



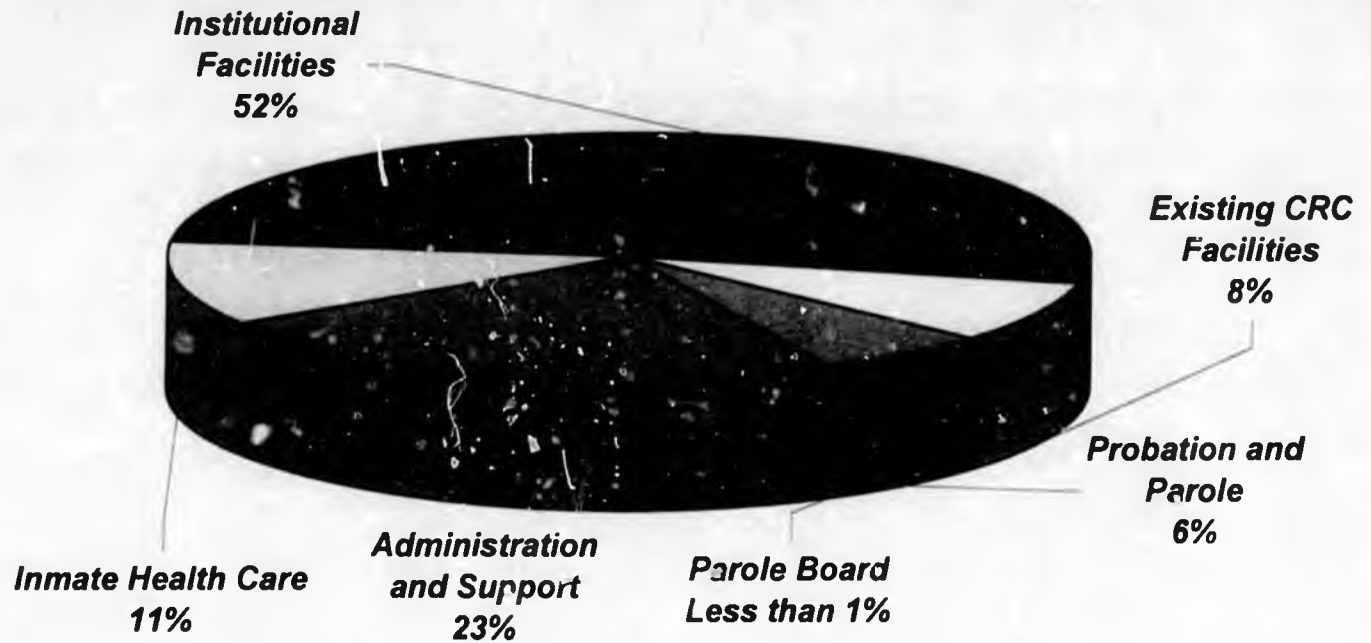
HOUSE STATE AFFAIRS

	Cordova	Parkview	Midtown	Glennwd	N.S.	Tundra	Glacier	Aulla	Seaside		
GRUBED BEDS											
	1-0-27-187	96-17-112	27-5-32	74-14-63	60-1-10	72-13-86	64-11-75	4-2-8	41-7-48		608(735)
GRUBED BEDS											
Assigned	150	96	27	82	60	66	66	4	28	Allowed:	565
Furlough	76	37	0	21	30	9	44	5	12	234	
Conf Med	42	32	31	2	15	19	2	0	34	177	
Restitution	1	1	0	0	11	0	12	0	0	25	
Unsent	18	30	0	4	4	31	0	0	0	87	
3rd Party	23	0	0	9	0	5	0	0	0	37	
Filed Beds	160	100	31	36	60	64	58	5	46	Filed:	560
GRUBED BEDS											
Assigned	0	0	0	14	15	10	10	0	6	Allowed:	55
Probation	0	0	0	16	15	0	8	1	0	40	
Parole	0	0	0	29	6	0	6	0	0	43	
Filed Beds	0	0	0	45	21	0	16	1	0	Filed:	83
TOTAL GRUBED BEDS											
Total Filed	160	100	31	81	81	64	74	6	46	Filed:	643
TOTAL CRC SUPERVISION-OSP											
		12-8-20		13-7-20	10		11-4-15			46-10-85	
Furlough	0	3	0	4	6	0	1	0	0	14	
Probation	0	0	0	0	0	0	1	0	0	1	
Parole	0	0	0	0	0	0	0	0	0	0	
TTLRUPV	0	3	0	4	6	0	2	0	0	Total	15
TRK 1,2											
Trk.1,2	0	0	0	5	0	0	3	0	0	Total	8
TOTAL SUMMARY											
					3222	INSTITUTIONAL					
					751	CADC					
					20	OTHER: OUT OF STATE					
					643	CRC					
	EM	EM	EM		28	TREATMENT BEDS FILLED					
	Anchorage	Fairbanks	Ketchikan		15	CRC OFF SUP					
	103	15	2		120	EM					
					0	INST TENTS					
				Total	4799						

* PerDiem Slots

Institution	MEN	MEN	WOMEN	WOMEN	TOTAL
	Sent.	Unsent	Sent.	Unsent	
Anchorage Jail	84	303	7	16	410
Anvil Mt. (Nome)	63	31	6	4	104
Cook Inlet PT	85	333	0	0	418
Fairbanks CC	39	161	9	21	230
Hiland Mt. CC	0	0	136	81	220
Ketchikan CC	21	36	3	3	63
Lemon Creek CC	108	60	12	10	190
MatSu Pre-Trial	9	79	0	7	95
Meadow Creek	69	1	0	0	70
Palmer Med. CC	155	50	0	0	205
Palmer Min. CC	176	0	0	0	176
Pt. Mac	90	3	0	0	93
Spring Creek CC	481	5	0	0	486
Wildwood CC	211	25	0	0	236
Wildwood PT	36	66	4	11	117
YKCC (Bethel)	18	85	1	5	109
Total	1645	1238	181	158	3,222
		Unsent		Sent.	
Total		1398		1826	3,222
		43%		57%	

**Department of Corrections
Fiscal Year 2006 Operating Budget - Governor**



Department of Corrections RDUs

<i>Administration and Support</i>	\$44,863.3
<i>Inmate Health Care</i>	\$21,761.2
<i>Institutional Facilities</i>	\$101,311.9
<i>Existing CRC Facilities</i>	\$15,598.4
<i>Probation and Parole</i>	\$11,920.7
<i>Parole Board</i>	\$588.8

Department of Corrections RDUs Total

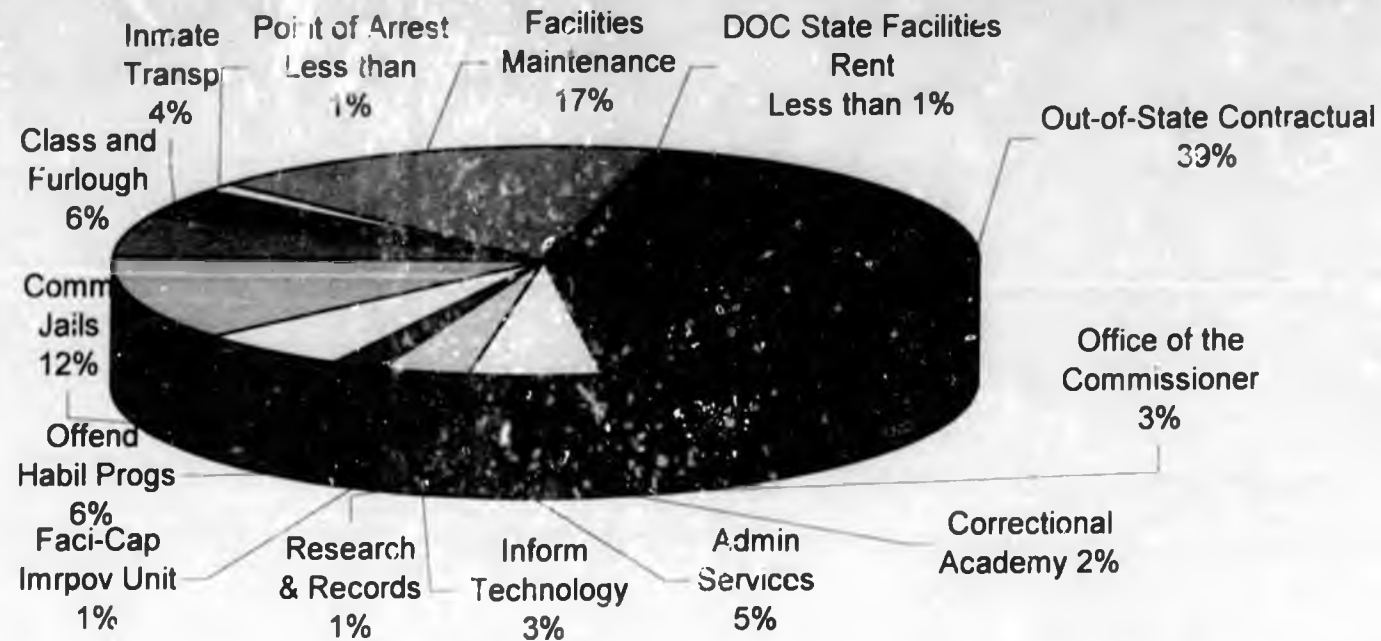
\$196,044.3

Department of Corrections
Fiscal Year 2006 Operating Budget - Governor



<i>Administration & Support RDU</i>	\$44,863.3
<i>Remainder of Department RDUs</i>	<u>\$151,181.0</u>
<i>Department of Corrections Total</i>	<u><u>\$196,044.3</u></u>

**Department of Corrections
Fiscal Year 2006 Operating Budget - Governor**



Administration & Support RDU:

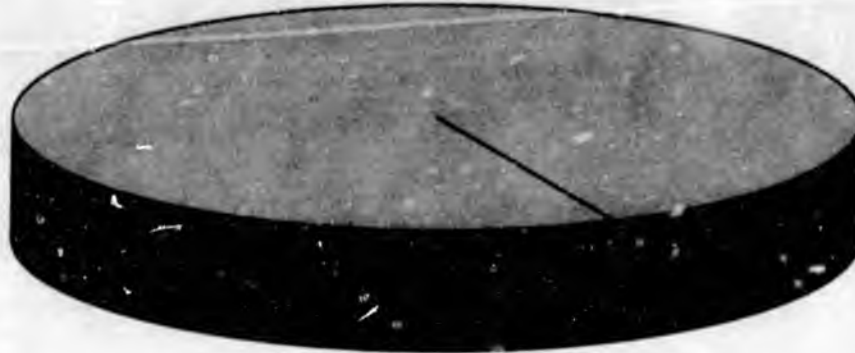
<i>Office of the Commissioner</i>	\$1,196.9
<i>Correctional Academy</i>	\$878.8
<i>Administrative Services</i>	\$2,238.0
<i>Information Technology MIS</i>	\$1,487.9
<i>Research and Records</i>	\$227.8
<i>Fac-Capital Improvement Unit</i>	\$655.9
<i>Offender Habilitative Programs</i>	\$2,669.1
<i>Community Jails</i>	\$5,405.9
<i>Classification and Furlough</i>	\$2,524.0
<i>Inmate Transportation</i>	\$1,855.3
<i>Point of Arrest</i>	\$507.2
<i>Facility Maintenance</i>	\$7,780.5
<i>DOC State Facilities Rent</i>	\$142.4
<i>Out-of-State Contractual</i>	\$17,293.6

Administration & Support RDU Total

\$44,863.3

**Department of Corrections
Fiscal Year 2006 Operating Budget - Governor**

Inmate Health Care



Inmate Health Care RDU:

Inmate Health Care \$21,761.2

Inmate Health Care RDU Total \$21,761.2

Remainder of
Department
RDUs
89%



Inmate Health
Care RDU
11%

Inmate Health Care RDU \$21,761.2
Remainder of Department RDUs \$174,283.1

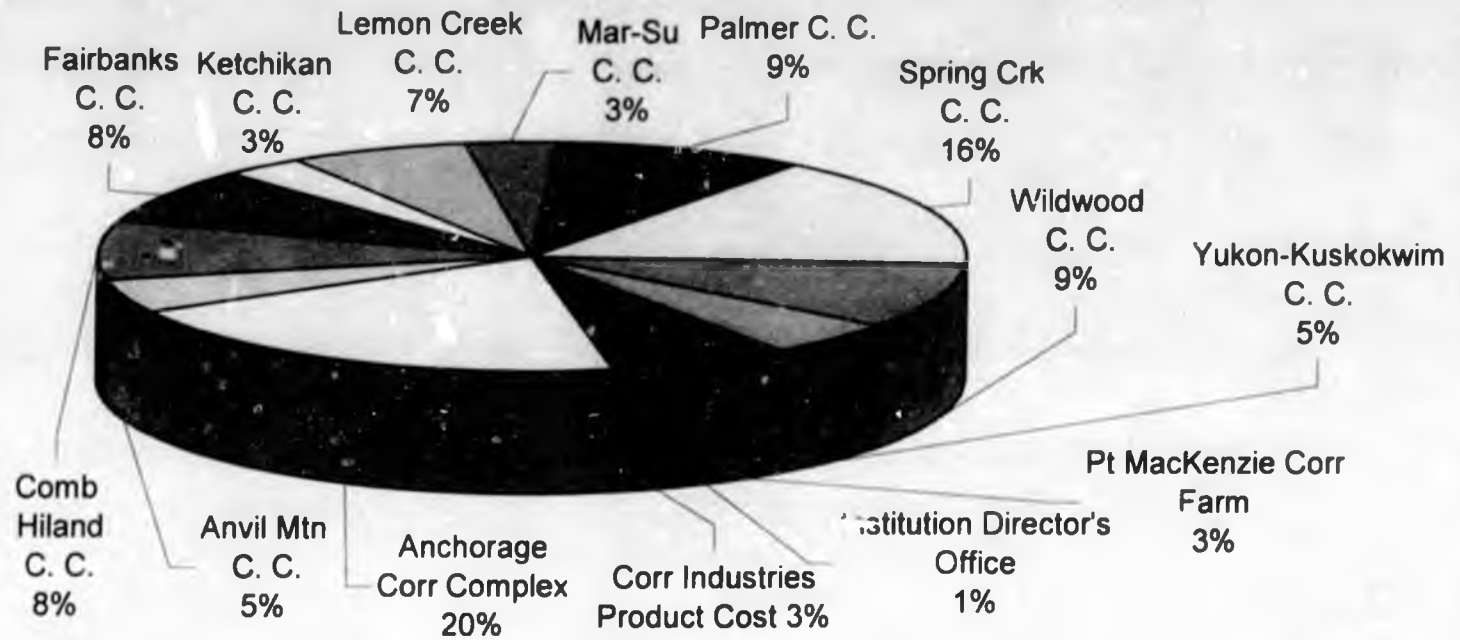
Department of Corrections Total \$196,044.3

**Department of Corrections
Fiscal Year 2006 Operating Budget - Governor**



<i>Institutional Facilities RDU</i>	<i>\$101,311.9</i>
<i>Remainder of Department RDUs</i>	<i>\$94,732.4</i>
	<hr/>
<i>Department of Corrections Total</i>	<i><u><u>\$196,044.3</u></u></i>

**Department of Corrections
Fiscal Year 2006 Operating Budget - Governor**



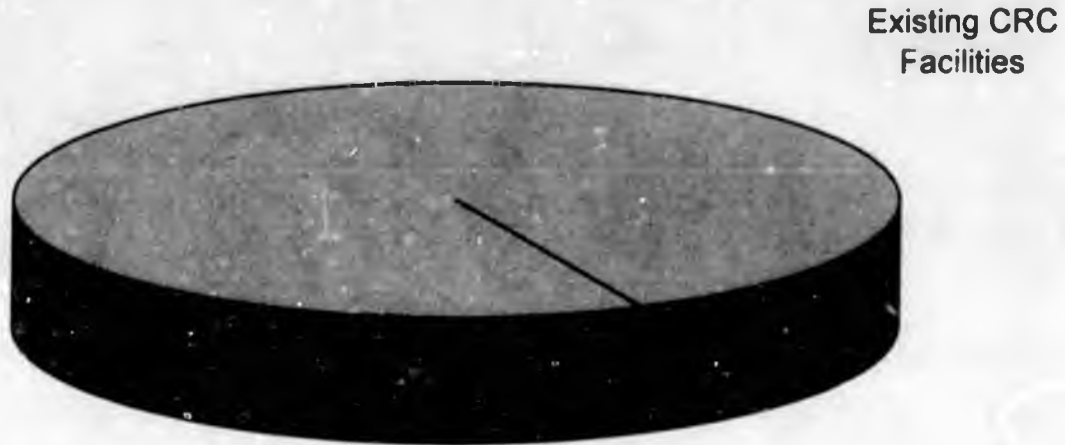
Institutional Facilities RDU:

<i>Institution Director's Office</i>	\$885.0
<i>Correctional Industries Product Cost</i>	\$3,181.8
<i>Anchorage Correctional Complex</i>	\$20,146.3
<i>Anvil Mtn Corr Center</i>	\$4,722.1
<i>Combined Hiland Mtn Corr Center</i>	\$13,419.6
<i>Fairbanks Corr Center</i>	\$8,022.8
<i>Ketchikan Corr Center</i>	\$3,102.9
<i>Lemon Creek Corr Center</i>	\$6,744.9
<i>Mat-Su Corr Center</i>	\$3,309.2
<i>Palmer Corr Center</i>	\$9,613.0
<i>Spring Creek Corr Center</i>	\$15,937.4
<i>Wildwood Corr Center</i>	\$9,475.9
<i>Yukon-Kuskokwim Corr Center</i>	\$5,037.4
<i>Pt MacKenzie Corr Farm</i>	\$2,713.6

Institutional Facilities RDU Total

\$101,311.9

**Department of Corrections
Fiscal Year 2006 Operating Budget - Governor**



Existing CRC Facilities RDU:

Existing CRC Facilities \$15,598.4

Existing CRC Facilities PDU Total \$15,598.4

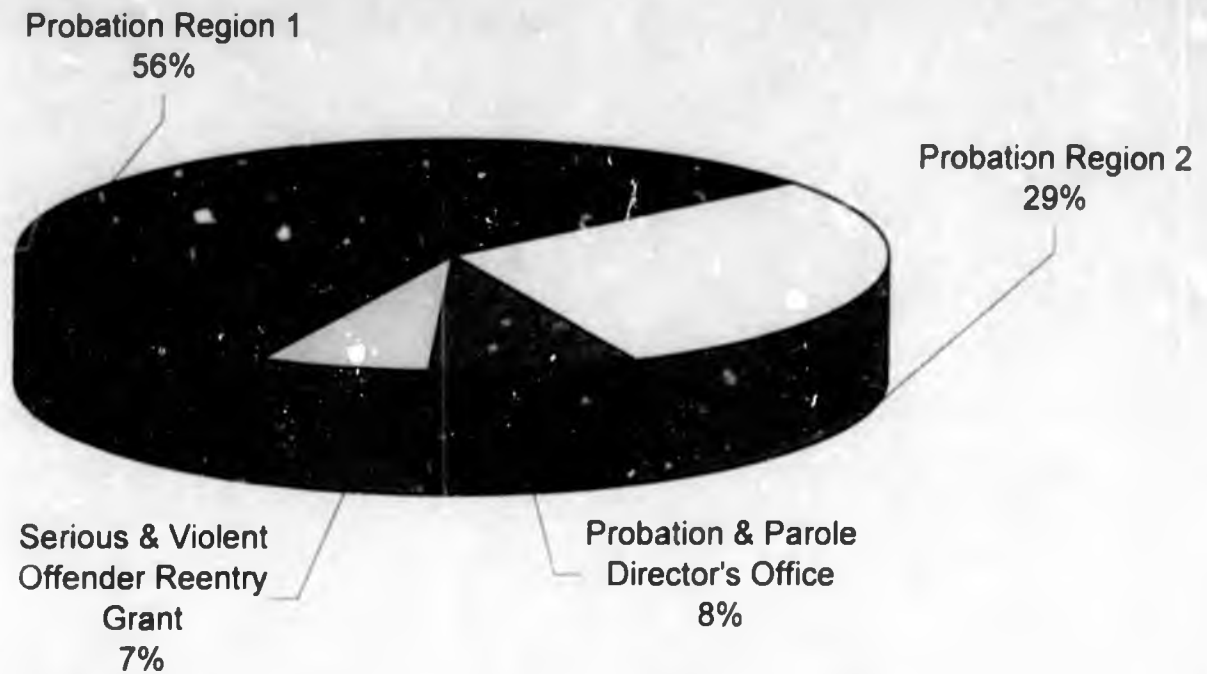
Remainder of
Department
RDUs
92%



Existing CRC
Facilities RDU
8%

Existing CRC Facilities RDU	\$15,598.4
Remainder of Department RDUs	<u>\$180,445.9</u>
Department of Corrections Total	<u><u>\$196,044.3</u></u>

**Department of Corrections
Fiscal Year 2006 Operating Budget - Governor**



Probation and Parole RDU:

<i>Probation & Parole Director's Office</i>	\$923.6
<i>Serious & Violent Offender Reentry Grant</i>	\$777.4
<i>Probation Region 1</i>	\$6,762.0
<i>Probation Region 2</i>	<u>\$3,457.7</u>

Probation and Parole RDU Total

\$11,920.7



Probation and Parole RDU
Remainder of Department RDUs

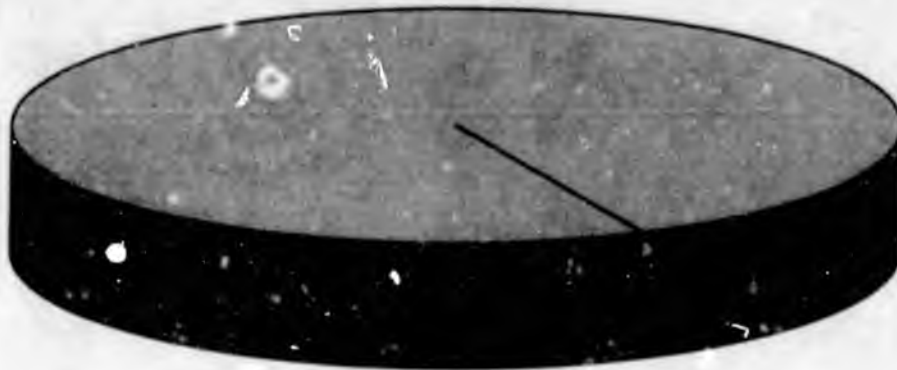
\$11,920.7
\$184,123.6

Department of Corrections Total

\$196,044.3

**Department of Corrections
Fiscal Year 2006 Operating Budget - Governor**

Parole Board

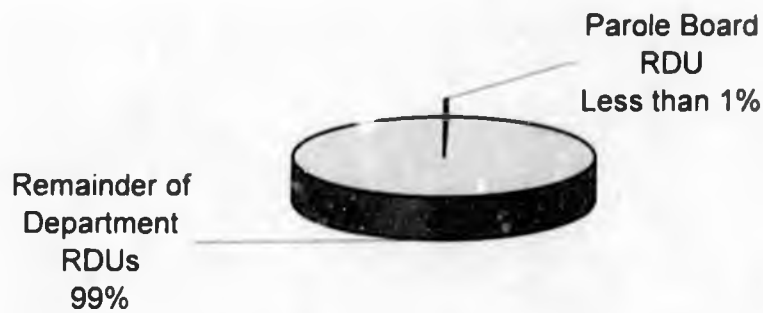


Parole Board RDU:

Parole Board \$588.8

Parole Board RDU Total

 \$588.8



Parole Board RDU
Remainder of Department RDUs
Department of Corrections Total

 \$588.8
 \$195,455.5
 \$196,044.3

Department of Corrections

Contribution to Department's Mission

To protect the public by incarcerating and supervising offenders.

Core Services

- Offender Confinement
- Offender Supervision
- Behavioral Intervention

End Result	Strategies to Achieve End Result
<p>A: Reduce the number of new crimes committed by offenders.</p> <p><u>Target #1:</u> Reduce the number of new crimes against persons by offenders while incarcerated in institutions or under supervision in the community by 20%.</p> <p><u>Measure #1:</u> Percentage changes in new crimes against a person committed by offenders while incarcerated or under supervision.</p> <p><u>Target #2:</u> Reduce the number of new crimes committed by offenders within 1-year after release from institutions or supervision by 20%.</p> <p><u>Measure #2:</u> Percentage changes in new crimes committed by offenders within 1-year of release from institutions or supervision.</p>	<p>A1: Improve behavioral interventions/referrals and employment of offenders.</p> <p><u>Target #1:</u> Increase the number of offenders without a High School Diploma or GED who receive a GED while incarcerated.</p> <p><u>Measure #1:</u> Percentage of offenders receiving a GED and the number of offenders receiving a GED while incarcerated.</p> <p><u>Target #2:</u> 100% of all offender employment positions filled in the three target long-term institutions.</p> <p><u>Measure #2:</u> Percentage of offender employment positions filled on the first day of each quarter in the following institutions: Spring Creek Correctional Center, Wildwood Correctional Center, and Lemon Creek Correctional Center.</p> <p><u>Target #3:</u> 70% of offenders under supervision, in the target field offices, with restitution/fine conditions and/or community work service (CWS) conditions have plans established to meet those conditions.</p> <p><u>Measure #3:</u> Percentage of offenders under supervision who have plans to meet conditions.</p>

Performance Measure Detail

A: Result - Reduce the number of new crimes committed by offenders.

- Target #1: Reduce the number of new crimes against persons by offenders while incarcerated in institutions or under supervision in the community by 20%.
- Measure #1: Percentage changes in new crimes against a person committed by offenders while incarcerated or under supervision.

Analysis of results and challenges: From January through June 2004 there were 87 new crimes committed against persons by offenders while incarcerated in institutions or under supervision in the community. For the comparison the Department will track this information for the same time period for 2005.

Target #2: Reduce the number of new crimes committed by offenders within 1-year after release from

institutions or supervision by 20%.

Measure #2: Percentage changes in new crimes committed by offenders within 1-year of release from institutions or supervision.

Analysis of results and challenges: From January through June 2003 there were 5,944 crimes committed by offenders within 1-year of release from institutions or supervision. For the comparison the Department will track this information for the same time period for 2004.

A1: Strategy - Improve behavioral interventions/referrals and employment of offenders.

Target #1: Increase the number of offenders without a High School Diploma or GED who receive a GED while incarcerated.

Measure #1: Percentage of offenders receiving a GED and the number of offenders receiving a GED while incarcerated.

Analysis of results and challenges: In FY 2004 the total number of offenders that received a GED was 143. This compares to 131 in FY 2003 and 148 in FY 2002. The higher number in FY 2002 reflects a change in the test in FY 2003 and a number of offenders took the older version to avoid the new test.

Target #2: 100% of all offender employment positions filled in the three target long-term institutions.

Measure #2: Percentage of offender employment positions filled on the first day of each quarter in the following institutions: Spring Creek Correctional Center, Wildwood Correctional Center, and Lemon Creek Correctional Center.

Analysis of results and challenges: The Department reviewed and revised this measure and will compile data through FY 2005.

Target #3: 70% of offenders under supervision, in the target field offices, with restitution/fine conditions and/or community work service (CWS) conditions have plans established to meet those conditions.

Measure #3: Percentage of offenders under supervision who have plans to meet conditions.

Analysis of results and challenges: The Department has reviewed and revised this measure. A database is being developed to track compliance with this measure in the caseloads at three target field offices located in Anchorage, Palmer, and Juneau.

Division of Institutions Component

Contribution to Department's Mission

To incarcerate and supervise in-custody offenders.

Core Services

- Offender Confinement
- Behavioral Intervention

End Result	Strategies to Achieve End Result
<p>A: The public is safe from offenders in the Department's custody.</p> <p><u>Target #1:</u> Reduce by 5% the walkaways/escapes. <u>Measure #1:</u> Percentage of prisoners who walkaway/escape.</p> <p><u>Target #2:</u> Reduce by 5% the number of offenders convicted of new offenses committed while in custody. <u>Measure #2:</u> Percentage of offenders convicted of new offenses while in custody.</p>	<p>A1: Institutions are fully security equipped and fully staffed with trained officers.</p> <p><u>Target #1:</u> Increase by 10% the number of complete shakedowns of Community Residential Center's (CRC's) and institutions. <u>Measure #1:</u> Number of complete shakedowns of Community Residential Center's (CRC's) and institutions.</p> <p><u>Target #2:</u> Reduce number of vacant Correctional Officer positions at all institutions. <u>Measure #2:</u> Comparison of number of vacant Correctional Officer positions in FY 2004 and FY 2005.</p>
End Result	Strategies to Achieve End Result
<p>B: Increase successful re-entry of released prisoners.</p> <p><u>Target #1:</u> Increase number of offenders without a high school diploma or GED who receive a GED while in custody. <u>Measure #1:</u> Number of offenders receiving a GED while in custody.</p> <p><u>Target #2:</u> Increase the number of Substance Abuse Treatment (RSAT) enrollees completing the RSAT program. <u>Measure #2:</u> Number of Substance Abuse Treatment (RSAT) enrollees completing the RSAT program.</p>	<p>B1: Increase behavioral interventions and referrals.</p> <p><u>Target #1:</u> Increase the number of offenders without a High School Diploma or GED who receive a GED while incarcerated. <u>Measure #1:</u> Percentage of offenders receiving a GED and the number of offenders receiving a GED while incarcerated.</p> <p><u>Target #2:</u> Decrease by 5% the number of vacant man days in the Substance Abuse Treatment (RSAT) programs. <u>Measure #2:</u> Number of vacant man-days in the Substance Abuse Treatment (RSAT) programs.</p>

Performance Measure Detail

A: Result - The public is safe from offenders in the Department's custody.

Target #1: Reduce by 5% the walkaways/escapes.

Measure #1: Percentage of prisoners who walkaway/escape.

Analysis of results and challenges: The total number of escapes from Department institutions in FY 2004 was 0. The total number of walkaways from Community Residential Centers (CRCs) in FY 2004 was 158. The Department will monitor these incidents on a quarterly basis through FY2005. The strategy to reduce walkaways

State of Alaska

from the CRC's in FY 2005 includes increased audits of the facilities to monitor staffing levels and security. These audits are currently underway.

Target #2: Reduce by 5% the number of offenders convicted of new offenses committed while in custody.
Measure #2: Percentage of offenders convicted of new offenses while in custody.

Analysis of results and challenges: From January through June 2004 there was 1 new crime committed against persons by offenders while incarcerated in institutions or CRCs. For the comparison the Department will track this information for January through June 2005.

A1: Strategy - Institutions are fully security equipped and fully staffed with trained officers.

Target #1: Increase by 10% the number of complete shakedowns of Community Residential Center's (CRC's) and institutions.

Measure #1: Number of complete shakedowns of Community Residential Center's (CRC's) and institutions.

Analysis of results and challenges: The Department has incorporated this measure into the CRC audit process to improve security at the facilities. This will be tracked through FY 2005.

Target #2: Reduce number of vacant Correctional Officer positions at all institutions.

Measure #2: Comparison of number of vacant Correctional Officer positions in FY 2004 and FY 2005.

Analysis of results and challenges: The Department and the Special Recruitment Unit in the Department of Administration have instituted streamlining in the recruitment and hiring process to shorten the amount of time from application to employment. Additionally, the Department is initiating a recruitment campaign to increase the pool of available applicants.

B: Result - Increase successful re-entry of released prisoners.

Target #1: Increase number of offenders without a high school diploma or GED who receive a GED while in custody.

Measure #1: Number of offenders receiving a GED while in custody.

Analysis of results and challenges: In FY 2004 the total number of offenders that received GEDs was 143. This compares to 131 in FY 2003 and 148 in FY 2002. The higher number in FY 2002 reflects a change in the test in FY 2003 and a number of offenders took the older version to avoid the new test.

Target #2: Increase the number of Substance Abuse Treatment (RSAT) enrollees completing the RSAT program.

Measure #2: Number of Substance Abuse Treatment (RSAT) enrollees completing the RSAT program.

Analysis of results and challenges: In FY 2004 there were 32 enrollees who completed the RSAT program. For future comparison the department will track this information for the same time period for FY 2005 and out years. The annual average will fluctuate since the program requires a full 12 months to complete.

B1: Strategy - Increase behavioral interventions and referrals.

Target #1: Increase the number of offenders without a High School Diploma or GED who receive a GED while incarcerated.

Measure #1: Percentage of offenders receiving a GED and the number of offenders receiving a GED while incarcerated.

Analysis of results and challenges: In FY 2004 the total number of offenders that received GEDs was 143. This compares to 131 in FY 2003 and 148 in FY 2002. The higher number in FY 2002 reflects a change in the test in FY 2003 and a number of offenders took the older version to avoid the new test.

Target #2: Decrease by 5% the number of vacant man days in the Substance Abuse Treatment (RSAT)

programs.

Measure #2: Number of vacant man-days in the Substance Abuse Treatment (RSAT) programs.

Analysis of results and challenges: In FY 2003 the Hiland Mountain and Wildwood Correctional Centers combined RSAT programs averaged 82% of capacity. In FY 2004 the average was 89% of capacity. The department will continue to monitor the average.

Division of Probation and Parole Component

Contribution to Department's Mission

To enhance public protection by supervising offenders in the community.

Core Services

- Offender Supervision
- Offender Habilitation

End Result	Strategies to Achieve End Result
<p>A: Enhance Public Safety.</p> <p><u>Target #1:</u> Reduce the percentage of offenders on supervision who commit new crimes against persons.</p> <p><u>Measure #1:</u> The percentage of offenders on supervision who commit new felony and new misdemeanor crimes against persons.</p>	<p>A1: Increase offender supervision by reducing Probation Officer caseloads.</p> <p><u>Target #1:</u> 50% of field caseloads will not exceed 75 offenders per officer.</p> <p><u>Measure #1:</u> Percentage of field caseloads that exceed 75 offenders per officer.</p> <p>A2: Increase contacts with offenders convicted of crimes against persons & DUI.</p> <p><u>Target #1:</u> 85% compliance with field contact policy.</p> <p><u>Measure #1:</u> Percentage of compliance with field contact policy.</p>
End Result	Strategies to Achieve End Result
<p>B: Increase offender accountability.</p> <p><u>Target #1:</u> Reduce convictions for new sexual offenses committed by offenders on supervision.</p> <p><u>Measure #1:</u> Percentage of convictions for new sexual offenses committed by offenders on supervision.</p>	<p>B1: Increase behavioral interventions and referrals.</p> <p><u>Target #1:</u> 50% of offenders with sex offender treatment (SOT) conditions referred to Containment Model SOT Program.</p> <p><u>Measure #1:</u> Percentage of sex offenders with SOT conditions referred to Containment Model SOT Program.</p>
End Result	Strategies to Achieve End Result
<p>C: Increase offender productivity.</p> <p><u>Target #1:</u> 80% making payments on restitution/fines.</p> <p><u>Measure #1:</u> Percentage of offenders making payments on restitution/fines.</p> <p><u>Target #2:</u> 60% of offenders participating in community work service (CWS).</p> <p><u>Measure #2:</u> Percentage of offenders participating in community work service (CWS).</p>	<p>C1: Build results-driven case plans.</p> <p><u>Target #1:</u> 85% of offenders with restitution/fine conditions have payment plans established.</p> <p><u>Measure #1:</u> Percentage of offenders with restitution/fine payment plans.</p> <p><u>Target #2:</u> 70% of offenders with community work service (CWS) conditions have a CWS plan established.</p> <p><u>Measure #2:</u> Percentage of offenders with community work service (CWS) plans.</p>

Performance Measure Detail**A: Result - Enhance Public Safety.**

Target #1: Reduce the percentage of offenders on supervision who commit new crimes against persons.
Measure #1: The percentage of offenders on supervision who commit new felony and new misdemeanor crimes against persons.

Analysis of results and challenges: From January through June 2003 there were 5,575 offenders under supervision. During this timeframe there were 79 new felony and new misdemeanor crimes committed against persons.

A1: Strategy - Increase offender supervision by reducing Probation Officer caseloads.

Target #1: 50% of field caseloads will not exceed 75 offenders per officer.
Measure #1: Percentage of field caseloads that exceed 75 offenders per officer.

Analysis of results and challenges: Caseloads are determined roughly by dividing the number of offenders under supervision between the number of available probation officers. Therefore, there is a direct correlation between the number of vacant probation officer positions and higher caseloads. The Department and the Special Recruitment Unit in the Department of Administration have instituted streamlining in the recruitment and hiring process to shorten the amount of time from application to employment. Additionally, the Department is initiating a recruitment campaign to increase the pool of available applicants.

A2: Strategy - Increase contacts with offenders convicted of crimes against persons & DUI.

Target #1: 85% compliance with field contact policy.
Measure #1: Percentage of compliance with field contact policy.

Analysis of results and challenges: Field contacts, like caseloads, are determined roughly by the number of available probation officers. Therefore, there is a direct correlation between the number of vacant probation officer positions and the number of field contacts that are conducted. The Department and the Special Recruitment Unit in the Department of Administration have instituted streamlining in the recruitment and hiring process to shorten the amount of time from application to employment. Additionally, the Department is initiating a recruitment campaign to increase the pool of available applicants.

B: Result - Increase offender accountability.

Target #1: Reduce convictions for new sexual offenses committed by offenders on supervision.
Measure #1: Percentage of convictions for new sexual offenses committed by offenders on supervision.

Analysis of results and challenges: From January through June 2003 there were 5,575 offenders under supervision. During this timeframe there were 15 new sexual offenses committed by offenders under supervision.

B1: Strategy - Increase behavioral interventions and referrals.

Target #1: 50% of offenders with sex offender treatment (SOT) conditions referred to Containment Model SOT Program.
Measure #1: Percentage of sex offenders with SOT conditions referred to Containment Model SOT Program.

Analysis of results and challenges: Polygraph examination, combined with intensive supervision and sex offender treatment often reveals additional information and dangerous behaviors that otherwise may go undetected. An increase in violations and/or revocations may occur, but deviant behavior will be identified, potential crimes prevented and future victims protected from offenders.

C: Result - Increase offender productivity.

Target #1: 80% making payments on restitution/fines.

Measure #1: Percentage of offenders making payments on restitution/fines.

Analysis of results and challenges: The Department has reviewed and revised this measure. The Department is developing a database to track compliance with this measure in the caseloads at three target field offices in Anchorage, Palmer and Juneau.

Target #2: 60% of offenders participating in community work service (CWS).

Measure #2: Percentage of offenders participating in community work service (CWS).

Analysis of results and challenges: The Department has reviewed and revised this measure. The Department is developing a database to track compliance with this measure in the caseloads at three target field offices in Anchorage, Palmer and Juneau.

C1: Strategy - Build results-driven case plans.

Target #1: 85% of offenders with restitution/fine conditions have payment plans established.

Measure #1: Percentage of offenders with restitution/fine payment plans.

Analysis of results and challenges: The Department has reviewed and revised this measure. The Department is developing a database to track compliance with this measure in the caseloads at three target field offices in Anchorage, Palmer and Juneau.

Target #2: 70% of offenders with community work service (CWS) conditions have a CWS plan established.

Measure #2: Percentage of offenders with community work service (CWS) plans.

Analysis of results and challenges: The Department has reviewed and revised this measure. The Department is developing a database to track compliance with this measure in the caseloads at three target field offices in Anchorage, Palmer and Juneau.

**OVERVIEW
DEPT. OF
TRANSPORT. &
PUBLIC FAC.,
AK. MARINE
HWY.
SYSTEM,
1/18/05**



Alaska DOT&PF Facilities Overview House State Affairs Committee

January 18, 2005

**Mike Barton
Commissioner**

Briefing Topics

- Department Overview
- State of Alaska facilities
- DOT&PF facilities
- Operating budget
- Capital budget
- Energy savings performance contract
- Design and construction



DOT&PF Regional Boundaries



DOT&PF Maintenance Stations

84 Stations Statewide



National Highway System



Alaska Highway System



DOT&PF Airports

258 State-owned Airports



DOT&PF Ports & Harbors

73 State-owned Harbors

51 Operated by agreement
by local government



AMHS Route Map

33 Ports-of-Call

3,500 Nautical Miles



State of Alaska Facilities

- 1,500 buildings
- 10 million square feet of buildings
- \$2.4 billion in replacement value
 - DOA → office buildings, storage
 - 8 Public Building Fund buildings
 - 7 non-PBF buildings
 - Health and Social Services – youth corrections, treatment and health centers, Pioneers Homes, API
 - Corrections – correctional facilities
 - DM&VA – armories, hangars
 - Fish & Game – bunkhouses, offices
 - DNR – cabins, recreational facilities, offices
 - Education – Mt. Edgecumbe
 - Labor - AVTEC
 - Courts – court and office buildings
 - Public Safety – crime labs, DPS facilities, CAP hangars



DOT&PF Facilities

- 700 buildings
 - 4 million sq. feet
 - \$302 million original cost
 - \$1 billion estimated replacement value
- 150 buildings are over 30 years old (some from the 1940's and 1950's)

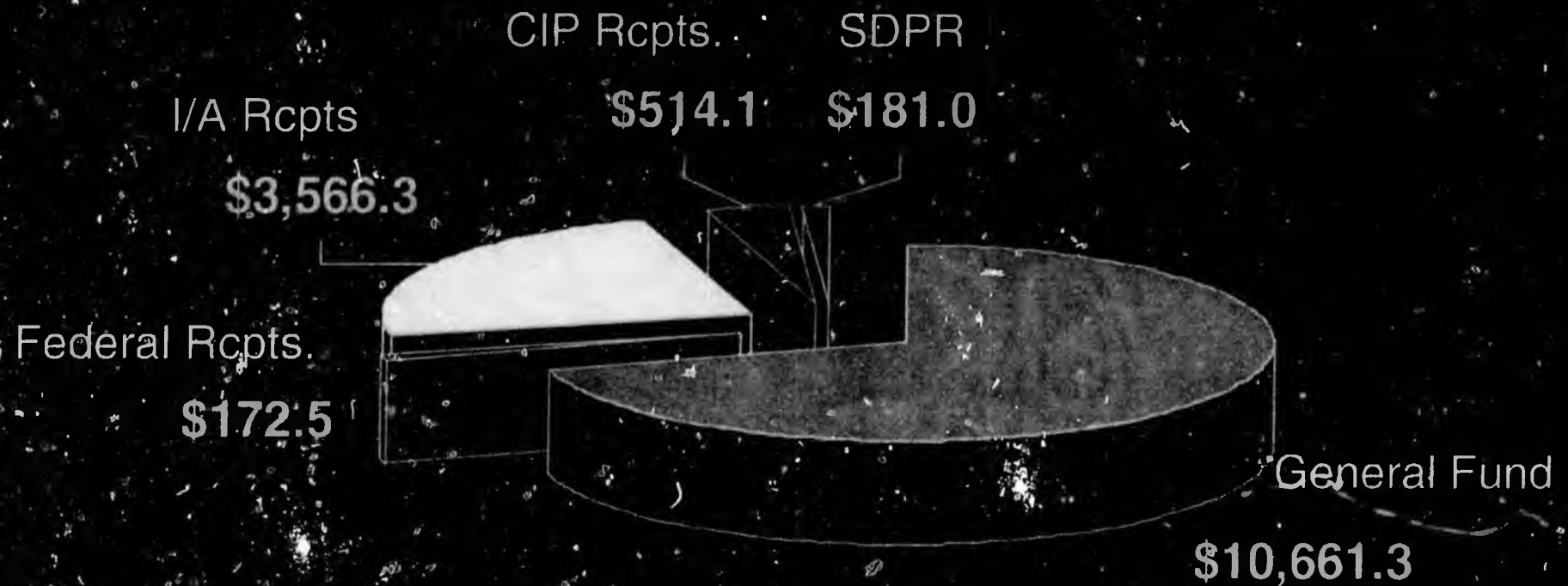


Types of DOT&PF Facilities

- Airport terminals
- Ferry terminals
- Office buildings
- Maintenance shops
- Equipment storage buildings
- Weigh stations
- Employee housing



Facilities FY06 Operating Request by Fund Source



Regional Maintenance Funding



excludes ferry system → Rents - A.P.T.

Fixed Costs

• Electricity	\$2,425.3
• Water & Sewer	203.3
• Disposal	117.7
• Natural Gas/Propane	334.5
• Heating Oil	1,931.4
• Insurance	443.7
• SEF	<u>281.6</u>
• Total	\$5,737.5



in Thousands

5 million

Capital Budget

- Facilities Deferred Maintenance \$8,000,000
 - Roof replacement
 - Maintenance shops, Ninilchik, Kalsin Bay, Jim River, Anchorage
 - Kenai Courthouse,
 - Materials Lab, Anchorage
 - Peger Road Bldgs. – Fairbanks
 - Boiler replacements
 - Sidewalk replacement
 - Bring up to fire and mechanical codes
 - Major repairs or upgrade to HVAC, electrical, water lines, septic, drain, fuel distribution systems
 - Major repair or replacement of building structures (e.g., bunkhouses at Seven Mile and Jim River)
- Willow Maintenance Station \$350,000



Energy Savings Performance Contract

- Siemens Building Technologies
- Identify Energy Conservation and Facility Improvement Measures (5 buildings in Juneau, 3 in Anchorage)
 - Guarantee utility consumption reductions
 - Take advantage of utility incentives
 - Generate opportunity for infrastructure renewal
- Design, implement and manage program performance
- Future utility savings offset the cost
- Each project is financially independent and guaranteed by the contractor



Energy Audit → By Siemens.

Design and Construction

- Regional design and construction offices provide oversight of all facilities construction projects
- (\$160 million in projects in various stages)
- Recent successes
 - Kenai Youth Detention Facility
 - Anchorage Pioneer Home Roof & HVAC
 - Sand Point AARF
 - DNA Lab Remodel
 - Alaska Railroad Anchorage Operations Center (procurement consultant)
- Projects in progress
 - DEC Food Safety Lab
 - API replacement (complete before March, move-in July)
 - ANC field maintenance facility
 - Several snow removal equipment buildings

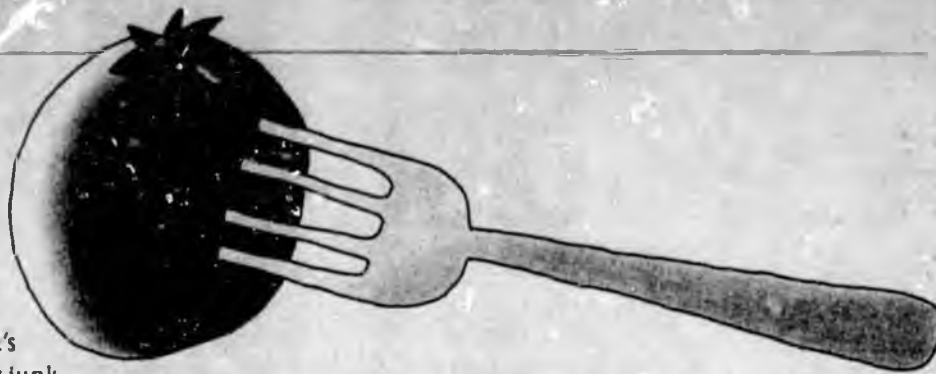


Questions?



TRY IT, YOU'LL LIKE IT

A growing number of school cafeterias are serving healthy, organic food as a way to improve children's health and fight obesity. Most of the food comes from local, small farmers. At Lincoln Elementary in Olympia, Wash., for example, the school's organic salad bar has proved so popular that all the city's elementary schools now have one. Seattle's school district recently adopted a new policy banning junk food and encouraging organic food in school cafeterias. California school districts in Berkeley, Santa Monica and Palo Alto have organic programs as well. And schools in Rhode Island, California, Massachusetts, New York, New Hampshire and Connecticut have or are getting new vending machines stocked with all-organic treats, thanks to the Stonyfield Farm company. The latest government statistics show that about 31 percent of children ages 6 to 19 are overweight; 16 percent are obese.



A SOY SOLUTION

Delaware's soybean farmers are excited about the construction of a soy biodiesel plant that will be the first of its kind in the Northeast. Soy biodiesel is made from the oil that is left over after soybeans are processed for feed. The hope is that the plant will create an additional market for soybeans, improve the environment and diversify the state's energy supply. The plant will employ 17 people, produce 5 million gallons of soy biodiesel, and generate \$11 million to \$12 million a year. The cleaner burning fuel will be blended with standard petroleum diesel before being sold. Ten other states are looking at similar plants.

NO BILLY GOATS GRUFF HERE

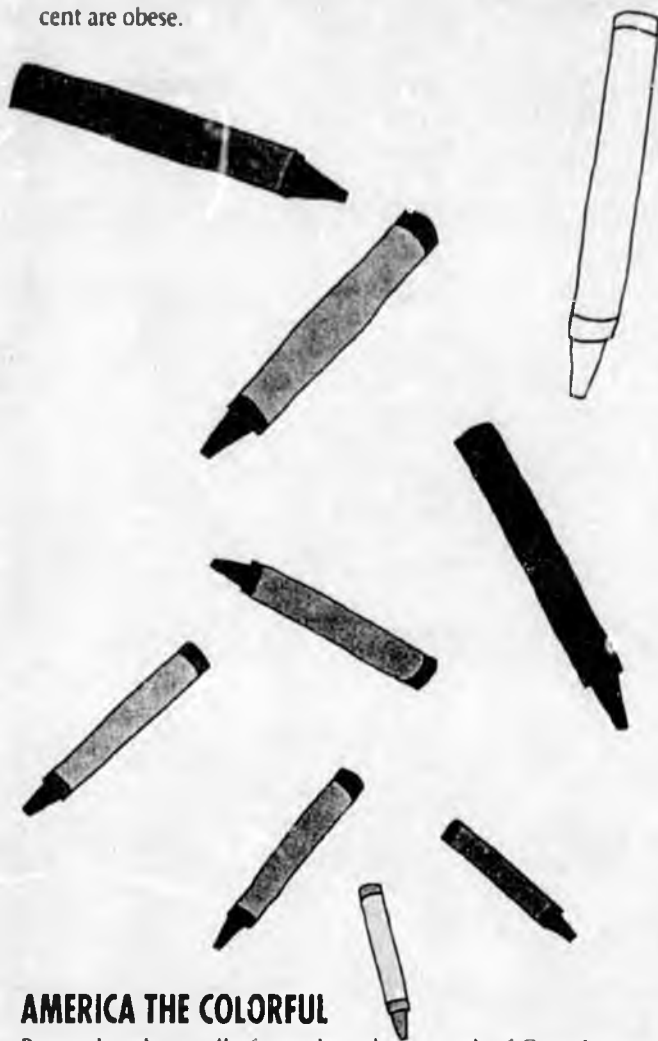
New Mexico is the first state to make a smart bridge. Built-in sensors monitor stresses and strains on bridge materials, providing data to fix problems early before a catastrophic failure. Scientists hope the data collected will also help them build better bridges in the future. New Mexico State University is developing the technology that will provide researcher information on how to build bridges with high performance concretes—advanced mixtures that could save highway departments lots of money. New Mexico is an ideal location to test stresses on concrete. Its hot days and cold nights cause concrete to bend and flex.

BIG SKIES, SMALL SALARIES

Montana has the lowest wage per job in the country, but has improved slightly in terms of total average income over the past few years, according to a report by the state Department of Labor. The average salary is \$26,900 per job, just behind South Dakota's average of \$27,200. Montana's unemployment rate, however, is roughly 4.5 percent, which is below the national rate of about 5.5 percent.

CAN YOU SPARE A DIME?

The average student who graduates from high school lacks basic skills to manage his personal financial affairs, according to the JumpStart Coalition. Many teenagers are unable to balance a checkbook and have no insight into the basic survival principles involved with earning, spending, saving and investing. Too many young people fail in the management of their first consumer credit experience, establish bad financial management habits, and stumble through their lives learning by trial and error. The coalition, along with a growing number of others, believes students need to be taught money management. Right now, only six states require financial literacy courses for high school graduation: Kansas, Louisiana, New York, North Carolina, South Carolina and Utah.



AMERICA THE COLORFUL

Remember the smell of your brand new pack of Crayola crayons the first day of school? You might even have known all the names of the colors by heart. Now, Crayola plans to produce 500,000 boxes of state-themed crayons, chosen through a nationwide contest. New York's crayon is called Lady Liberty (it's the old sea green). There's Alamo à la mode for Texas, bee-Utah-ful, a-maize-ing Iowa, and even boardwalk for New Jersey. The contest renamed 50 colors and the company added crayons for the District of Columbia and Puerto Rico along with patriotic colors like dawn's early light and America the blue-tiful.

**State of Alaska Department of
Transportation and Public Facilities**

Frank H. Murkowski
Governor
P.O. Box 110001
Juneau, Alaska 99811-0001



Mike Barton
Commissioner
907-465-3900
FAX: 907-586-8365
www.dot.state.ak.us

FOR IMMEDIATE RELEASE: January 3, 2005

No. 04-2567

State Declares Impasse in Fairweather Negotiations
ALRA asked to mediate labor agreement to keep fast vehicle ferry
operating beyond January 25

(Juneau) – After nearly a year of fruitless bargaining for a labor agreement to cover workers on the state's new fast vehicle ferry, the state has declared negotiations to be at an impasse, and has petitioned the Alaska Labor Relations Agency (ALRA) to order mediation. Since voluntary mediation failed on October 1, state labor negotiators have met 17 times with representatives of the three maritime unions that represent ferry workers – the Inland Boatmen's Union (IBU), the Marine Engineers Beneficial Association (MEBA), and the Masters, Mates and Pilots (MM&P).

"It should not come as any surprise that we are at an impasse," said John Torgerson, special assistant to the DOT&PF Commissioner Mike Barton, and a member of the labor negotiating team. "We have been trying to negotiate a contract based on three very expensive labor agreements. The maritime unions' generous leave accruals allow many employees to work less than one-half a year, yet get paid for the entire year. Their benefits are legendary. Yet, their negotiators expect the people of Alaska to pay even more for them to work on board our newest ferry. Based on the provisions of agreements we have achieved with our other labor unions, the proposals we have offered the three maritime unions are simply at the limit of what the state can afford. The ferry system will already have to go to the Legislature for supplemental funding for this year – the unions' demands would exacerbate that even more."

In a January 3, 2005 letter to the Alaska Labor Relations Agency, the state's Director of Labor Relations, Art Chance, noted that it is uneconomic to continue operating the *Fairweather* under the residual terms of an expired agreement entered into last spring. The state would like to reduce operations from seven days per week to four during the winter, which will require laying off the vessel's second 15-member crew. However, it will require a new agreement with the three unions in order to allow operations to continue.

"If the state is unable to move to the reduced schedule, it is our intention to cease operation of the *Fairweather* on January 25, 2005," said DOT&PF Commissioner Mike Barton. "Tying up the vessel will result in the layoff of virtually the entire specially trained crew, a result we would sincerely hope to avoid."

- more -

Chance said the letter of agreement under which the vessel has operated for eight months was "crafted to cover a period of intense training and initial operations and requires that two full crews be paid for a 7/12s schedule week on-week off." That level of staffing and operation is not economic in the winter season.

The three ports currently served from Juneau by the *Fairweather* – Haines, Skagway, and Sitka – are also served by mainline ferries two times each week. Haines and Skagway are served by the *Matanuska* each Friday, and by the *Malaspina* each Monday. Sitka service is provided by the *LeConte* on each Thursday and Saturday. Travelers should check with their local terminals for exact sailing times.

###

Media Contact: John Torgerson
Cell phone: 907-321-1044

FVF & Maritime Unions - Current Situation

The purpose of this fact sheet is to explain the state's position relative to crewing of the Alaska Marine Highway System's fast vehicle ferry *Fairweather*.

The fast vehicle ferry (FVF) continues to operate without a formal contract between the state and the three maritime unions representing the employees. The *Fairweather* is currently operating under the residual terms of a letter of agreement that was designed to provide for an intense schedule of training and temporarily providing service while the contracts were being negotiated. That temporary letter of agreement expired in June.

From the outset, the state preferred to negotiate a contract with the unions that would be separate and completely unrelated to the master agreement that covers the other vessels in the fleet, but it has assented to union demand to treat the FVF contracts as subcontracts of the master agreement.

Current crew requirements under the Coast Guard's High Speed Craft Code and operating 7 days per week are for two 10-person crews (A and B), with 14 relief and maintenance personnel.

The state's objective in negotiating with the maritime unions was to obtain a recognition that the operation of the FVF is fundamentally different from the operation of mainline ferries, which are in service 24 hours a day, seven days a week. The FVF normally operates about 12 hours per day, with crews going home at the end of the day. There are no crew sleeping quarters designed or built into the vessel. The substantial employee costs built into agreements covering a 24/7 operation should not be applicable to what is essentially a day boat operation.

However, employee union representatives approached the bargaining table with a substantially different idea than the state. The state offered a pay plan that incorporated the vacation, holiday, and sick leave benefits enjoyed by all AMHS employees under the master agreement. The union representatives countered with an offer that retained those amounts in the pay scale, plus asked for them again in the form of leave benefits, and demanded the 7, 6 and 6 percent pay increases contained in the most recently negotiated draft contracts of the master agreement. In their most recent offer, union negotiators are demanding additional pay for *Fairweather* service, plus a \$100 per day benefit because the state did not construct any crew quarters on board the vessel. The unions have asserted that the use of the vessel, with no crew quarters, is in violation of the master agreement.

The state and the unions' representatives met with a federal mediator on these issues on September 30 and October 1, without results. State negotiators have met with the three unions 17 times since the voluntary mediation failed. We are clearly at an impasse, and the state seeks mandatory mediation.

Continued operation of the FVF under the residual terms of the letter of agreement requiring two crews and 7-12s operation is not economically feasible during the winter months. In the event the state is unable to obtain a new agreement that allows operation to be reduced to 4-12s, it will be forced to lay-up the FVF until a contract can be reached.

The operating budget plan under which the FVF was to run during FY2005 projected summer operation of 7-12s at \$90,619 per week, and winter operation of 4-12s at \$52,873 per week. Weekly operating cost, averaged over the year, was projected at \$67,284. This was the schedule on which the FY2005 operating budget was adopted by the Legislature.

The actual cost of operations for the FVF has been substantially higher than forecast, coming in at just under \$135,000 per week. This additional cost is due primarily to higher costs for the crew, for consumable commodities, and for fuel and lubricants. The cost of fuel is nearly double what was projected at the time the FY2005 budget was written last spring. The FVF runs on diesel fuel, which was projected to cost an average of \$.83 per gallon on contract for the fiscal year. Due to the recent run-up in the price of crude oil, the most recent average price of diesel has been more than \$1.40, meaning that the 40,000 gallons of fuel the FVF uses in its 7-day schedule costs at least \$25,000 more than anticipated.

Revenue from the FVF is considerably less during the off-season than it was during the summer. For June, July, and August the FVF generated about as much in revenue as it cost to operate, or about \$135,000. Passenger traffic and car deck usage tracked just above or just below the amount necessary to break even. However, during the winter months, traffic is projected to be about one-third to one-half of break-even. Weekly revenues are expected to average \$48,000.

Possible consequences of reducing the crew or laying up the vessel:

We anticipate that some members of the current FVF crew will return to regular service within the fleet. It is understandable that ramping up for the summer and then back down for the winter is a less desirable prospect for many ferry workers. Retraining new crews for the summer becomes an expensive cost of operations. The state would prefer to avoid this outcome, if at all possible.

Service to upper Lynn Canal and Sitka will be impacted.

For those areas, the FVF is a highly desirable travel option. For example, compare its travel time and costs with the mainline ferries and airlines that serve those areas:

	Mainline Ferry	FVF	Airline
JNU-HNS	\$32 -- 4.5 hrs	\$36 -- 2.25 hrs	\$90 -- ½ hr
JNU-SKG	\$41 -- 7 hrs	\$46 -- 2.5 hrs	\$100 -- ½ hr
JNU-SIT	\$36 -- 8 hrs	\$41 -- 4.5 hrs	\$117 -- ½ hr

January 3, 2005

Mr. Mark Torgerson
Hearing Examiner
Alaska Labor Relations Agency
POB 107026
Anchorage, Alaska 99510-7026

Dear Mr. Torgerson;

As you may know, the State has been in negotiations with the three maritime unions seeking a full agreement for operation of the fast ferry *M/V Fairweather*. The vessel is currently operating under the residual terms of an interim agreement that expired on June 30, 2004. The parties have met many times and voluntarily submitted to mediation conducted by the FMCS on September 30 and October 1st. The mediation was fruitless. We have met 17 times since the failed mediation and now conclude that further bargaining is futile and will not lead to an agreement. Consequently, the State has declared that the bargaining has reached impasse.

While we do not admit that employees assigned to the *M/V Fairweather* are Class Two (AS 23.40.200(a)(2)), this Agency in 1978 determined that ferry employees were Class Two and that appears to be the controlling authority (See, D & O 20). Therefore, if D & O 20 is controlling, the parties must submit to mediation in order to attempt resolution of the deadlock. While we believe that the earlier mediation satisfies the requirements of Section 200(a)(2), it is entirely likely that there would be some sort of adjudication and resulting delay to settle that question. Consequently, while we do not believe it to be legally necessary, the State desires an additional attempt at a mediated resolution in satisfaction of Section 200(a)(2). We have determined that the FMCS can provide a mediator on January 6-7. The State will make itself available on that date. The unions are unwilling to commit to those dates.

By this letter, the State petitions the Agency to assert its authority under AS 23.40.190 and order mediation. We respectfully request that you order the parties to submit to mediation conducted by the FMCS on January 6-7, or in the alternative, order the parties to submit to mediation before a mediator of the ALRA's designation at the earliest possible time.

Mark Torgerson
Page Two
January 3, 2005

We urge haste inasmuch as it is imperative that the State be able to modify the operating conditions of *M/V Fairweather* as soon as possible. The interim agreement under which it is currently operating was crafted to cover a period of intense training and initial operations and requires that two full crews be paid for a 7/12s schedule week on – week off. That operational tempo is dramatically uneconomical in the winter season, and the State must take steps to reduce the operating costs of the vessel. If the State is unable to move to the reduced schedule, it is the State's intention to cease operation of the vessel on January 25, 2005. Cessation of the uneconomic operation will result in the layoff of virtually the entire specially trained crew of the vessel, a result the State would sincerely hope to avoid.

The State respectfully requests your immediate and favorable consideration of this petition to compel mediation. If we may answer any questions or provide further information, please do not hesitate to contact Nancy Sutch of my staff at 465-3794.

Sincerely,

/ s /

Art Chance
Director

cc:
IOMM&P
MEBA
IBU

James F. Clark
Chief of Staff
Office of the Governor

Ray Matiashowski
Commissioner
Department of Administration

Mike Barton
Commissioner
Department of Transportation and Public Facilities

STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

OFFICE OF THE COMMISSIONER

3132 CHANNEL DRIVE
JUNEAU, ALASKA 99801-7898

TEXT: (907) 465-3652
FAX: (907) 586-8365
PHONE: (907) 465-3900

December 22, 2004

Darryl Tseu
3017 Clinton Drive Suite 201
Juneau, Alaska 99801

Ben Goldrich
229 Fourth Street
Juneau, Alaska 99801

Ron Leighton
2333 Third Avenue
Seattle, Washington 98121

Subject: *Winter operations for the MV Fairweather*

Dear Messrs. Tseu, Goldrich and Leighton:

As you know from our meeting of November 1, 2004 the Alaska Marine Highway System will reduce the service of *M/V Fairweather* and enter into winter operations.

Effective January 11th, 2005, we will be reducing the operating days from seven days a week, to four days a week. This reduction will be in place until May 1st, 2005, at which time it is our intent to return to the summer schedule of operating 7 days a week.

Effective with this reduced schedule, will be a reduction in manning requirements from two crews, to one crew.

We anticipate the following operational manning level will be required:

Master
Chief Mate
2nd Mate
Deck Rated AB (two)
Chief Engineer
Asst. Engineer
Passenger Service Worker In Charge

Providing for the movement of people and goods and the delivery of state services.

Passenger Service Worker (two)

Night Crew requirements:

Chief Engineer
Asst. Engineer
2nd Mate
Passenger Service Workers (two)
Wiper

Security Mates

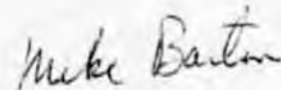
2nd Mate (Two)

The employees that are affected by this reduction in service will be considered "DRAE'S" and the rules of the Master Agreement will apply to this "RIF".

Please consider this notice to be our formal demand to bargain if you desire to bargain.

Thank you

Sincerely,



Mike Barton
Commissioner

**OVERVIEW
PERS TIER 4
TRS TIER 3,
2/1/05**

State Affairs Special Committee – PERS/TRS open work session 2.19.05 10am

There are three ways people are approaching PERS/TRS

- I. Changing the administration of PERS / TRS (the board)
- II. Questioning the actuarial rates: weather the actuarial assumptions were good, the investment strategies, etc.

We wont be dealing with these aspects at this time.

- II. Finding a solution- a bill- that is attractive to both employers and employees

1. Defined contribution

In State Affairs we want to develop something to cure the BIG problem that we have in PERS and TRS now. We want to look at the elements involved in designing a system to solve the problem and move forward. We are trying to find a common ground between employers and employees so we can put together in a bill.

- a. Can we design a system that would be beneficial to employees? Take a look at the universities Optional Retirement Plan (ORP) model.
- b. Explain the graph on page 25 – How much money would we have to place in an account dedicated to paying off the past service rate of tier IV employees. This would give employers an incentive to undertake such drastic changes.
- c. Employee bears a portion of the risk – either an equal employee/ employer contribution or any such arrangement where the employee does not contribute at a fixed rate.

2. A new defined benefit tier

- a. Calculate using a three year average, five year average, career average
- b. Base pay only: don't base retirement benefits on geographic cost differential, overtime pay, or bonuses.
- c. Eliminate COLA.
- d. Raise retirement eligibility age
- e. Floating employee contribution
- f. Establish a floor for employer contributions
- g. Change the health care component to reduce costs (ex. HRA)

**Material for House State Affairs PERS/TRS
tier initiative oversight hearing**

**UNIVERSITY OF ALASKA
Statewide Office of Human Resources**

Summary of the
Optional Retirement Program

The university's Optional Retirement Program (ORP) is a defined contribution alternative to the state sponsored defined benefit plans for faculty and executive staff, the Teachers' Retirement System and the Public Employees' Retirement System respectively.

The university's obligation under ORP is to make a contribution that is tied to a rolling three year average of the TRS rate. In FY05, the employer contribution is 13%, the employee contribution is 8.65%, for a total of 21.65%. By comparison, the TRS rates this year are 16.00% from the employer, 8.65% from the employee, for a total of 24.65%. There is no health benefit provided by ORP. Vesting is immediate. The employee's plan choice --- whether to participate in ORP, or TRS or PERS --- is irrevocable.

ORP's advantages to the university include an enhanced ability to compete in the national market for top faculty and administrators with other universities and corporations offering primarily defined contribution plans like ORP. In addition, the university has the advantage of relieving its liability under the retirement plan from the obligation to provide a costly health benefit upon retirement. ORP participants generally prefer the plan because it provides full portability, although some are concerned about the absence of a health benefit in the plan and the inherent uncertainties of the market.

Approximately 750 faculty and staff participate in ORP. Faculty comprise 90% of plan participants and executives 10%. At present, ORP's assets are \$315 million.

January 25, 2005

RETIREMENT PROGRAM COMPARISON CHART

	Teachers Retirement System (TRS)	Public Employees Retirement System (PERS)	UA Optional Retirement Program (ORP)
Plan Type	Defined Benefit	Defined Benefit	Defined Contribution
Internal Revenue Service Governing Code	401(a)	401(a)	Employer contribution 401(a) Employee contribution 403(b)
Social Security Replacement Plan	Yes	Yes	Yes
State Of Alaska Governing Code	AS 14.24	AS 39.35	AS 14.40.661
Eligibility	Faculty	Administrative and Executive Staff	Faculty and Executive Staff
Vesting	8 years of service	5 years of service	Immediate
Health Coverage After Retirement	Yes Tier I — Medical at no cost Tier II — Medical at age 60 at no cost	Yes Tier I — Medical at no cost Tier II — Medical at age 60 at no cost Tier III — Must have 10 years of service and be 60 for no cost medical	No
Contribution Rate Setting Authority	State of Alaska Division of Retirement	State of Alaska Division of Retirement	University of Alaska
Methodology For Setting Rates	Actuarial Model	Actuarial Model	3 year rolling average of the TRS contribution rate
Rates For FY04	Employer 12% Employee 8.65% Total 20.65%	Employer 5.58% Employee 6.75% Total 12.33%	Employer 11.66% Employee 8.65% Total 20.31%
Projected Rates FY05	Employer 16.00% Employee 8.65% Total 24.65%	Employer 10.58% Employee 6.75% Total 17.33%	Employer 13.00% Employee 8.65% Total 21.65
Subject Of Bargaining	No	No	Possible
Participation Rate	ACCFT — 174 (56%) UNAC — 328 (39%) Executive — 23 (24%) Total — 525 (95% faculty)	Faculty do not participate in PERS	ACCFT — 139 (44%) UNAC — 511 (61%) Executive — 73 (76%) Total — 725 (90% faculty)
Average Age			ACCFT — 53 UNAC — 50 Executive — 55

February 10, 2005

Recommendations of the:

**AML Revenue and Finance Subcommittee of the Legislative Committee and
Ad Hoc Municipal/School District/UA Committee on PERS/TRS**

The committees have been meeting for the past seven months to propose solutions to control PERS/TRS costs and define a reasonable program for the future. Municipalities, school districts, and the U of A comprise 63% of the PERS/TRS system. The State and all other PERS/TRS employers have exactly the same interests in stabilizing the PERS/TRS programs.

Summary of recommendations:

1. **Hold all bills that could increase costs to the PERS/TRS System until:**
 - a. An adequate PERS/TRS benefit change review process has been adopted, and
 - b. New retirement program benefit "tiers" have been considered.Holding bills that could increase costs will stabilize the program immediately to avoid new irrevocable permanent costs to the State, municipalities, schools, and the University.
2. **Adopt a bill that creates an appropriate review and analysis of the impact of changes to PERS/TRS benefits.** Unlike any other legislative decision, under Alaska's Constitution a PERS/TRS benefit can never be "diminished or impaired" (Article XII, Section 7). The current "fiscal note" process for bills is not sufficient to accurately determine the long-term impacts of changes. Over a long time period the lack of an adequate analysis process has been the cause of a significant portion of the current cost crisis. Implement:
 - a. A statutory 90 day review process prior to legislative committee review that includes,
 - i. A comprehensive long-term actuarial analysis by the PERS/TRS Boards, and
 - ii. PERS/TRS hearings with all affected employers, and
 - iii. A full report and recommendation of the PERS/TRS Boards to the legislature.
3. **Introduce bills to consider the PERS/TRS "Tiers" developed by the PERS/TRS Boards:** After a close vote by the joint PERS and TRS Boards these comprehensive alternatives were not adopted for action, however, there are simply no other long term options on the table to reduce long-term costs of the program. The alternatives include a thoughtful analysis of the major provisions of the PERS/TRS retirement benefit programs and some or all of the recommendations should be implemented.
4. **Look for short-term and long-term financial solutions to meet crushing cost increases for past liability:**
 - a. Support State appropriations to offset the 5% PERS/TRS cost increase for FY 06 and the cumulative 10% cost increase for FY 07.
 - b. Consider the long-term cost impacts a direct pay down of the approximately \$5 Billion past liability. For example, a \$2 Billion pay down could lower long-term PERS/TRS rate increases significantly.

- c. Consider the creation of a State and Local Retirement Pension Bond Corporation to finance the PERS/TRS \$5 Billion past liability with low interest bonds. Estimated bond rates of 5.5 to 6% could save an estimated over \$100 million/year on the PERS/TRS unfunded liability currently charged to employers at 8.25%.

5. Balanced and Expanded Representation:

Municipalities, Schools, and the University represent 63% of the PERS/TRS programs but do not have direct representation on the PERS/TRS Boards.

- a. Consider adding direct employer representatives to the PERS/TRS Boards, or;
- b. Create a separate public retirement system corporation (somewhat similar to AHFC or AIDEA) to manage all aspects of the retirement systems. (With representation as in (a) above.)

6. Financial Administration

- a. **Third party review:** Review of actuary assumptions and rates by a disinterested third party at least every three years.
- b. **Improve forecasts of future trends:** Actuaries primarily use historical trends to make future projections. More work should be done to forecast future trends using disinterested third parties from a variety of disciplines.
- c. **Minimum employer contribution rates:** Consider setting minimum employer contribution rates in the future to avoid wide swings in employer rates.

ALASKA STATE HOUSE OF REPRESENTATIVES



Interim Address:
345 W. Sterling Hwy
Suite 102B
Homer AK 99603
(907)-235-2921
Fax# (907)-235-4008

Session:
(907)-465-2689
FAX# (907) 465-3472
State Capital
Room 102

HOUSE STATE AFFAIRS COMMITTEE Representative Paul Seaton, Chairman

MEMORANDUM

Date: January 27, 2005

To : Melanie Millhorn, Director, Division of Retirement and Benefits

From: Louie Flora
House State Affairs Committee Aide
4963

Re: Compiled Questions on PERs /TERs from the House State Affairs Committee

1. What is a conservative discount rate for calculating pension liabilities?

Please show sensitivity based on 7.25% and 9.25% rates of return?

2. List the five primary assumptions in calculating the pension liability and detail the ramifications of forecasting errors.

a) what are the impacts of a significant error on any one of the assumptions?

b) what are the impacts of a significant error on two or more of the assumptions?

3. Would you characterize the management of both the assets and liabilities as conservative?

4. Why is the liability of the pension system managed by The Department of Administration, the assets by the Department of Revenue and what is the role of the PERS and TERS Boards?

The legislature has been provided a suggestion from the Kenai Peninsula Board calling for an "Alaska Public Employees Retirement Corporation." Have you reviewed it? Is it a more efficient manner of doing business?

5. Would it be prudent to increase the overall investment risk of the fund?
6. Could PERS and TERS invest in the gas pipeline?
7. Do all tiers pay the same price per dollar of payroll?
8. Are tier 3 employee paying the same price as tier one, but getting a whole lot less?
9. What policy decisions of the PERS and TERS board improved the financial condition of the plan?
10. What policy decisions of the PERS and TERS board impaired the financial condition of the plan?
11. What policy decisions can the Administration make to improve the plan?
12. What policy decisions can the Legislature make to improve the plan?
13. Is there anything that can be done besides adding assets to the plan to improve its fiscal condition.
14. Please provide in a graph the actual cash flows in and out of the various existing plans for the periods listed below as well as what you anticipate (base case) for the next three years – please aggregate if possible so that we can more easily see the “big picture.” Please feel free to utilize the following chart:

FY	Total Contributions	Total Benefits Paid	Difference	Total Assets of all Plans at end of Period
Pre 2000				
2000				
2001				
2002				
2003				
2004				
2005				
2006				
2007				
2008				

15. What is the effect of utilizing the “highest three years” for calculating Retirement/Benefits vs. utilizing the average wage over the employees tenure with the state?
16. Can we change to an average benefit?
17. What is the actuarial liability to the system if calculated on an average instead of “highest three years” system?
18. What is the effect if we don’t allow overtime or geographic COLA to factor into Retirement/Benefits?
19. If we went to a “defined contribution” program, what would this do to the schedules of payment/liability?
20. Please explain whether or how the rehire of retired employees under HB 242 (2001) has affected PERS/TERS

21. Please explain the great difference in increased health costs between PERS and TERS – is this due to teachers retiring in 20 years?

22. Explain the news GASB rules – are we sure the state is required to comply, since the state self-insures? Or are we already compliant?

State

PE

Ho

als





Financial Summary

Employer Contribution Rates - TRS

	<u>FY05</u>	<u>FY06</u>
Normal Cost Rate:	14.76%	14.28%
Past Service Rate:	20.81%	24.57%
Total Contribution Rate:	35.57%	38.85%
Board Adopted Rate:	16.00%	21.00%

- The normal cost rate provides for benefits expected to be earned by active members during the fiscal year
- The past service rate is the part of the contribution that is intended to pay off the unfunded liability (over 25 years)

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



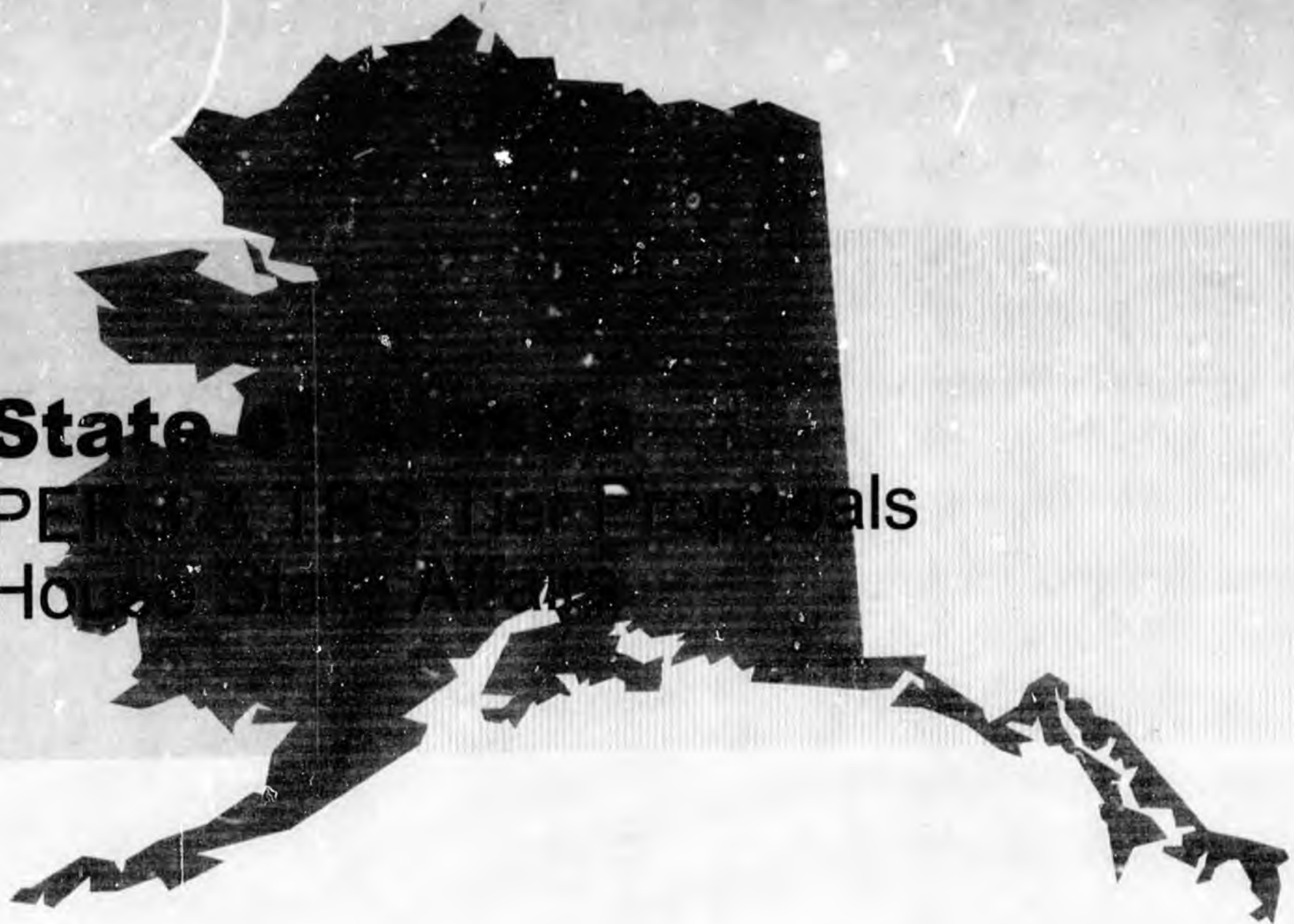
Central Microfilm Services
Department of Education & Early Development
State of Alaska

State

PE

Ho

als





Overview

Retirement Program Financial Management



Mercer Human Resource Consulting

Slide 1



Financial Summary

Employer Contribution Rates - PERS

	<u>FY05</u>	<u>FY06</u>
Normal Cost Rate:	13.31%	13.24%
Average Past Service Rate:	11.60%	12.39%
Average Contribution Rate:	24.91%	25.63%
Board Adopted Rate:	11.77%	16.77%

- The normal cost rate provides for benefits expected to be earned by active members during the fiscal year
- The past service rate is the part of the contribution that is intended to pay off the unfunded liability (over 25 years)

Mercer Human Resource Consulting

Slide 2



Financial Summary

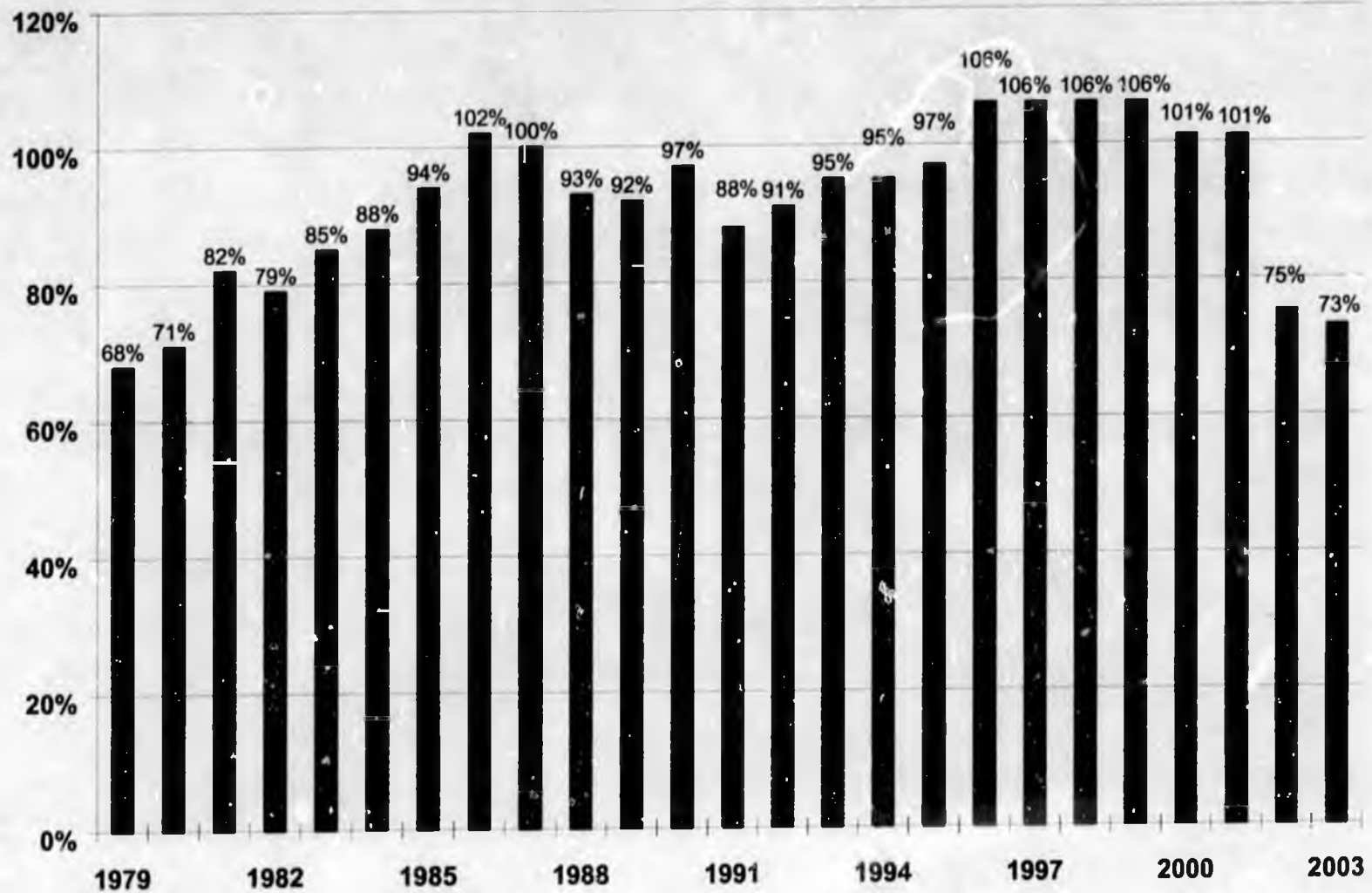
Employer Contribution Rates - TRS

	<u>FY05</u>	<u>FY06</u>
Normal Cost Rate:	14.76%	14.28%
Past Service Rate:	<u>20.81%</u>	<u>24.57%</u>
Total Contribution Rate:	35.57%	38.85%
Board Adopted Rate:	16.00%	21.00%

- The normal cost rate provides for benefits expected to be earned by active members during the fiscal year
- The past service rate is the part of the contribution that is intended to pay off the unfunded liability (over 25 years)

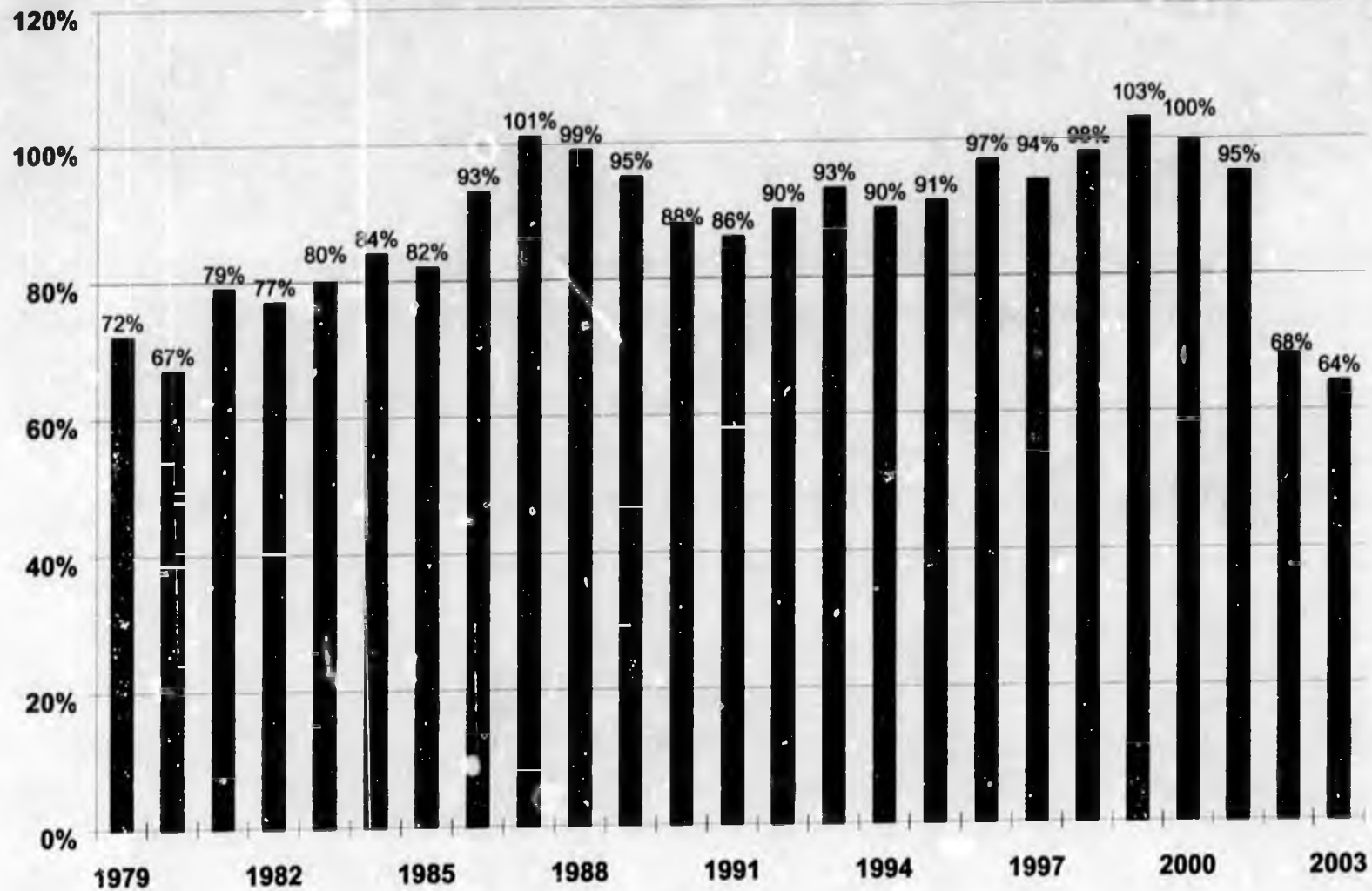
Report Highlights (continued)

PERS Funding Ratio history



Report Highlights (continued)

TRS Funding Ratio History





Overview Financial Context

- ⇒ Rising contribution levels
- ⇒ Volatile investment returns
 - Investment uncertainty
- ⇒ Rising medical costs

Mercer Human Resource Consulting

Slide 5



Overview Key Information

Key information gathered and analyzed

- ⇒ Employer survey
- ⇒ Member focus groups
- ⇒ Benchmarking
- ⇒ Benefit levels
- ⇒ Demographic projections
- ⇒ Implications of Medicare changes
- ⇒ Trends, issues and alternatives
- ⇒ Cost analysis and projections

Mercer Human Resource Consulting

Slide 6



Employer Survey – PERS

Important Conclusions

- ⇒ Employers want the retirement program to continue to provide medical coverage
- ⇒ Many employers open to the possibility of providing differing levels of medical coverage based on service or having members share in the cost of coverage
- ⇒ Other potential cost savings areas that some employers seem open to:
 - Lowering the post-retirement cost-of-living adjustment
 - Not providing medical coverage to vested terminated members
- ⇒ Some responses seem to favor continuing a defined benefit approach
 - Reward long service
- ⇒ However, responses leaned towards shifting investment risk to members

Mercer Human Resource Consulting

Slide 7



Employer Survey – TRS

Important Conclusions

- ⇒ Employers want the retirement program to continue to provide medical coverage
- ⇒ Many employers, particularly the largest employers, open to the possibility of providing differing levels of medical coverage based on service or having members share in the cost of coverage
- ⇒ Other potential cost savings areas that some employers seem open to:
 - Lowering the post-retirement cost-of-living adjustment
 - Not providing medical coverage to vested terminated members
- ⇒ Some responses seem to favor continuing a defined benefit approach
 - Reward long service
- ⇒ However, responses leaned towards shifting investment risk to members

Mercer Human Resource Consulting

Slide 8



Overview

System Objectives and Constraints

Based on information gathered and stakeholder feedback, the Tier Committee drafted the following objectives:

- ⇒ The System should provide medical benefits to retirees
 - Members should bear a greater share of the cost
 - Members should have to retire from the System to be eligible
- ⇒ Benefits should favor longer-service members
- ⇒ Employer contributions should be more predictable and stable
- ⇒ Investment risk should be shared by employers and members
- ⇒ Healthcare inflation risk should be shared by employers and members

Mercer Human Resource Consulting

Slide 9



Overview

System Objectives and Constraints

Based on information gathered and stakeholder feedback, the Tier Committee drafted the following constraints:

- ⇒ Non-medical benefits must be sufficient to satisfy minimum requirements for employers who do not participate in Social Security
- ⇒ Benefit changes must take the form of new "tiers"
- ⇒ Annual cost of benefits should be less than the current Systems' normal cost rates

Mercer Human Resource Consulting

Slide 10



Trends and Alternatives

Defined Benefit Observations

- ⇒ Plans have experienced higher cost levels and greater cost volatility
- ⇒ Funded status has declined in last 3 years
- ⇒ Advantages (to employer) of defined benefit plans
 - Retention incentives, lower turnover cost
 - Workforce management
 - Cost allocated to longer-service employees

Mercer Human Resource Consulting

Slide 11



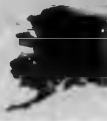
Trends and Alternatives

Defined Benefit Observations (continued)

- ⇒ Advantages (to employee) of defined benefit plans
 - Pooling of longevity risk
 - In most cases, employer bears investment risk
 - Predictable, stable retirement income
- ⇒ Challenges (for employer) of defined benefit plans
 - Investment risk
 - Cost volatility

Mercer Human Resource Consulting

Slide 12



Trends and Alternatives

Defined Contribution Observations

- ⇒ Advantages (to employer) of defined contribution plans
 - Predictable cost
 - Stable cost
 - Employee assumes investment risk
 - No long-term administrative commitment
 - Contribution equity among employees
- ⇒ Advantages (to employee) of defined contribution plans
 - Portability
 - Ability to direct investments
 - Contribution equity among employees

Mercer Human Resource Consulting

Slide 13




Trends and Alternatives

Defined Contribution Observations (*continued*)

- ⇒ Challenges for defined contribution plans
 - More difficult to manage workforce
 - Employee directed money often earns less
 - Amount needed at retirement is often underestimated
 - Employees need to contribute in excess of 10 percent, but most do not
 - Retirees generally not equipped to transform lump sum into monthly payments that last for a lifetime (difficult to manage longevity risk)

Mercer Human Resource Consulting

Slide 14



Proposed Alternatives

Overview

- ⇒ Two alternatives are being presented to the PERS and TRS Boards, with the Tier Committee recommending Alternative 1
- ⇒ Components of Alternative 1
 - defined benefit
 - defined contribution
 - medical
 - health reimbursement account (HRA)
- ⇒ Components of Alternative 2
 - defined contribution
 - medical
 - health reimbursement account (HRA)
- ⇒ Member contributions under both alternatives are higher than the current tiers
- ⇒ Contribution rates for the defined contribution component are higher for Alternative 2
- ⇒ Post-retirement medical program is the same for both alternatives

Mercer Human Resource Consulting

Slide 16



Proposed Alternatives

Defined Benefit Alternative

Key features of Alternative 1 defined benefit program

- ⇒ 1 percent of career average pay
- ⇒ Pay is indexed from year received to year preceding retirement (or termination) based on the Anchorage CPI
 - for example, 1997 pay for a member retiring on December 31, 2009 would be increased at Anchorage CPI for 12 years
- ⇒ Base pay only
- ⇒ Normal retirement at the earlier of
 - (1) age 60 with 5 years of service (8 years for TRS), or
 - (2) 25 years of service (30 years for PERS "others")
- ⇒ Post-retirement pension adjustments similar to current tiers
- ⇒ No 10 percent Alaska cost-of-living adjustment (COLA)

Mercor Human Resource Consulting

Slide 17



Proposed Alternatives

Defined Contribution Alternatives

Key features of defined contribution components

- ⇒ Individual accounts are maintained for each member
- ⇒ Contributions are a percentage of base pay
- ⇒ Various investment options (member-directed)
- ⇒ 100% vested
- ⇒ Terminating or retiring member takes account (eligible for rollover)

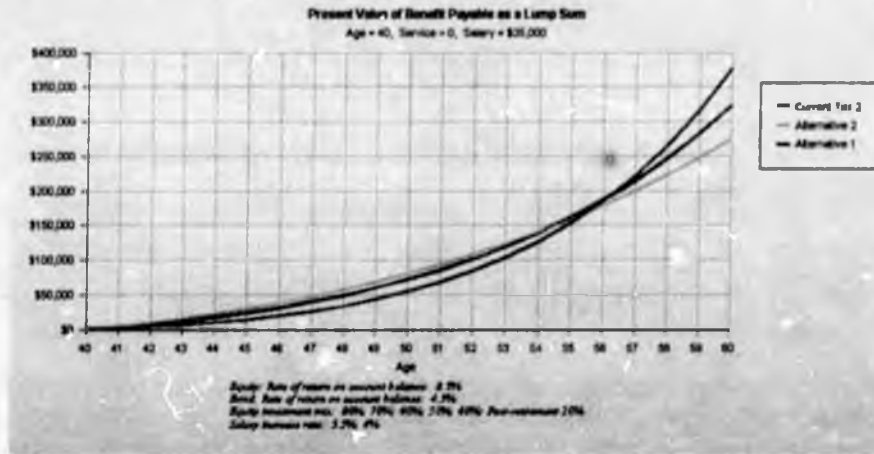
Mercor Human Resource Consulting

Slide 18



Proposed Alternatives

Accrual of Non-Medical Benefits - TRS



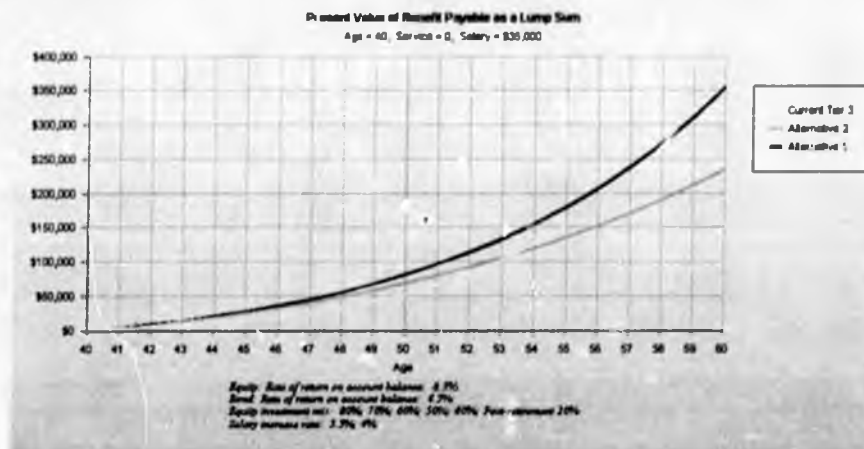
Mercer Human Resource Consulting

Slide 19



Proposed Alternatives

Accrual of Non-Medical Benefits - PERS



Mercer Human Resource Consulting

Slide 20