problem and the Alaska Supreme Court denies petition for review. *BP Exploration v. State of Alaska*, No. S-4654, S-4662, S-4689 (Alaska 1991).

11. 1991. Oil producers re-file federal bias suit. *Exxon Corp. v. Heinze*, Civ. A91-0543.

12. February 24, 1992. Judge Singleton issues order declining to recuse himself from case on account of receipt of PFD. *Exxon Corp. v. Heinze*, 792 F.Supp. 72 (D. Alaska 1992).

13. March 3, 1992. Judge Holland affirms Judge Singleton's decision and declines to remove reuse himself as well. *Exxon Corp. v. Heinze*, 792 F.Supp. 77 (D. Alaska 1992).

14. July 1, 1992. Current Am Hess segregation enacted. HCS CSSB 39 (FIN), sec. 19, ch. 134, SLA 1992 (same language as in second Am Hess segregation, but enacted at AS 37.13.145(d)).

15. April 1992. Oil phase of Am Hess litigation settles.

16. April 17, 1994. Ninth Circuit determines that appeal of refusal to recuse by Judges Singleton and Holland are not ripe. *Exxon Corp. v. Heinze*, 32 F.3d 1399 (9th Cir. 1994).

17. March 1995. Gas phase of Am Hess litigation settles.

Prepared by Mike Barnhill, AAG
Department of Law
March 9, 2005
Re: HB 187, HB 188

MEMORANDUM

STATE OF ALASKA

Office of the Governor
Office of Management and Budget
PO Box 110020
Juneau AK 99811-0020
(907) 465-4660, fax 465-3008

To: Rep. Lesil McGuire
Chair, House Judiciary
Committee

Date: March 3, 2005

From: Cheryl Frasca CF
OMB Director

Subject: Hearing Request

House Bills 187 and 188 have been referred to the House Judiciary Committee for your consideration. This legislation is the Governor's proposal to leverage the earnings of the Amerada Hess settlement to finance needed capital improvements around the state.

On behalf of the Administration, I request the legislation be scheduled for a hearing at the committee's earliest convenience. Attached is background material that explains the proposal in detail. Please let me know what additional information would be helpful to the committee.

Thank you for your consideration of our request.

BACKGROUND PAPER

Use of the Amerada Hess Settlement to Fund Capital Projects

PRESENTED TO THE

HOUSE JUDICIARY COMMITTEE

Office of Management and Budget, March 2, 2005

Amerada Hess Royalty Oil Dispute and Settlement

Settlement's History

The fight with North Slope oil producers started in 1977, almost as soon as oil began to flow through the Trans-Alaska pipeline. That year the state filed a lawsuit accusing oil companies of undervaluing their oil and gas and thus denying the state the full value of its 12.5% royalty share. In 1989, the state filed claims against 15 companies for $902 million. The dispute became known as the Amerada Hess case, named after the first company listed alphabetically in the lawsuit.[1]

Royalty oil is the state's ownership share of the crude coming out of the ground. The state takes its royalty share in two ways: in-kind, which is sold to Railbelt refineries and a Fairbanks electrical utility; and in value, which is sold back to the producers and priced at the wellhead net of transportation costs. The problem came in figuring out how to value the royalty oil. The state claimed that the companies used "bookkeeping fictions and intracorporate transactions" to under value the oil at market and overstate transportation costs, which combined to artificially lower the wellhead value.[2] The production at issue occurred between 1977 and 1986 from the Kuparuk River and Prudhoe Bay oilfields.

The case became the longest running legal battle between the state and North Slope producers, lasting 18 years. One issue that came up early in the course of the litigation was that since 25% of royalty payments are dedicated to the Permanent Fund, earnings from settlement payments would eventually trickle into annual dividends paid out to Alaska residents. This issue was first raised in 1987 when three oil company defendants filed a lawsuit in federal district court to enjoin the Amerada Hess case from proceeding to trial in any court in Alaska. They claimed they could not receive a fair trial in Alaska because every judge and juror had a financial interest in the outcome of the case by reason of their respective annual Permanent Fund Dividends, which would be increased by any earnings derived from damages awarded to the state in Amerada Hess.[3]

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[1] The Amerada Hess company was actually a very minor player in the case and settled out of court with the state in 1989 for $319,000.
[2] "State Settles Oil Fight $100 Million Ends 18-Year Battle," Ralph Thomas, *Anchorage Daily News*, April 7, 1995.
[3] Transmittal from Governor Hickel for SB 213, March 18, 1991.

In June 1988, the federal district court dismissed the action, ruling that the due process issue must be addressed in the state court before being asserted in the federal court. The companies appealed. In 1989, the Ninth Circuit Court of Appeals encouraged the parties to seek a legislative solution. Governor Cowper immediately introduced corrective legislation. This was ultimately passed into law (Ch 38, SLA 1989) in May 1989. Codified as AS 43.23.045 (b) Dividend Fund, it provided that:

> *income earned on money awarded after trial in State v. Amerada Hess, et al, 1JU-77-847 Civ. (Superior Court, First Judicial District) shall be treated in the same manner as the Alaska permanent fund except that it is not available for distribution to the (dividend) fund, and shall be annually deposited into the principal of the Alaska permanent fund.*

Independently, in April of the same year the Ninth Circuit affirmed the district court's disposition, requiring the oil companies to raise the issue of disqualification in state Superior Court. The companies sought review by the U.S. Supreme Court but their petition was denied.

In October 1990, the companies filed a motion to disqualify the Alaska courts. In March 1991, Judge Carpeneti ruled that AS 43.23.045(b) removes most, but not all, of the sources of revenue flowing to the Permanent Fund dividend that created the bias. He also found that the statute failed to prevent additional monies from going to the dividend fund as a result of the so-called Amerada Hess price adjustment clauses in royalty-in-kind (RIK) contracts. He agreed with claims by the oil companies that if the state prevailed, it would result in a $300 million judgement against refineries and the Fairbanks utility for in-kind purchases. Part of any judgement then would flow to the Permanent Fund and increase Permanent Fund Dividends (by $10 in the first year, increasing to about $40 in FY2015).

According to Judge Carpeneti, this failure to deal with RIK recoveries would require the Alaska court to disqualify itself. The result was another piece of legislation introduced by Governor Hickel in March of 1991 that became part of a more comprehensive rewrite of Permanent Fund statutes (19 Ch 134 SLA 1992) that included repealing AS 43.23.045(b) above. A new section was added to AS 37.13.145 Disposition of Income statute:

> *(d) Notwithstanding (b) of this section, income earned on money awarded in or received as a result of State v. Amerada Hess et al, 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement, summary judgement, or adjustment to a royalty-in-kind*

contract that is tied to the outcome of this case, or interest earned on the money, or on the earnings of the money shall be treated in the same manner as other income of the Alaska permanent fund, except that it is not available to the dividend fund, and shall be annually deposited to the principal of the Alaska permanent fund.

One final note on the legal history: 19 Ch. 134 SLA 1992 contained a conditional repealer stating that if the Alaska Supreme Court made a final determination that "no judge or juror is disqualified from serving as a judge or juror solely because the judge or juror may qualify to receive a permanent fund dividend," subsection (d) would be repealed, i.e., earnings on the Amerada Hess principal would be added into the annual dividend calculation.

Eventually, almost all of the state's claims were settled out of court. The final piece fell into place in 1995, when the state settled an assortment of gas royalty claims against three companies—BP, Exxon, and Mobil—for the last $100 million of about $1 billion in total settlements. Altogether the state spent nearly $100 million in building its legal case. Over the course of the litigation, the share of settlements deposited into the Permanent Fund totaled $194.1 million. Realized earnings on the Amerada Hess settlement money since the first deposit in FY 92 have added another $230.3 million to the settlement principal, which totaled $424.4 million at the end of FY 04.

Amerada Hess Settlement

	Principal			Realized Earnings (over inflation)			Inflation-proofing			
	Beginning	Contributions	Ending	Beginning	Additions	Ending	Beginning	Additions	Ending	Total Settlement Principal
FY 1992	Inception	82,099,000	**82,099,000**	0	0	**0**	0	2,005,000	**2,005,000**	**84,104,000**
FY 1993	82,099,000	16,411,000	**98,510,000**	0	4,641,000	**4,641,000**	2,005,000	4,541,000	**6,546,000**	**109,697,000**
FY 1994	98,510,000	13,213,000	**111,723,000**	4,641,000	5,620,000	**10,261,000**	6,546,000	3,615,000	**10,161,000**	**132,145,000**
FY 1995	111,723,000	61,717,000	**173,440,000**	10,261,000	6,145,000	**16,406,000**	10,161,000	5,060,000	**15,221,000**	**205,067,000**
FY 1996	173,440,000	2,860,000	**176,300,000**	16,406,000	18,441,000	**34,847,000**	15,221,000	5,864,000	**21,085,000**	**232,232,000**
FY 1997	176,300,000	7,847,000	**184,147,000**	34,847,000	21,377,000	**56,224,000**	21,085,000	7,058,000	**28,143,000**	**268,514,000**
FY 1998	184,147,000	24,622,000	**208,769,000**	56,224,000	31,254,000	**87,478,000**	28,143,000	6,853,000	**34,996,000**	**331,243,000**
FY 1999	208,769,000	0	**208,769,000**	87,478,000	36,086,000	**123,564,000**	34,996,000	5,102,000	**40,098,000**	**372,431,000**
FY 2000	208,769,000	6,886,000	**215,655,000**	123,564,000	30,331,000	**153,895,000**	40,098,000	8,307,000	**48,405,000**	**417,955,000**
FY 2001	215,655,000	13,587,000	**229,242,000**	153,895,000	7,687,000	**161,582,000**	48,405,000	14,543,000	**62,948,000**	**453,772,000**
FY 2002	229,242,000	(35,159,000)	**194,083,000**	161,582,000	(23,384,000)	**138,198,000**	62,948,000	(5,154,000)	**62,112,000**	**394,393,000**
FY 2002	194,083,000	0	**194,083,000**	138,198,000	0	**138,198,000**	62,112,000	4,318,000	**62,112,000**	**394,393,000**
FY 2003	194,083,000	0	**194,083,000**	138,198,000	0	**138,198,000**	62,112,000	6,160,000	**68,272,000**	**400,553,000**
FY 2004	194,083,000	0	**194,083,000**	138,198,000	14,713,000	**152,911,000**	68,272,000	9,133,000	**77,405,000**	**424,399,000**
	Total	**194,083,000**		***Total***	**152,911,000**		***Total***	**77,405,000**		

Note: FY2002 reductions are the result of an audit correction of an over deposit of settlement principal and related earnings.

Legislation to Leverage Amerada Hess Settlement Earnings To Finance Capital Projects

Summary

1. Create the Alaska Capital Fund

- Legislation establishes the Alaska Capital Fund

- The realized earnings off of the Amerada Hess principal (expected to be in the $30+ million/yr. range) would be deposited into the Alaska Capital Fund.

- The Alaska Capital Fund is established within the Earnings Reserve Account of the Permanent Fund

  ✓ The purpose of putting it in the ERA instead of the general fund is so the balance can be carried forward without being subject to the annual CBR sweep.

  ✓ The ability to carry fund balance forward is critical to providing security of payment to Wall Street despite expected volatility of earnings.

  ✓ The Alaska Capital Fund would be invested the same as the ERA and retain its own earnings.

  ✓ The Alaska Capital Fund would accumulate realized earnings for 2 years, beginning in FY 05, before being drawn down to pay debt service.

  ✓ The accumulated balance would fund reserve accounts to secure debt.

- AS 37.13.145(c) would be changed so there would be no inflation proofing of the Amerada Hess principal from the Alaska Capital Fund.

  ♦ Changes are made to the Alaska Permanent Fund section of the FY 05 and 06 budget bills so that Amerada Hess realized earnings are deposited into the Alaska Capital Fund and Amerada Hess principal is exempt from inflation proofing.

  ♦ The Amerada Hess portion of Permanent Fund principal would remain at $424 million thereafter.

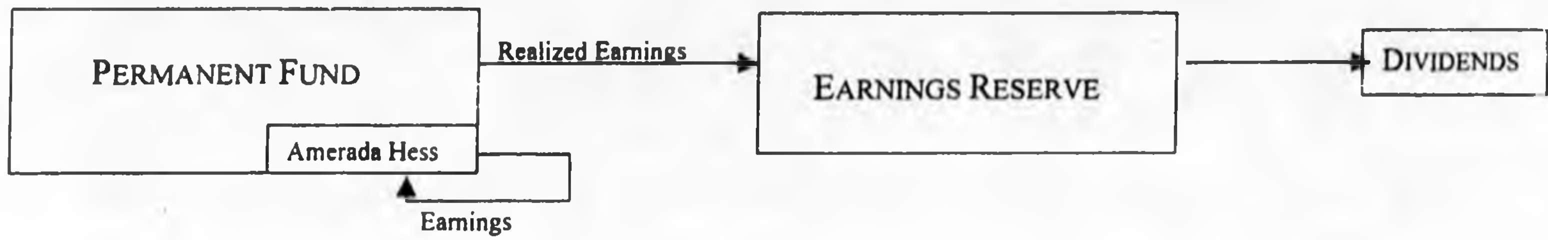
2. State of Alaska Capital Corporation Created

- Legislation establishes the State of Alaska Capital Corporation. The Corporation is closely linked to the Department of Revenue and State Bond Committee that would issue stand-alone moral obligation debt of the state totaling $343 million.
  - ♦ The Alaska Capital Fund would be the source of revenue to pay debt service on bonds issued by the corporation.
  - ♦ Historically the Permanent Fund average annual earnings have been 8.94% and the ten year forecasted rate of realized return is 7.61%.
  - ♦ Modeling shows debt service may be paid with a realized rate of return as low as 5.5%, but given market volatility it is extremely important to be able to withstand short term bear markets.
  - ♦ A debt service reserve fund and an advance funded debt payment account along with the fund balance of the Alaska Capital Fund provide a high probability of an available funding source.

- Debt service on the bonds will be paid through annual legislative appropriations from the Alaska Capital Fund to the Corporation.
  - ♦ The moral obligation of the state is necessary to provide further assurance to bondholders that annual debt service payments will continue even during improbable unanticipated prolonged down market periods, when there may be low or negative Amerada Hess realized earnings paid into the Alaska Capital Fund.
  - ♦ Consultations with credit rating agencies and financial advisors have provided assurance that there will be no negative effect on the state's credit rating by issuing these bonds.
  - ♦ Investment grade ratings in the "A" range are expected on the bonds.
  - ♦ Bonds will be issued with a requirement to pay interest only with a final, theoretical principal maturity date of 20 years. Purchasers, however, understand that the actual repayment of principal will be based on Amerada Hess earnings deposited into the Alaska Capital Fund. Expectations are that the bonds will be paid off much sooner than 20 years.

ALASKA CAPITAL INCOME ACCOUNT

CURRENT



PROPOSED