

ALASKA LEGISLATIVE COMMITTEE, 2002-2003, 7/00

11670 HOUSE STAIRS



Employer Survey – PERS

Key

The following pages illustrate the responses to the employer survey sent to all PERS employers. In total, 89 employers responded. PERS represents employers of various sizes. As a way to show the five largest employers' responses (of those who responded), we have included the letters A – E on the charts to represent how they answered. The employers have been assigned the following letters:

Employer	# Active Employees	Code Letter
State of Alaska	15,259	A
Anchorage SD	2,496	B
Anchorage, Municipality of	2,351	C
Fairbanks North Star Borough SD	790	D
North Slope Borough	788	E

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Employer Survey – PERS

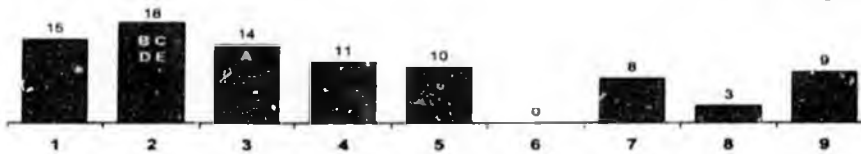
1. Long-Service Employees

Importance



Plan should favor long-service employees

Plan should not distinguish on account of length of service



Key Comments

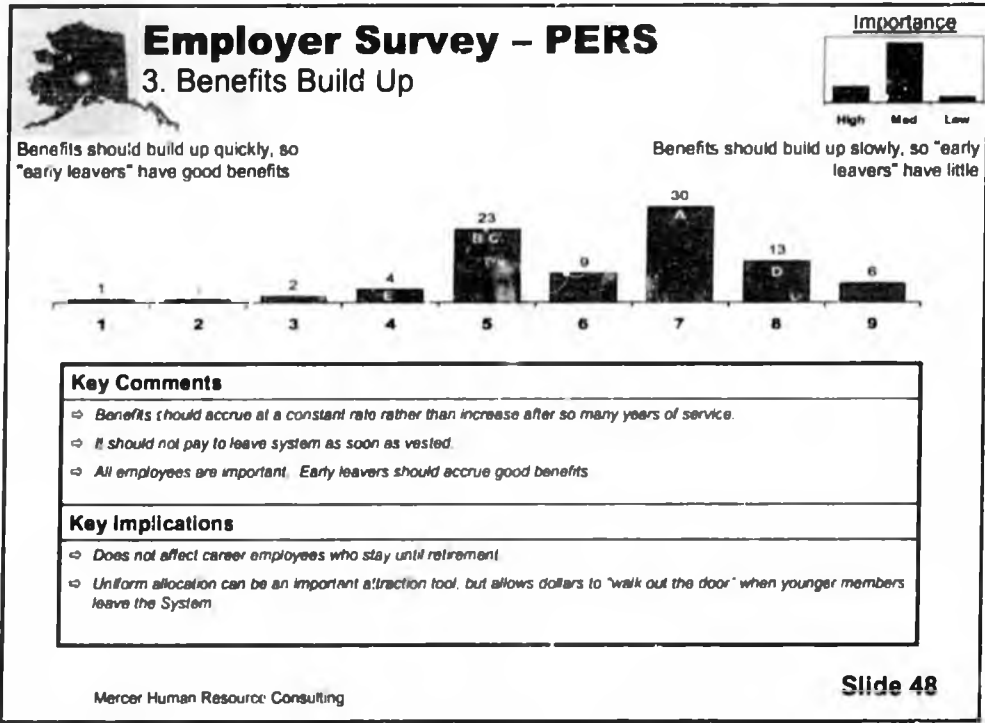
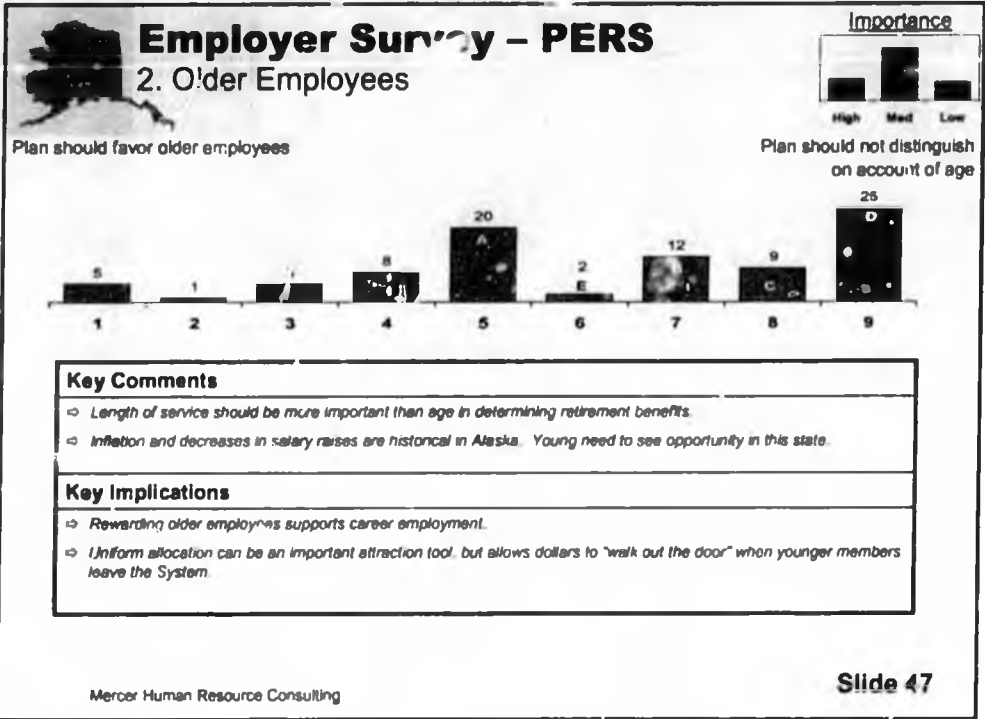
- ⇒ Retirement plans should favor long-service employees.
- ⇒ With over 150 employers in PERS, portability between employers is a real factor. If that can be achieved without penalizing long time PERS covered employees, there is not problem
- ⇒ One of our problems is that baby-boomer "glut" of long service employees. While they should be compensated for their time, there seems to be a shortage of professional people entering state/municipal public service.

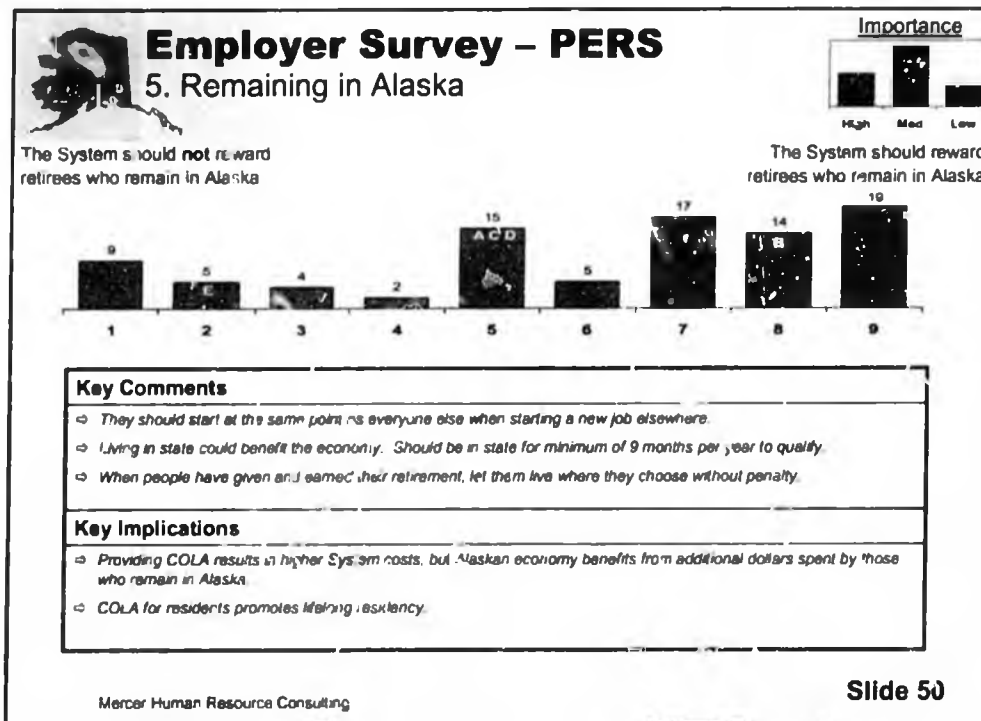
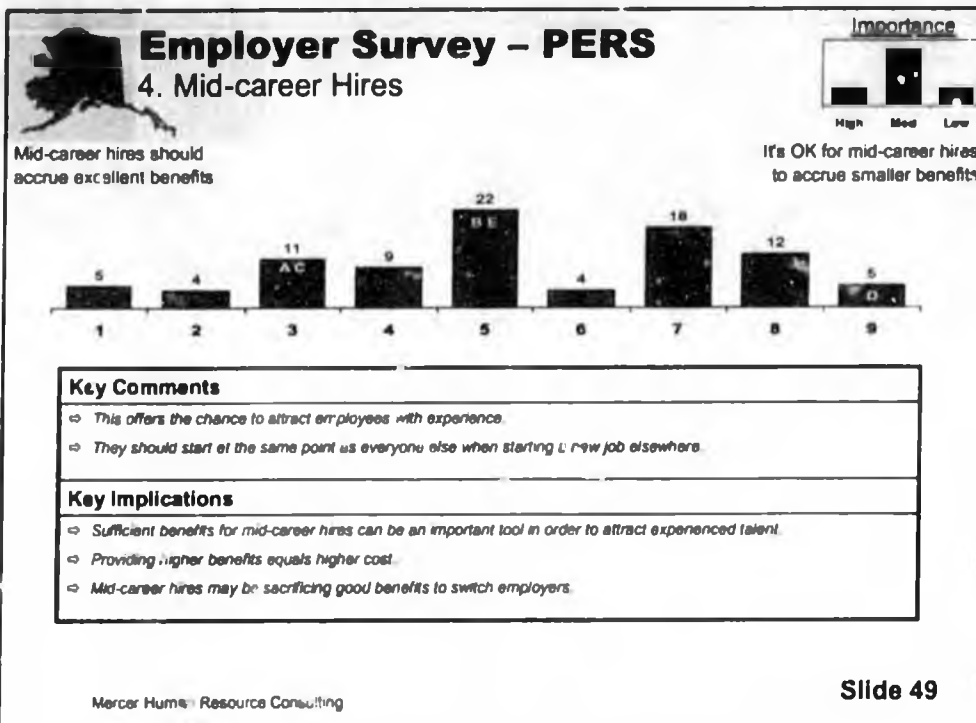
Key Implications

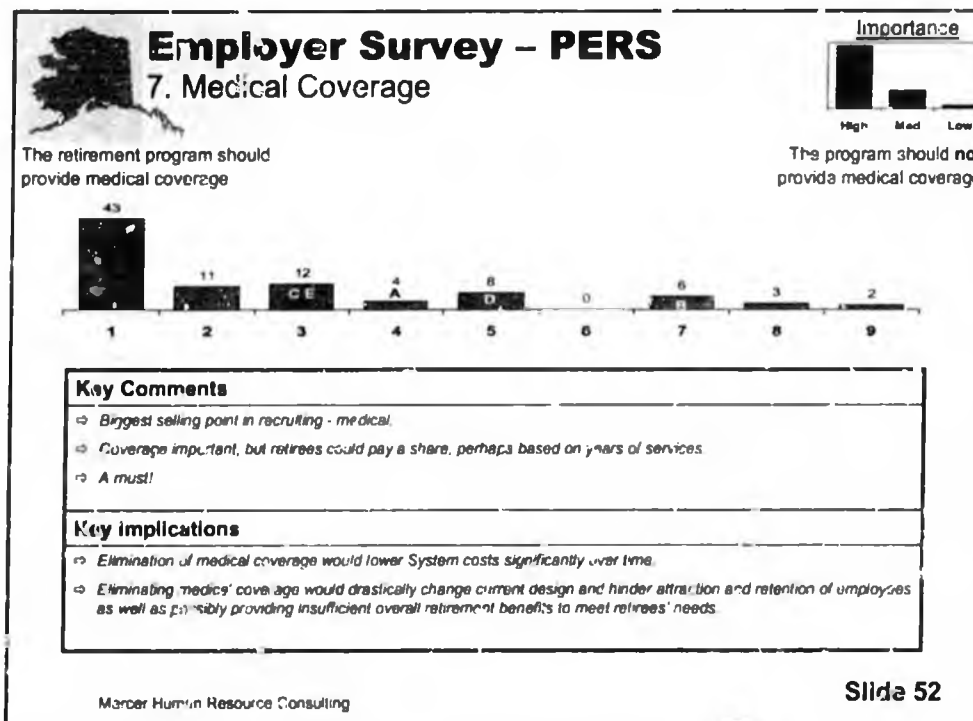
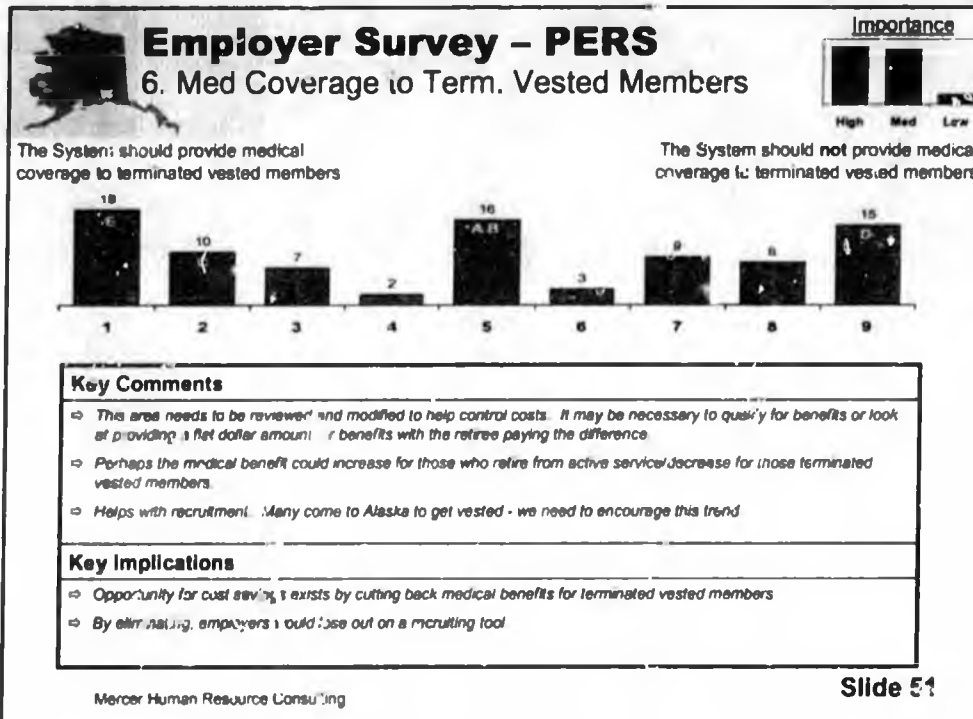
- ⇒ Rewarding long-service employees supports career employment.
- ⇒ Uniform allocation can be an important attraction tool, but allows dollars to "walk out the door" when short-service employees leave the System.

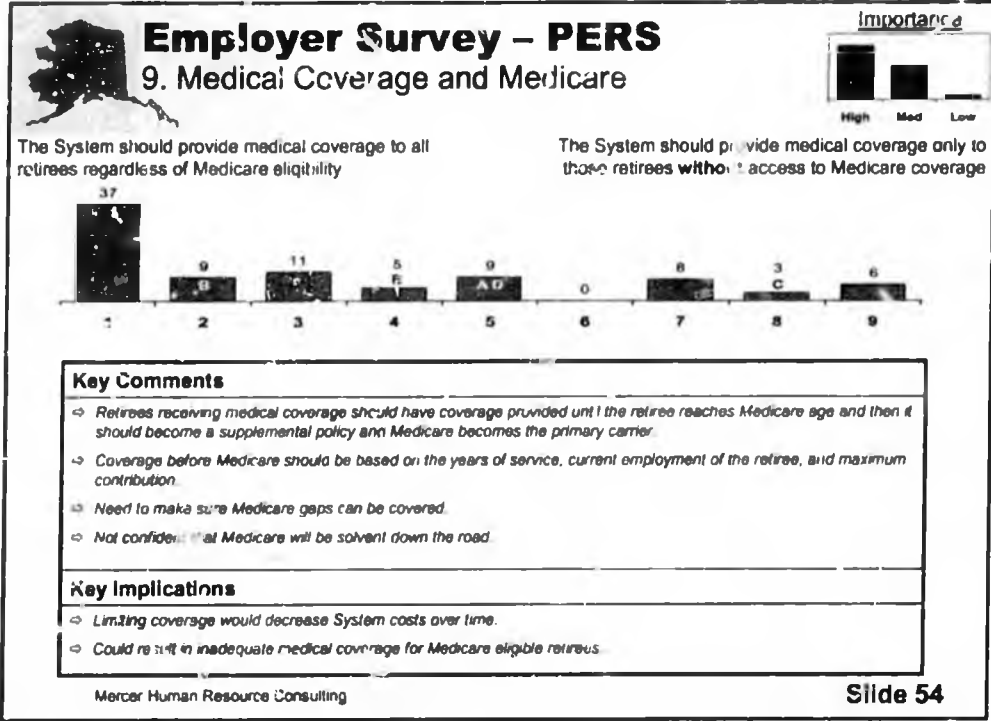
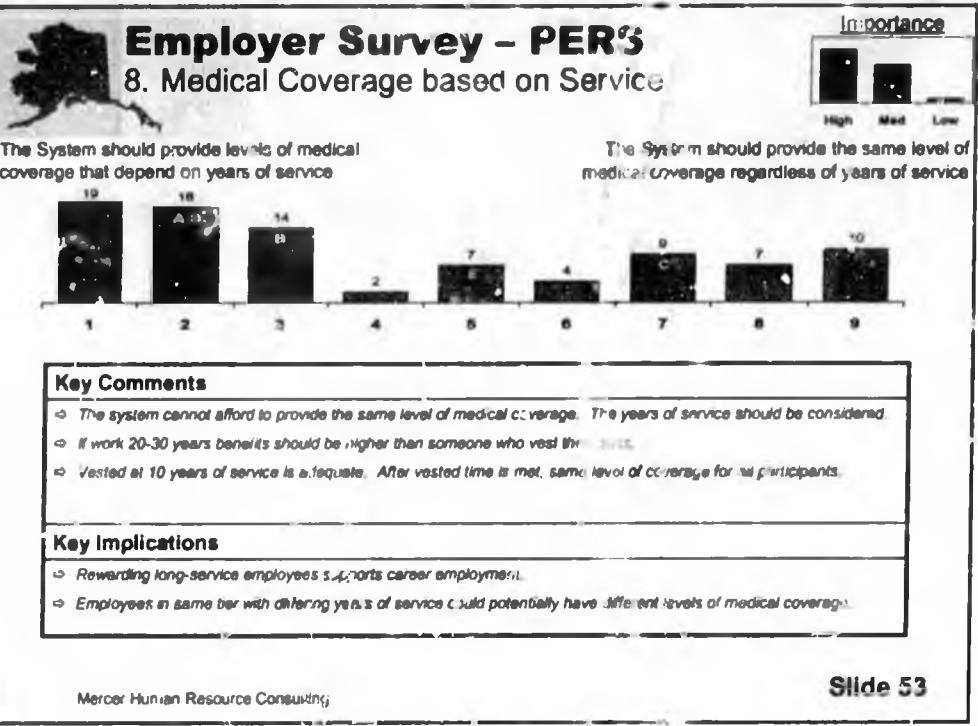
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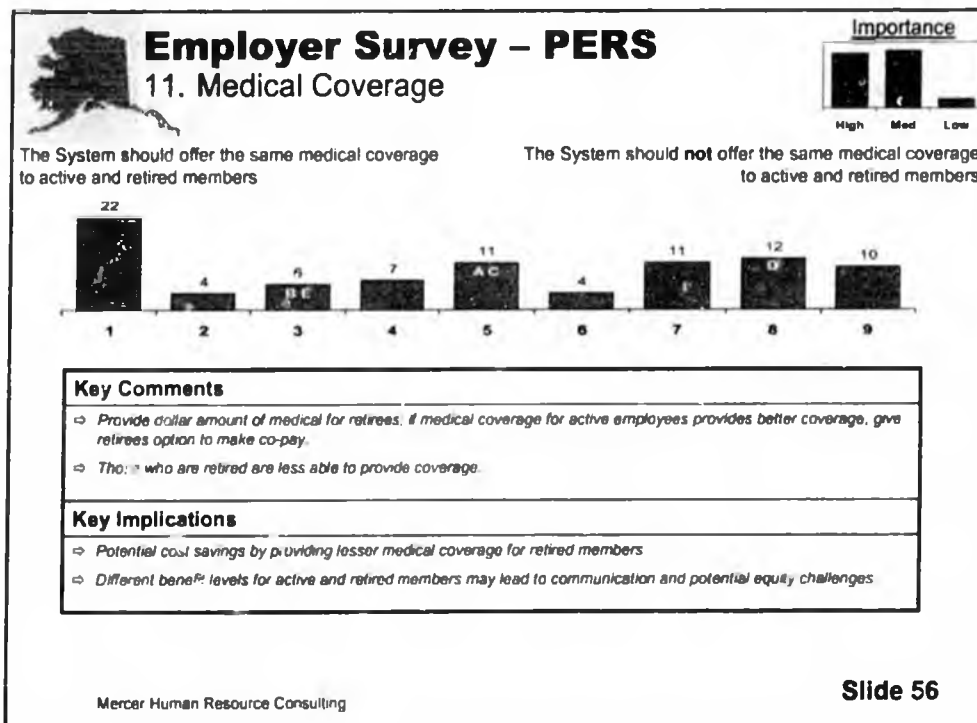
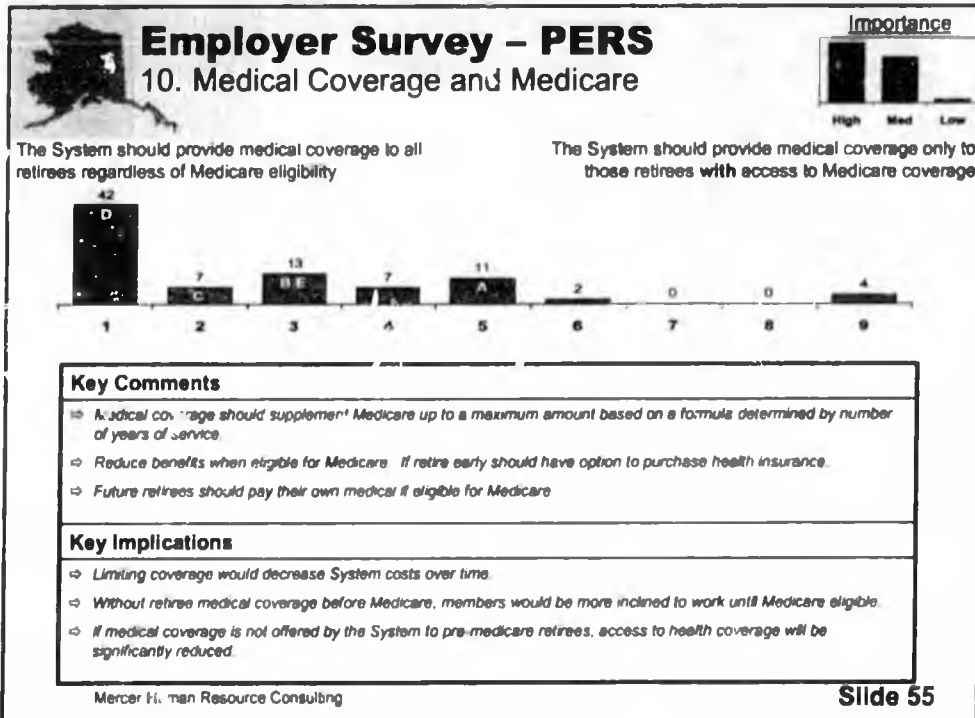
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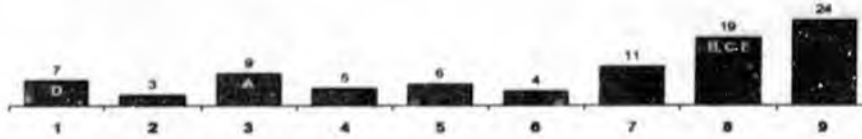
12. Retiring Age

Importance



We want to be able to encourage retirement at a particular age range

We don't care when people retire



Key Comments

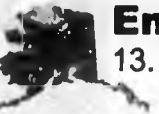
- ⇒ Employee's productivity and contribution are not subject to age so mandatory retirement at a certain age may not be beneficial.
- ⇒ I believe we will need to discourage early retirement as the available workforce decreases
- ⇒ 20 and out needs to be changed. If anyone should be 20 and out it should be law enforcement.

Key Implications

- ⇒ By encouraging retirement at a particular age, the System may run the risk of losing productive members too soon and/or unproductive members "hanging on" too long.

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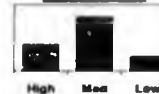
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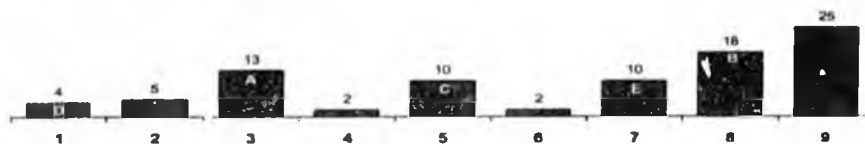
13. Retiring after Years of Service

Importance



We want to be able to encourage retirement after a particular number of years of service

We don't care when people retire



Key Comments

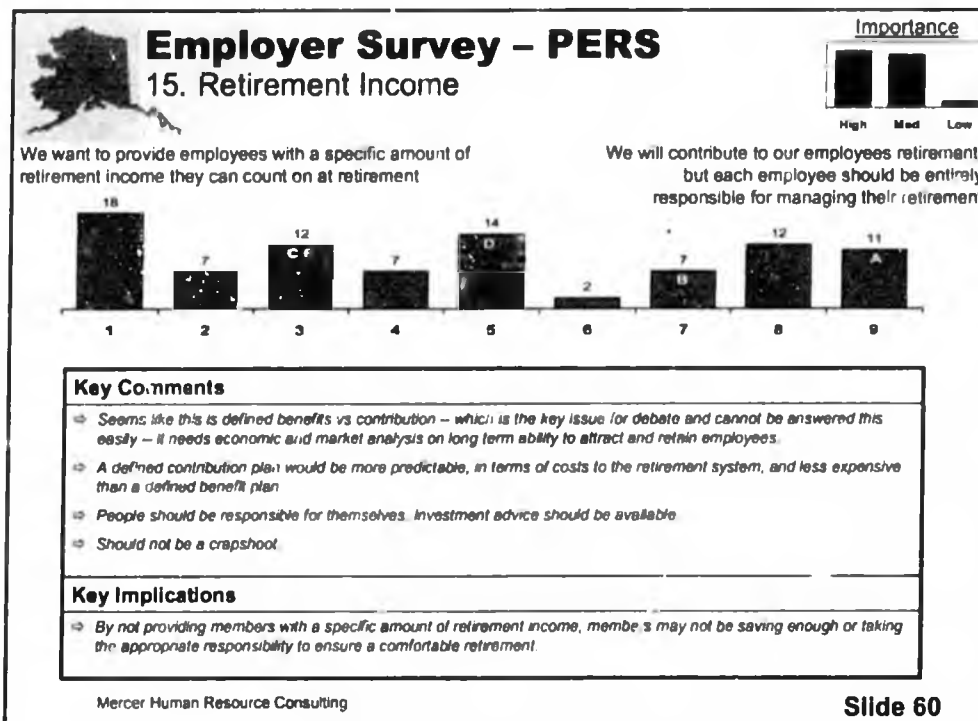
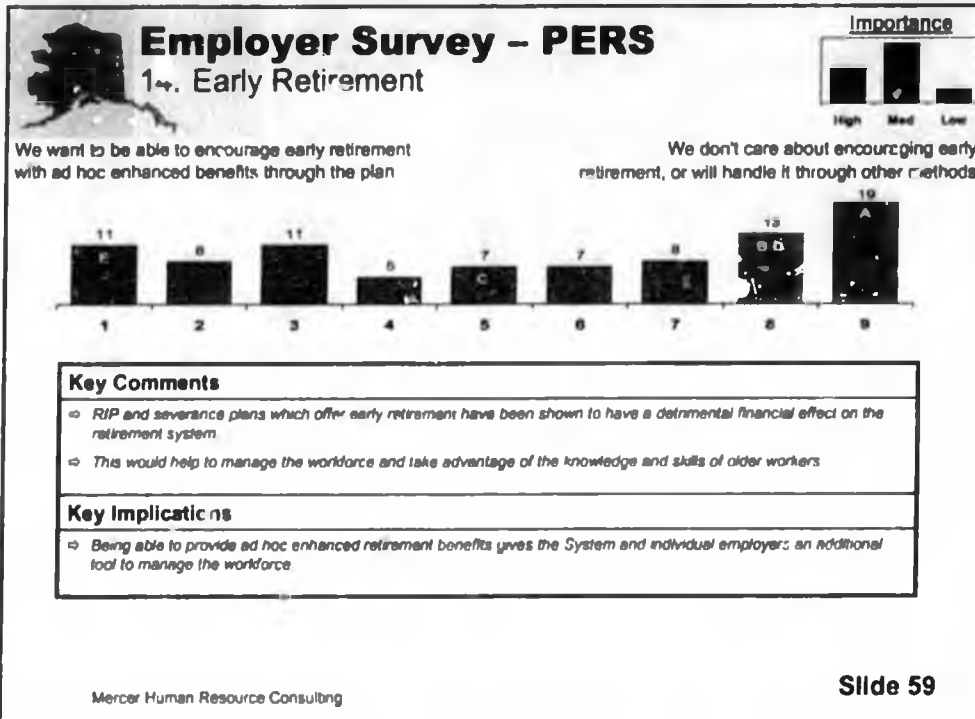
- ⇒ Increasing the number of years of service required, when age is not a factor, would reduce the cost to the retirement system.
- ⇒ While high salary people are a budget concern, their experience and expertise is a tremendous plus for a small organization.
- ⇒ As long as the employee meets job qualifications and is productive. This is the real issue.

Key Implications

- ⇒ By encouraging retirement at a particular number of years of service, the System may run the risk of losing productive members too soon and/or unproductive members "hanging on" too long.

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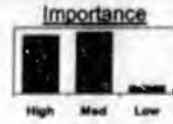
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Employer Survey – PERS

16. Investment Risk Responsibility



Employees should assume the investment risk

Employer should assume investment risk



Key Comments

- ⇒ Employees should assume responsibility. However employers may want to limit investment options to minimize risk.
- ⇒ Employer should not assume investment risk.
- ⇒ There should be a balance between the employees and employer.

Key Implications

- ⇒ Bearing the investment risk exposes the System to cost increases and volatility, but can also often achieve higher returns than an individual due to a longer time horizon and professional management.
- ⇒ Members can often invest too conservatively or too aggressively for their given situation and needs.

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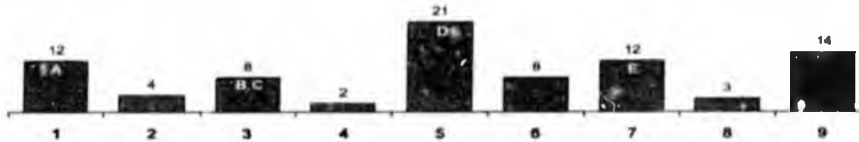
Employer Survey – PERS

18. Inflation Risk Responsibility



Employees should assume post-retirement inflation risk

Employers should adjust benefits for post-retirement inflation



Key Comments

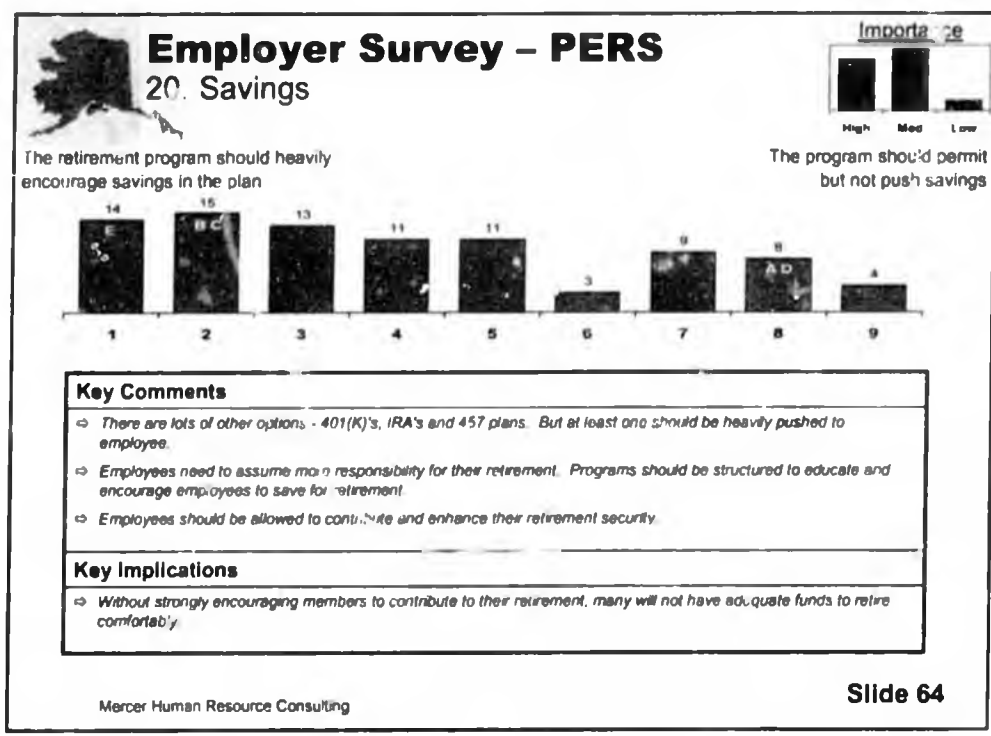
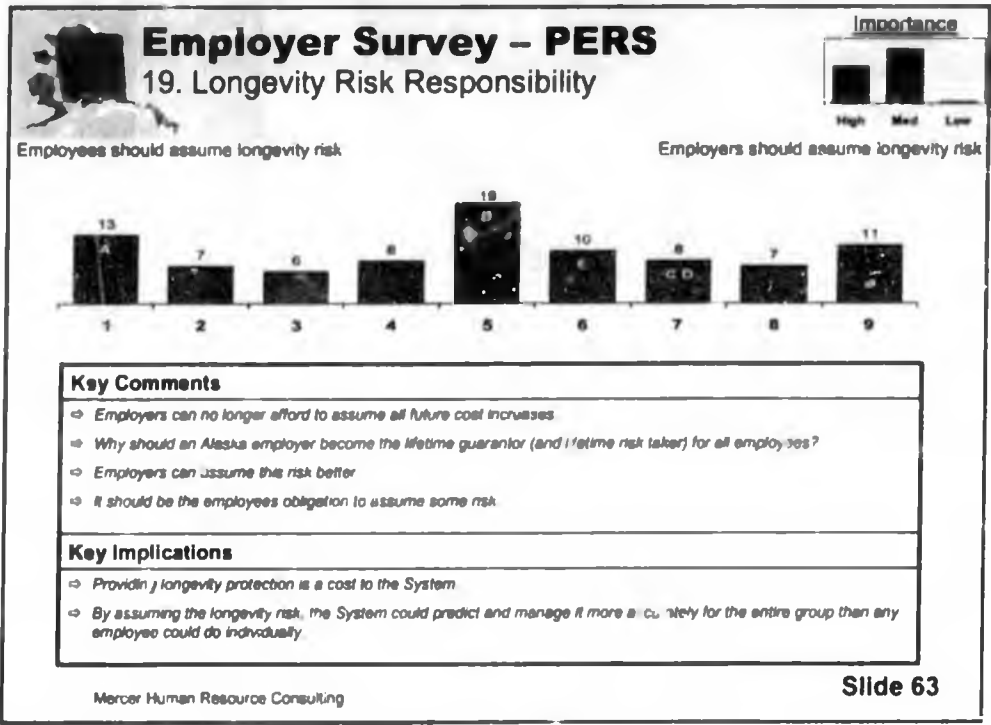
- ⇒ It needs economic and market analysis on long term ability to attract and retain employees
- ⇒ Employees should assume more risk for post-retirement inflation.
- ⇒ Employer rates should reflect a more conservative estimated annual inflation rate and annual inflation adjustments should have an annual inflation cap.

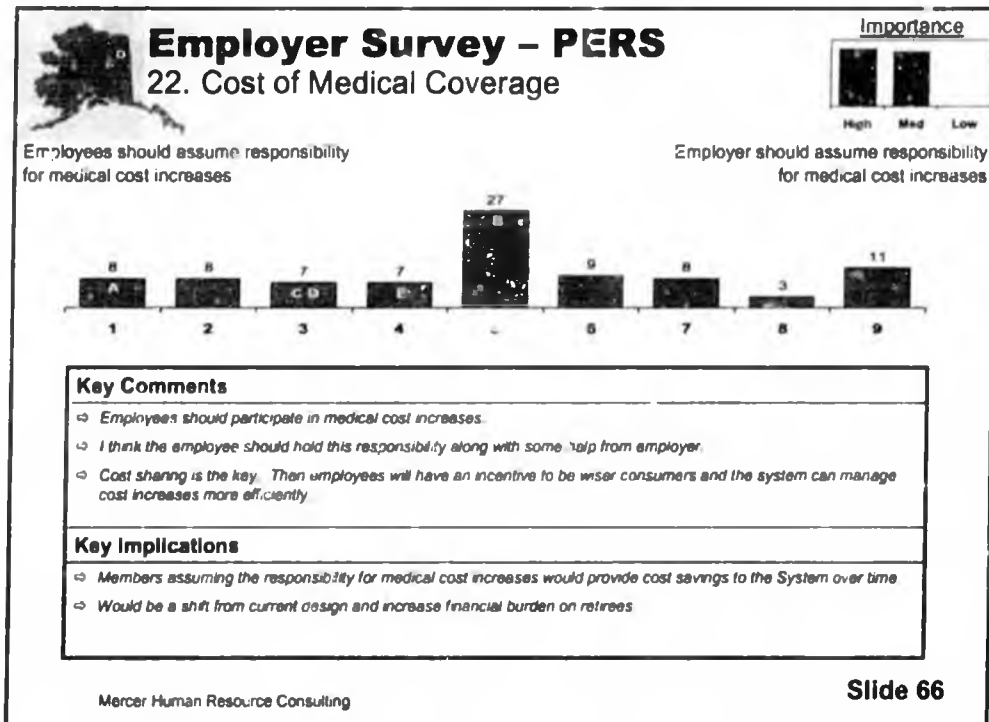
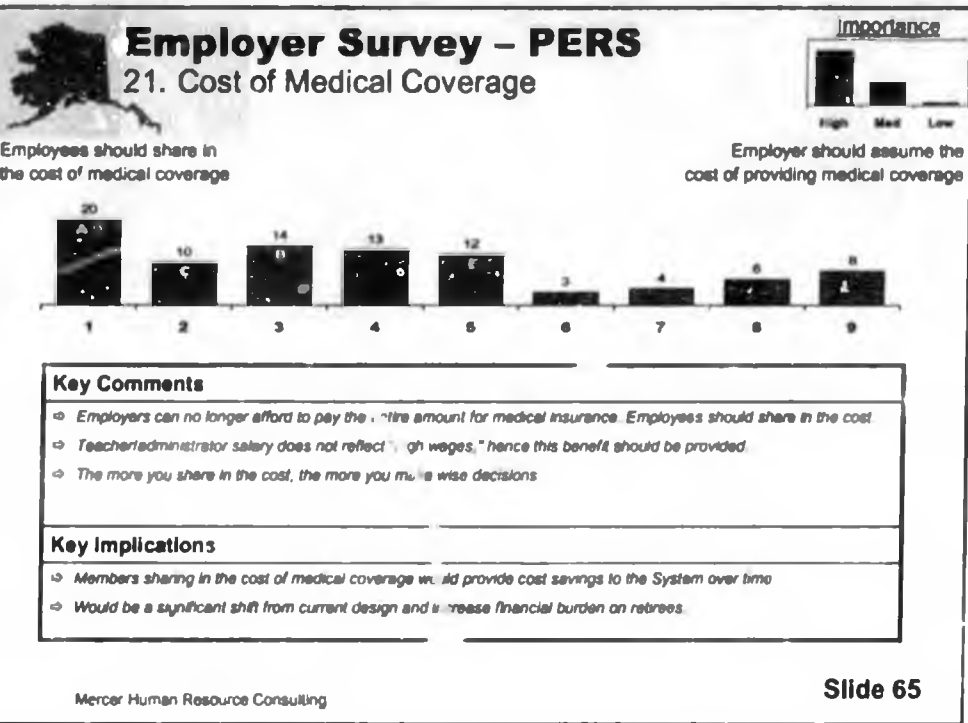
Key Implications

- ⇒ Providing post-retirement inflationary protection would ensure that the value of member's benefits at retirement continue to remain as valuable throughout their lifetime.
- ⇒ Providing post-retirement inflationary protection is a cost to the System.

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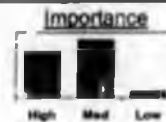






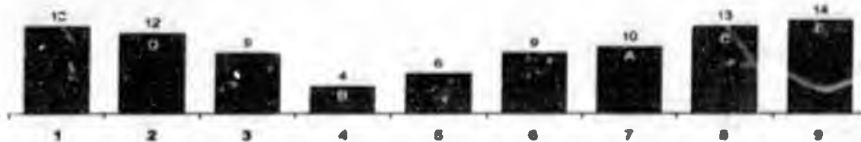
Employer Survey – PERS

23. Access to Contributions



Employees should have access to as much of their own retirement contributions as legally possible

Employees should have no access to plan assets until retirement



Key Comments

- ⇒ Small portion should be available for "emergency only" situation.
- ⇒ If the employee paid it out it should be their choice to have it whenever and how much they want.
- ⇒ Employees generally have other deferred comp plans available to them to meet emergency needs. PERS is not a savings plan, but a long term retirement vehicle.

Key Implications

- ⇒ Members may spend retirement income during working lifetime and as a result may be unable to retire.
- ⇒ The capability to use retirement plans for pre-retirement needs such as a home purchase can be a valuable benefit.

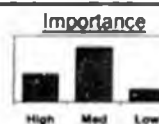
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Employer Survey – PERS

24. Understandability



Understandability is the primary concern

We'll sacrifice understandability if necessary to achieve our workforce and benefit objectives



Key Comments

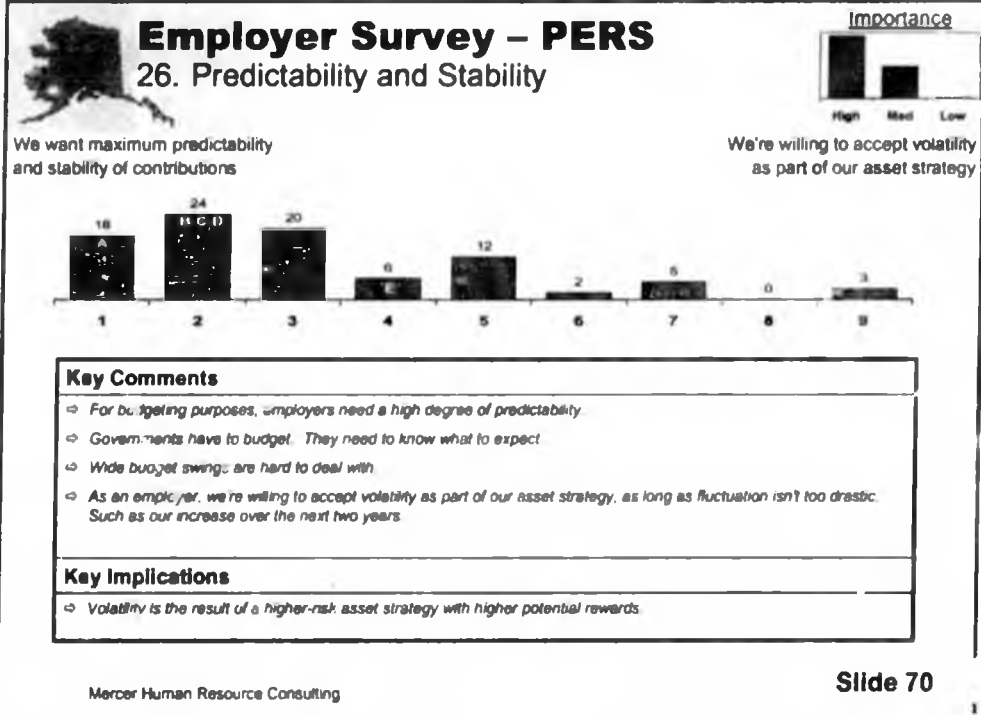
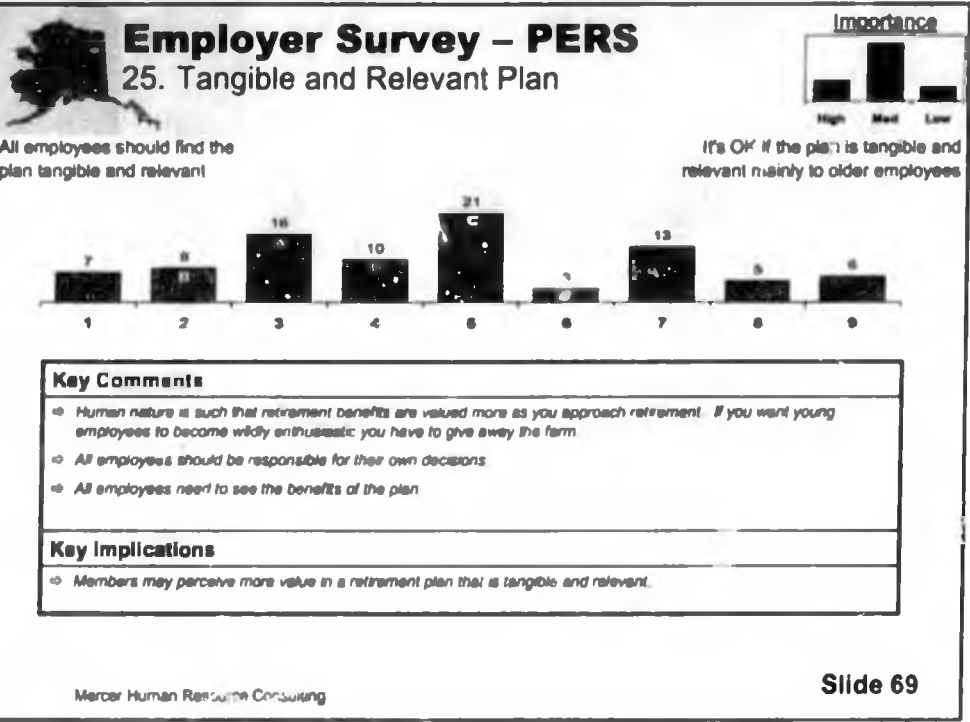
- ⇒ Employees need to understand this plan.
- ⇒ Employers need to provide good communication and seminars to explain plans, but the plan must be structured so it is simple enough for the majority of people to understand.
- ⇒ Raise the bar. Ask people to be more responsible.
- ⇒ Employees need to be involved in their retirement.
- ⇒ College should teach it!

Key Implications

- ⇒ Generally a more complex formula can meet a wider variety of specific objectives.
- ⇒ Members may perceive more value in a retirement plan that is more understandable.

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Employer Survey – PERS

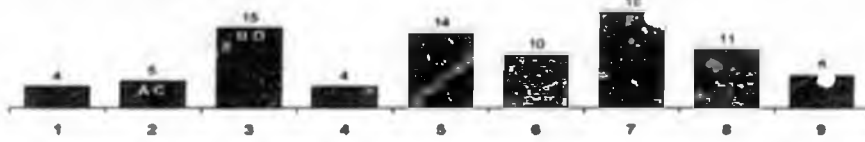
27. Change in Cost

Importance



Aggregate retirement contributions should be less than they are now

Marginal cost increases are appropriate to meet other design goals



Key Comments

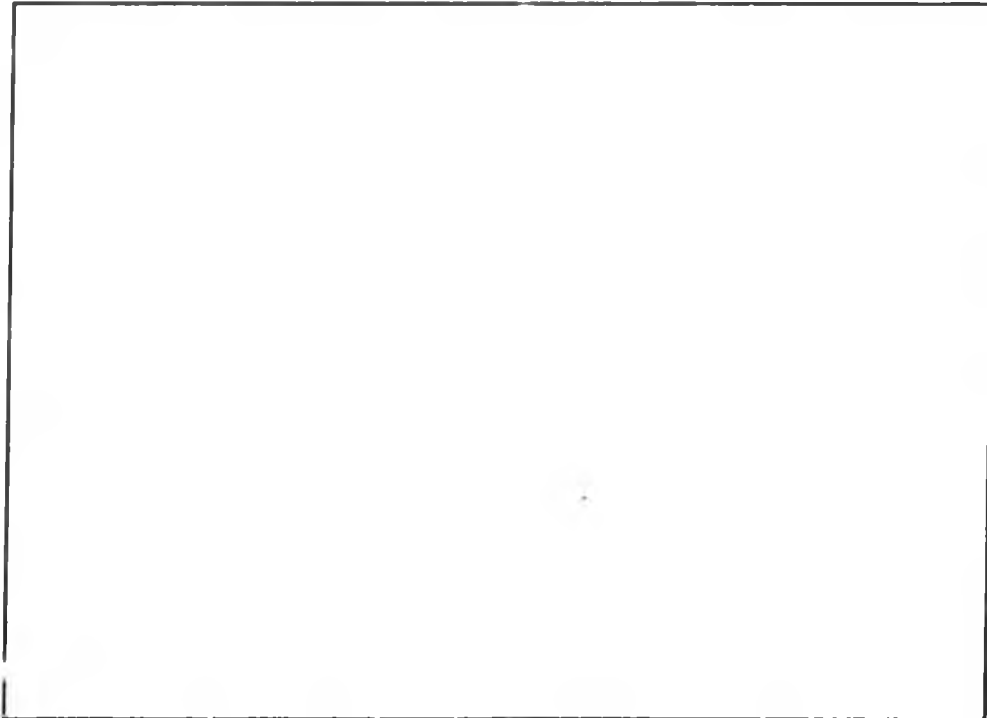
- ⇒ Employees contribution rates may need to increase!!
- ⇒ We understand that costs are increasing. Want to keep plans competitive while keeping plan costs reasonable
- ⇒ It would be a fairy tale to want aggregate retirement contributions to be less than they are now.

Key Implications

- ⇒ Lowering contributions will result in generally lower level of benefits for retirees
- ⇒ System benefits may or may not be competitive against peer group if benefits are decreased.

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Employer Survey - TRS

Key

The following pages illustrate the responses to the employer survey sent to all TRS employers. In total, 38 employers responded. TRS represents employers of various sizes. As a way to show the five largest employers' responses (of those who responded), we have included the letters A - E on the charts to represent how they answered. The employers have been assigned the following letters:

Employer	# Active Employees	Code Letter
Anchorage SD	3,464	A
Fairbanks North Star Borough SD	988	B
Matanuska-Susitna Borough SF	936	C
Kenai Peninsula Borough SD	723	D
Juneau Bureau SD	372	E

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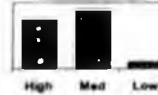
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Employer Survey - TRS

1. Long-Service Employees

Importance



Plan should favor long-service employees:

Plan should not distinguish on account of length of service



Key Comments

- ⇒ Incentives to reduce teacher turnover always help
- ⇒ Anything that keeps employees, saves time in recruitment, hiring, and training.
- ⇒ Retaining quality employees is far more important. Employees for hire consider immediate compensation, not retirement. Veteran employees deserve rewards.

Key Implications

- ⇒ Rewarding long-service employees supports career employment.
- ⇒ Uniform allocation can be an important attraction tool, but allows dollars to "walk out the door" when short-service employees leave the System.

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Employer Survey – TRS

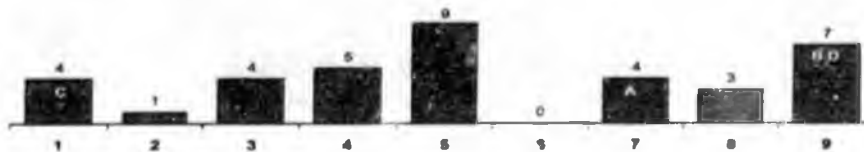
2. Older Employees

Importance



Plan should favor older employees

Plan should not distinguish on account of age



Key Comments

- ⇒ Length of service should be more important than age in determining retirement benefits.
- ⇒ Inflation and decreases in secondary raises are historical in Alaska. Young need to see opportunity in this state.
- ⇒ Equal balance regardless of age.

Key Implications

- ⇒ Rewarding older employees supports career employment.
- ⇒ Uniform allocation can be an important attraction tool, but allows dollars to "walk out the door" when younger members leave the System.

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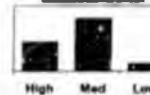
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Employer Survey – TRS

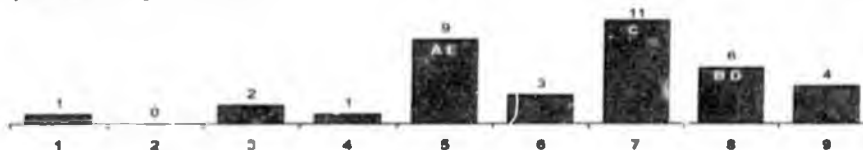
3. Benefits Build Up

Importance



Benefits should build up quickly, so "early leavers" have good benefits

Benefits should build up slowly, so "early leavers" have little



Key Comments

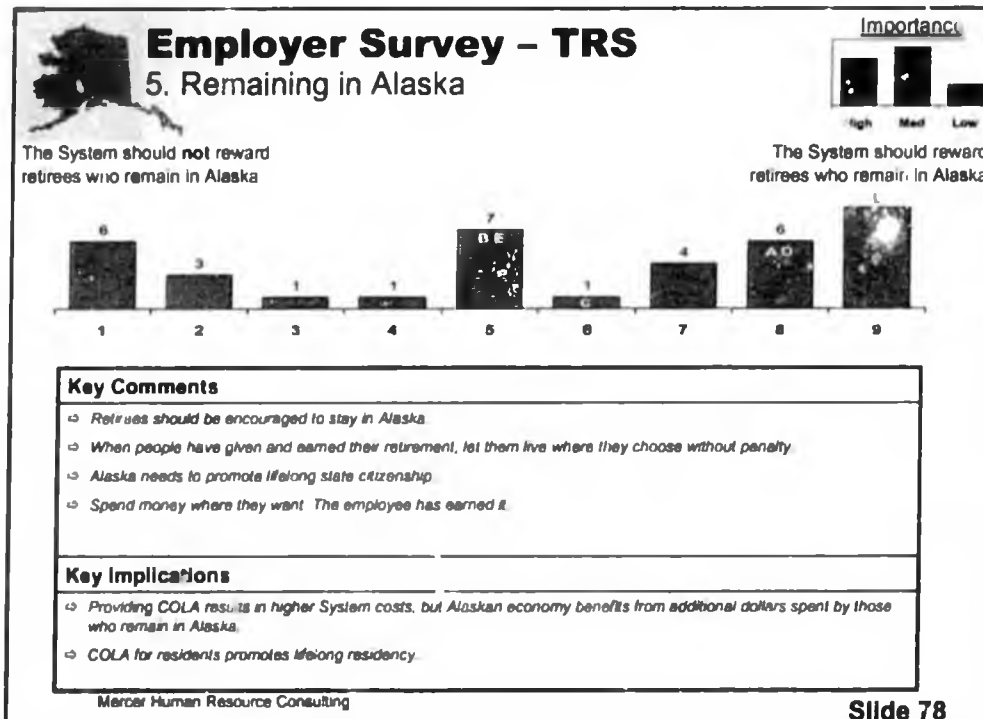
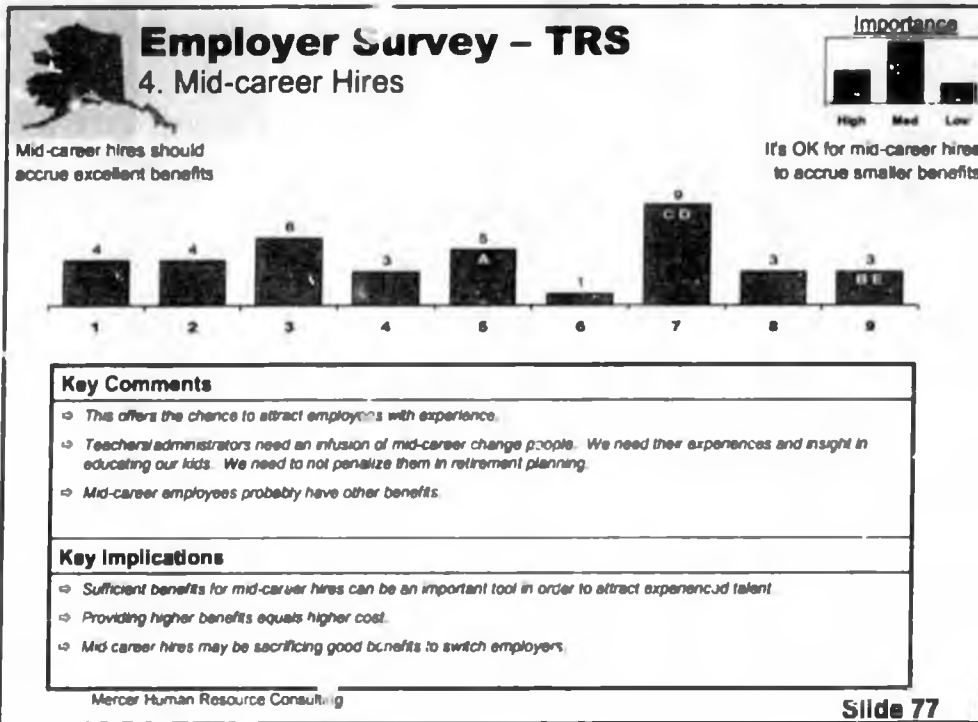
- ⇒ In order to save costs in a defined benefit plan, benefits should accrue at a constant rate rather than increase after so many years of service.
- ⇒ The System should promote an optimum age or service time that encourages turnover of the workforce without loss of good experience while providing a decent retirement.

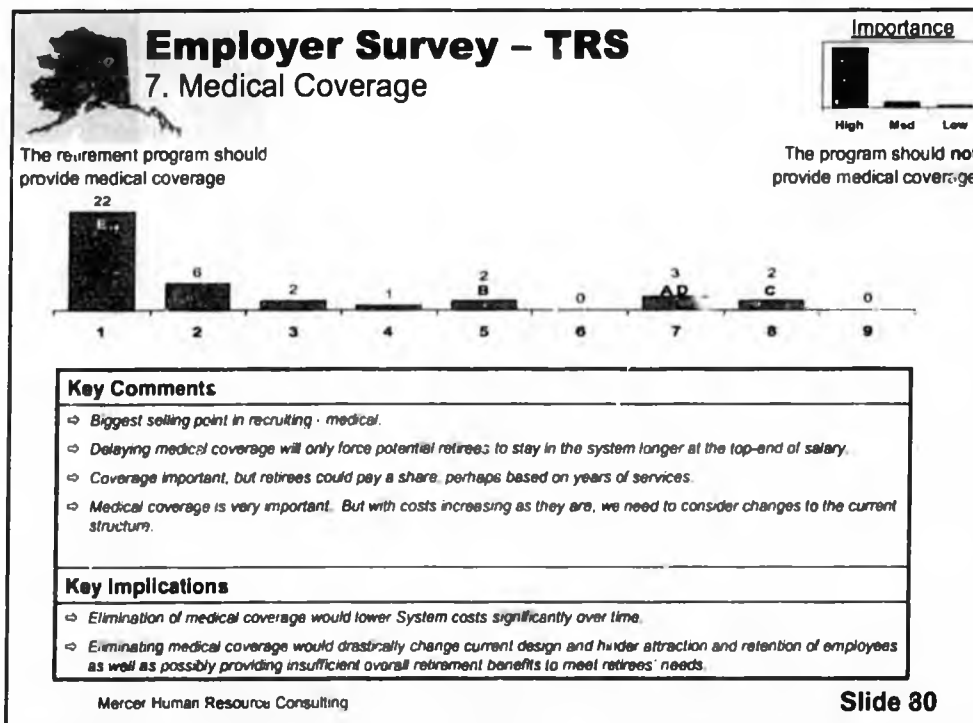
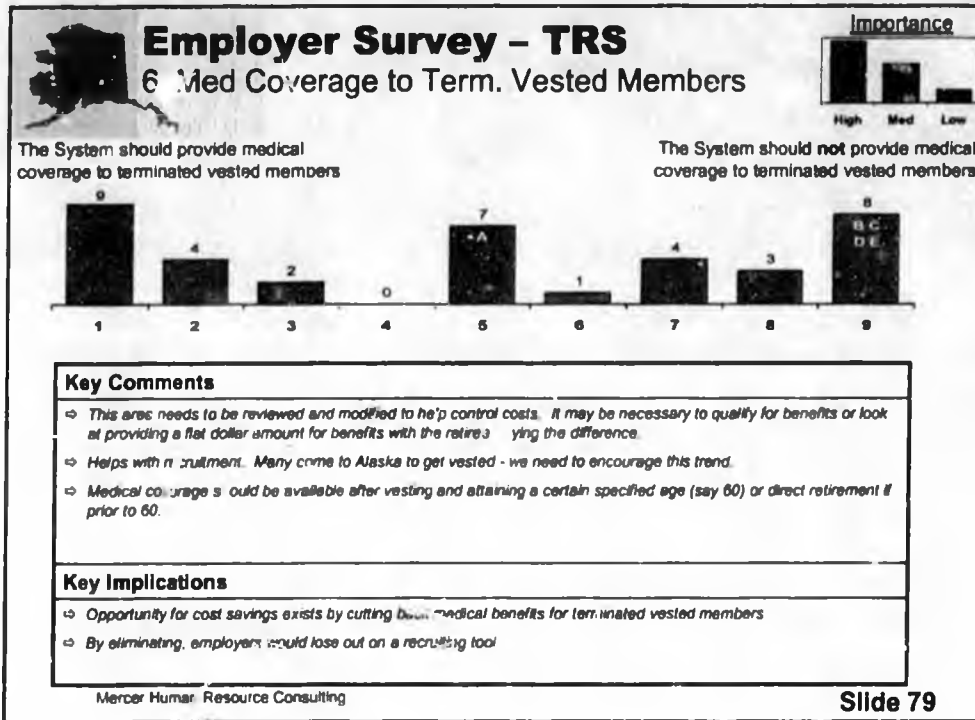
Key Implications

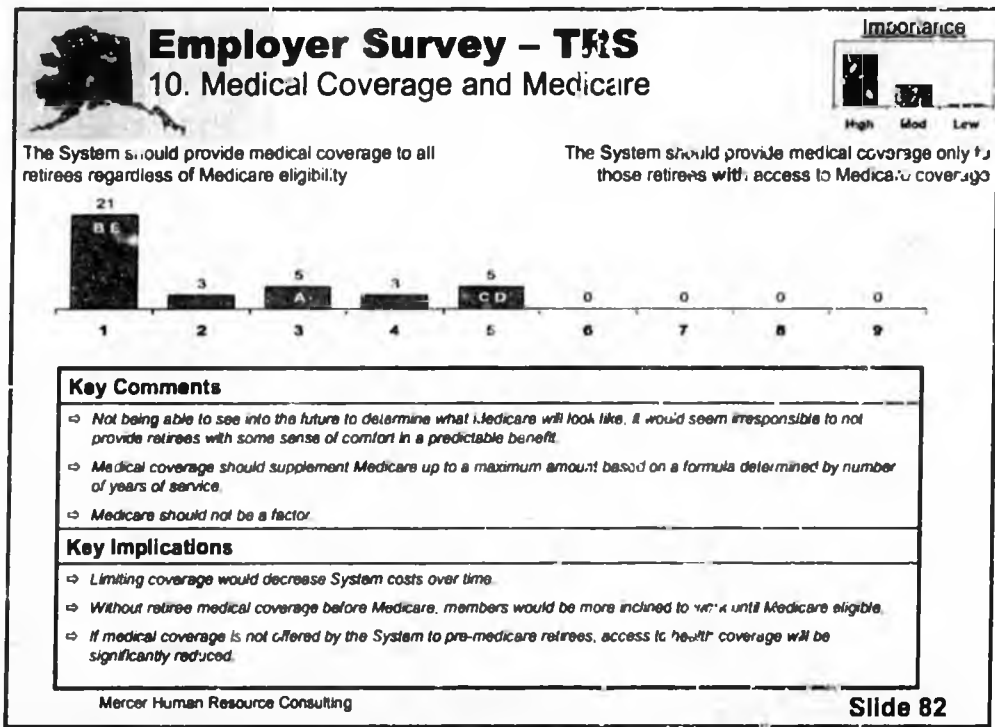
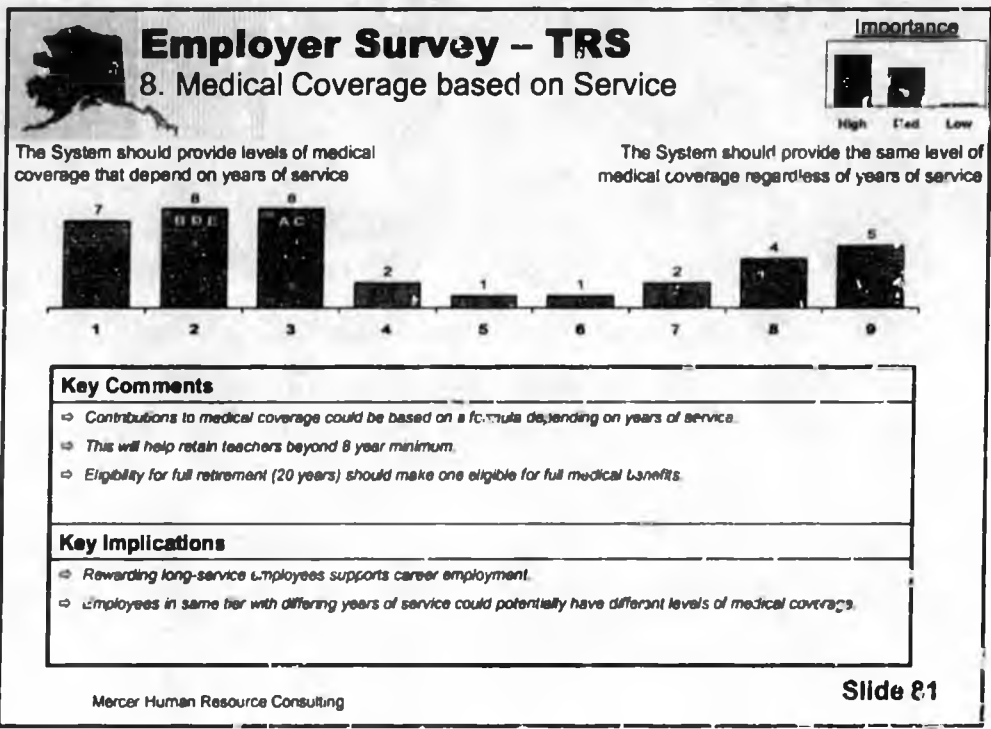
- ⇒ Does not affect career employees who stay until retirement.
- ⇒ Uniform allocation can be an important attraction tool, but allows dollars to "walk out the door" when younger members leave the System.

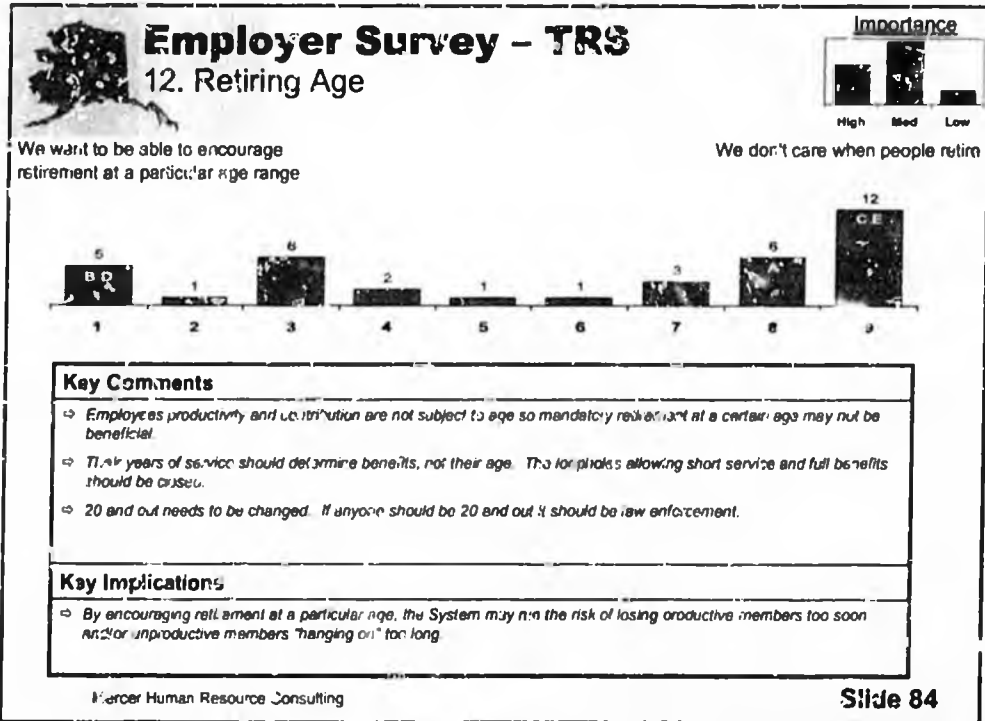
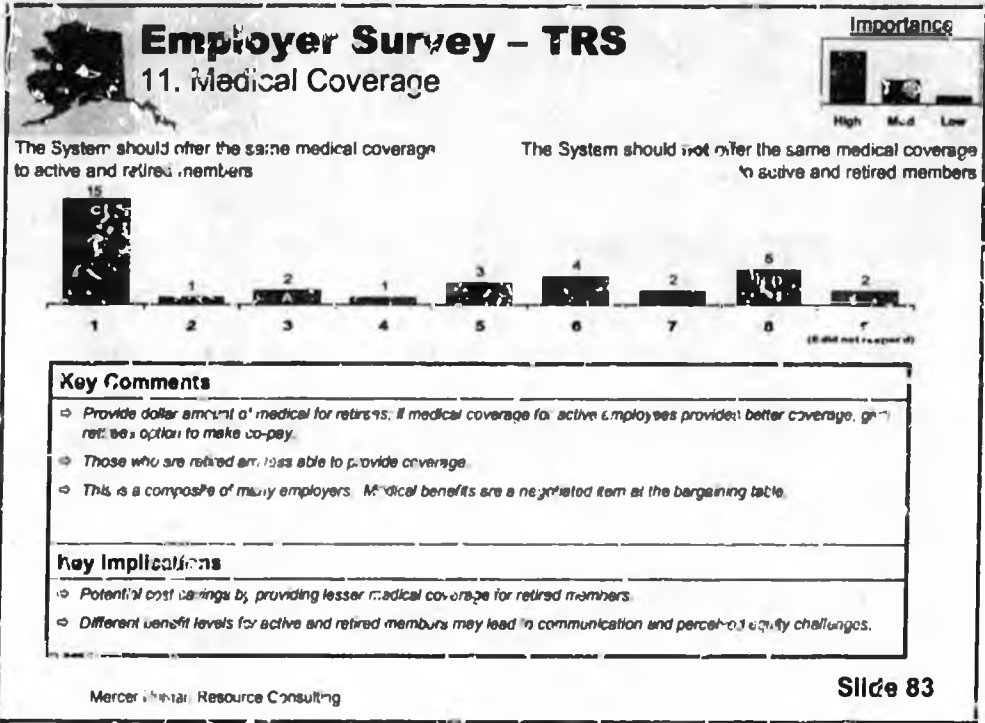
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Employer Survey - TRS

13. Retiring after Years of Service

Importance



We want to be able to encourage retirement after a particular number of years of service

We don't care when people retire



Key Comments

- Increasing the number of years of service required, when age is not a factor, would reduce the cost to the retirement system.
- While high salary people are a budget concern, their experience and expertise is a tremendous plus for a small organization.
- 20 years, at least 50 years in age.

Key Implications

- By encouraging retirement at a particular number of years of service, the System may run the risk of losing productive members too soon and/or unproductive members "hanging on" too long.

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Employer Survey - TRS

14. Early Retirement

Importance



We want to be able to encourage early retirement with ad hoc enhanced benefits through the plan

We don't care about encouraging early retirement, or will handle it through other methods



Key Comments

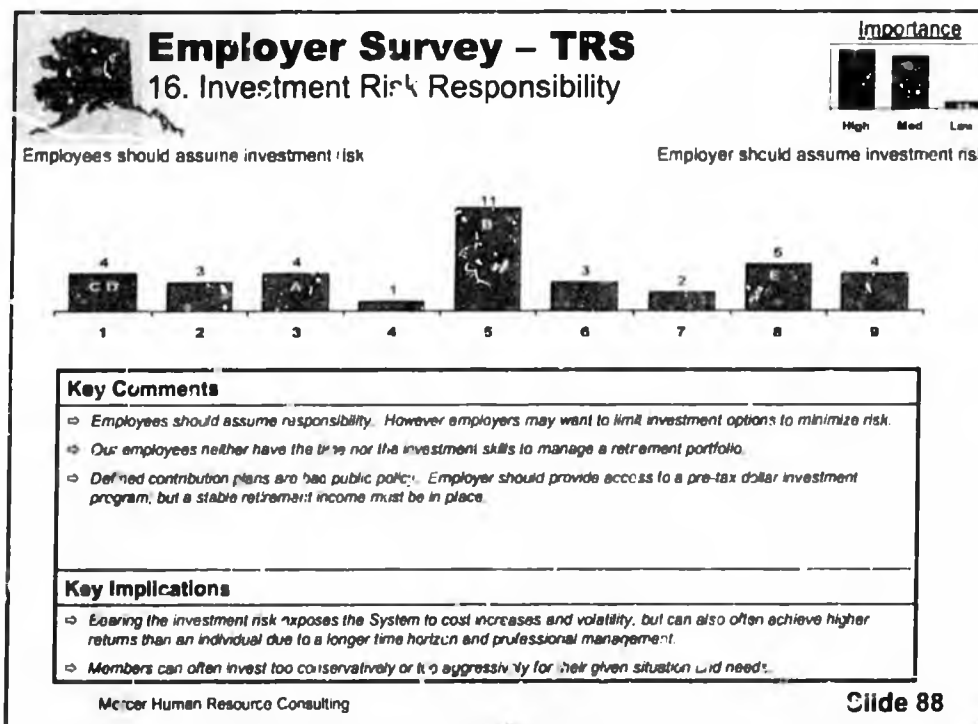
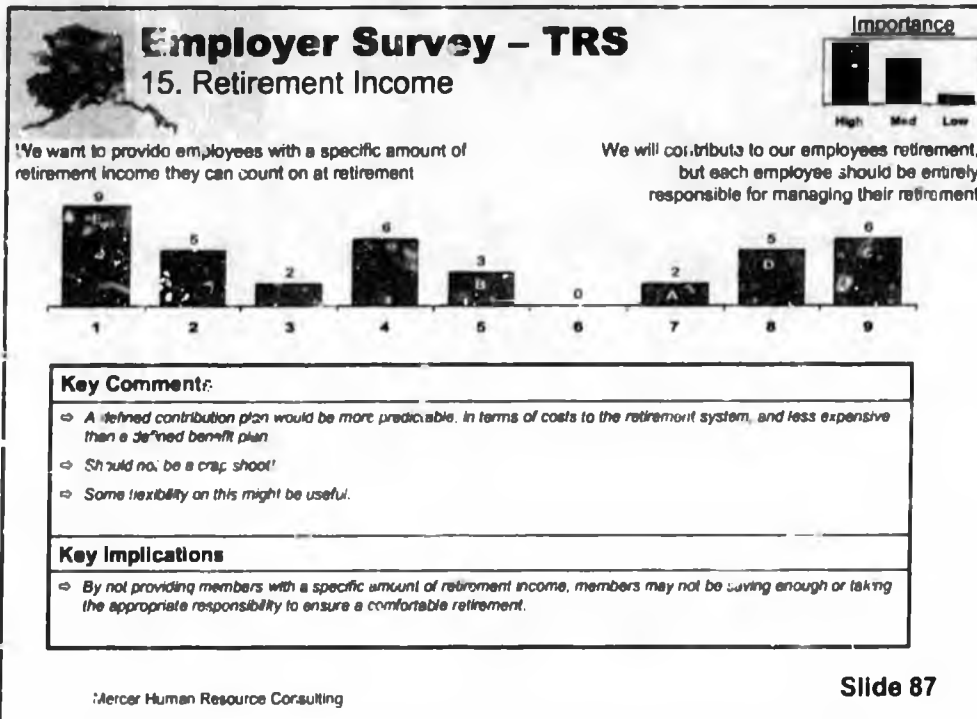
- RIP and severance plans which offer early retirement have been shown to have a detrimental financial effect on the retirement system.
- Given NEA union's impact on teaching force per se, only, this is needed to bring in new blood to the organization.
- In times of financial stress this will allow us to be more creative.

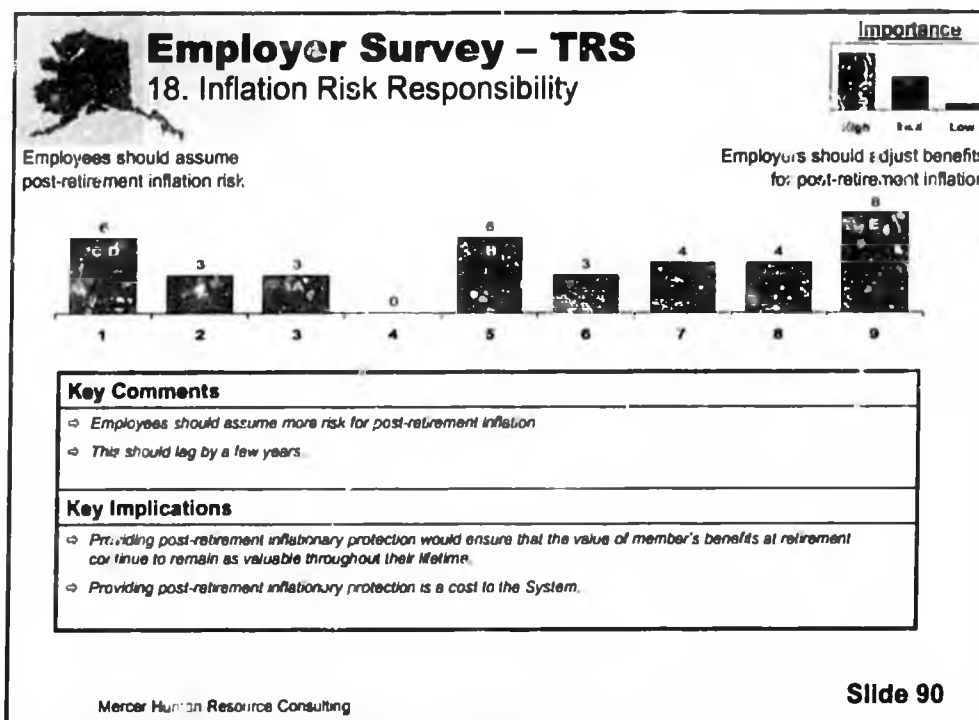
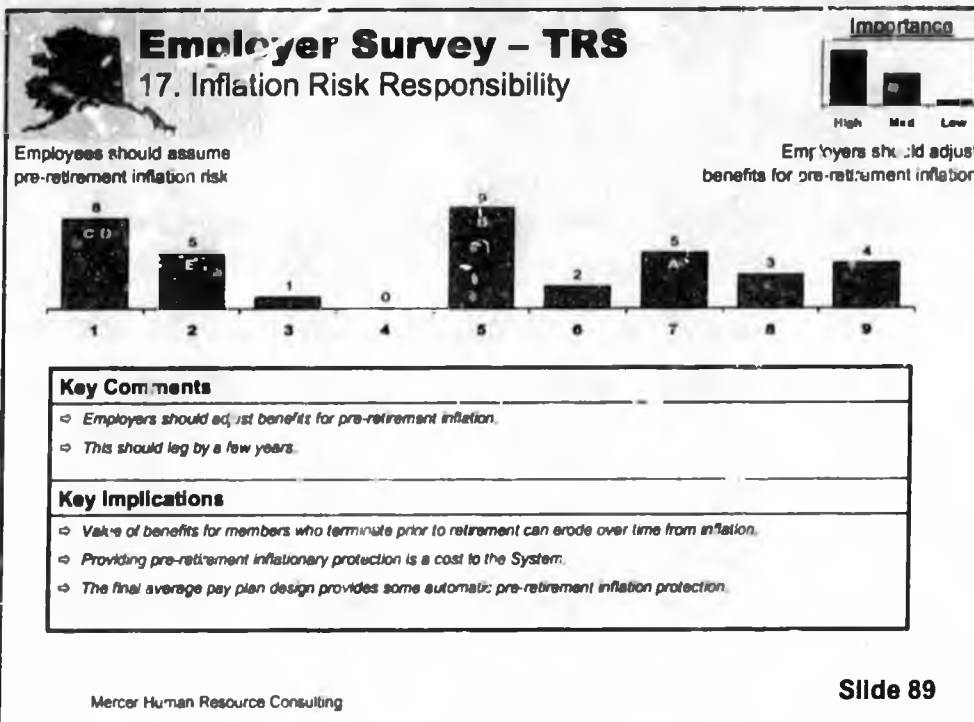
Key Implications

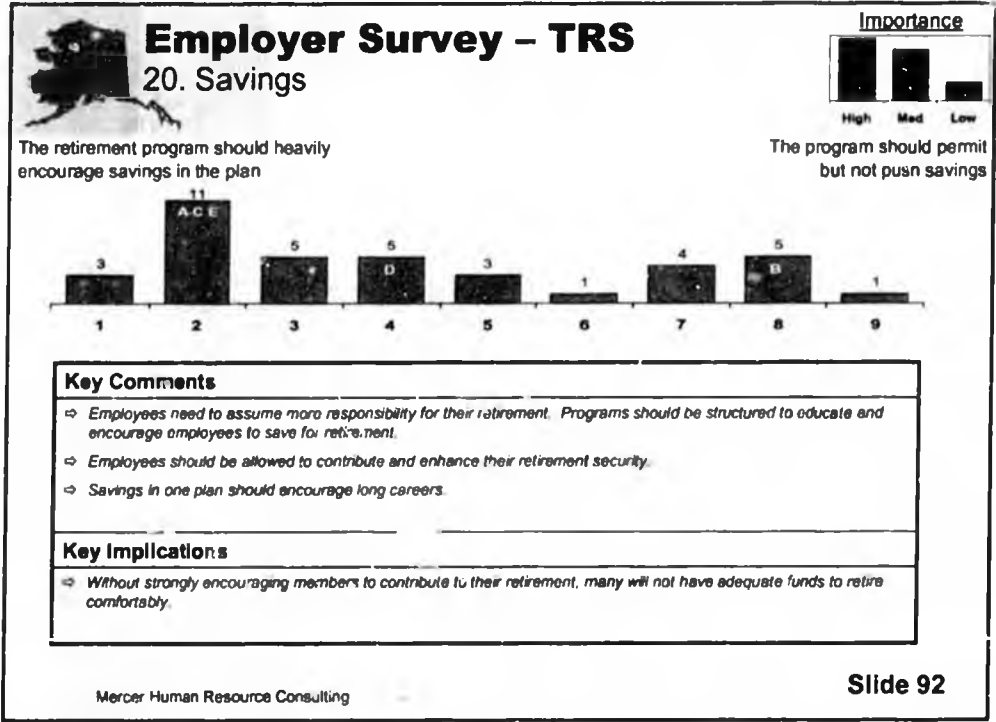
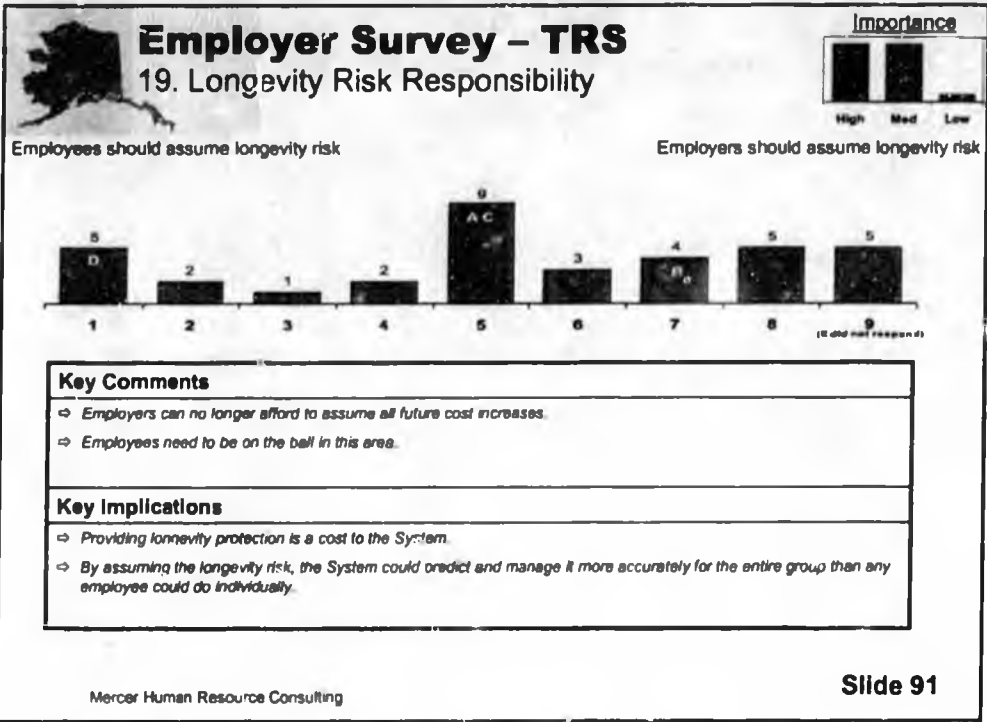
- Being able to provide ad hoc enhanced retirement benefits gives the System and individual employers an additional tool to manage the workforce.

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Employer Survey - TRS

21. Cost of Medical Coverage

Importance



Employees should share in the cost of medical coverage

Employer should assume the cost of providing medical coverage



Key Comments

- ⇒ Employers can no longer afford to pay the entire amount for medical insurance. Employees should share in the cost.
- ⇒ Teacher/administrator salary does not reflect "high wages," hence this benefit should be provided.
- ⇒ Employees share in the cost of medical coverage and retirement benefits through their active career contributions. They also contribute via co-pays, deductibles and Medicare Part B premiums.

Key Implications

- ⇒ Members sharing in the cost of medical coverage would provide cost savings to the System over time.
- ⇒ Would be a significant shift from current design and increase financial burden on retirees.

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Employer Survey - TRS

22. Cost of Medical Coverage

Importance



Employees should assume responsibility for medical cost increases

Employer should assume responsibility for medical cost increases



Key Comments

- ⇒ The retirement system should be responsible for the management of the medical coverage while the retiree should be responsible for cost increases.
- ⇒ Both should assume cost responsibilities. It's not either or.

Key Implications

- ⇒ Members assuming the responsibility for medical cost increases would provide cost savings to the System over time.
- ⇒ Would be a shift from current design and increase financial burden on retirees.

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Employer Survey – TRS

23. Access to Contributions



Employees should have access to as much of their own retirement contributions as legally possible

Employees should have no access to plan assets until retirement



Key Comments

- ⇒ Small portion should be available for "emergency only" situation.
- ⇒ Access should certainly be very limited.
- ⇒ Only with benefit of understanding the consequences.

Key Implications

- ⇒ Members may spend retirement income during working lifetime and as a result may be unable to retire.
- ⇒ The capability to use retirement plans for pre-retirement needs such as a home purchase can be a valuable benefit.

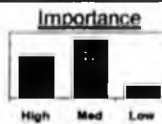
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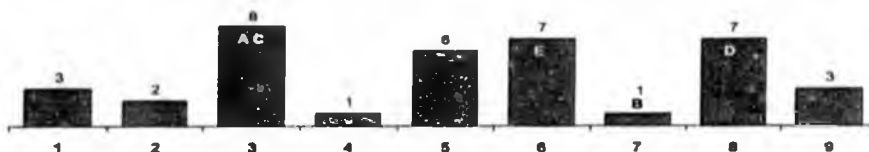
Employer Survey – TRS

24. Understandability



Understandability is the primary concern

We'll sacrifice understandability if necessary to achieve our workforce and benefit objectives



Key Comments

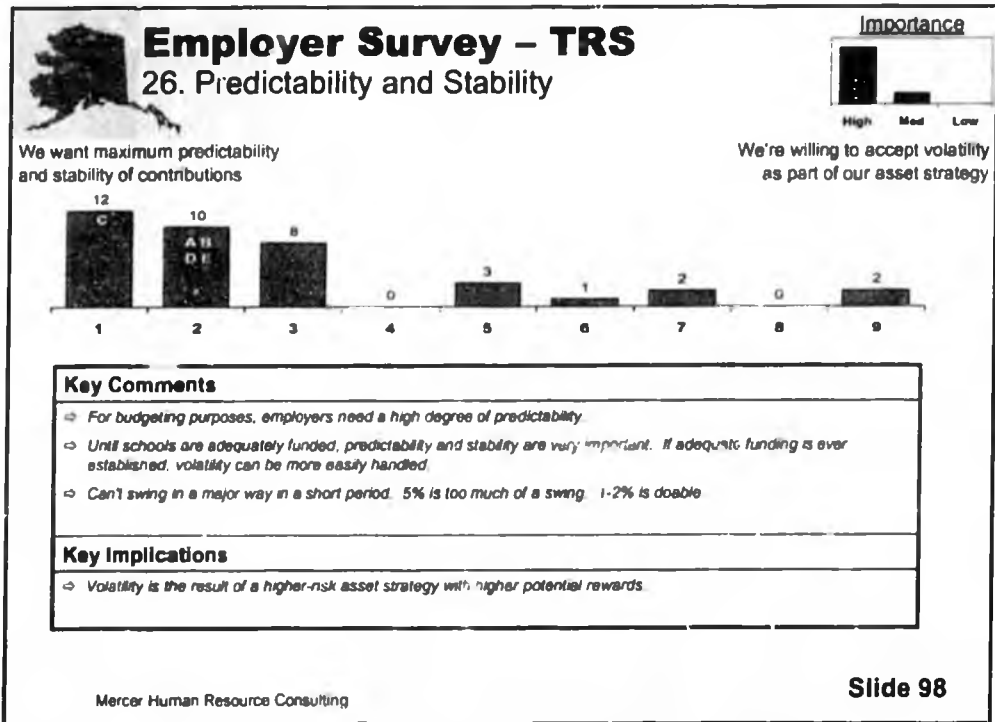
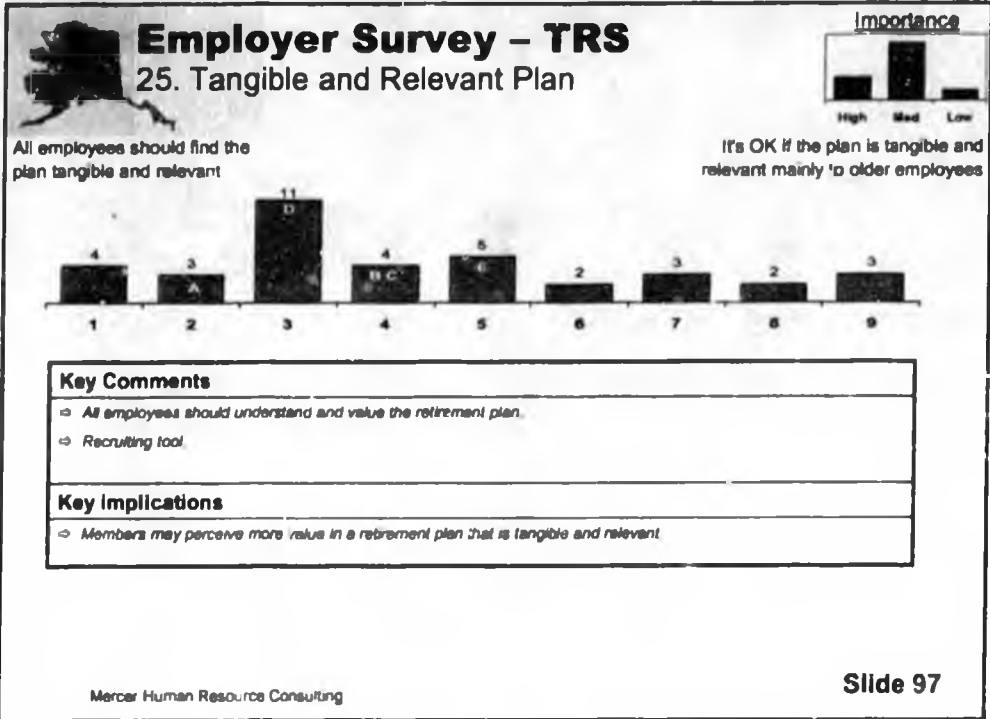
- ⇒ Employers need to provide good communication and seminars to explain plans, but the plan must be structured so it is simple enough for the majority of people to understand.
- ⇒ Let individuals who want complexity and flexibility do so on their own apart from this.
- ⇒ It is their responsibility to understand it
- ⇒ College should teach it!

Key Implications

- ⇒ Generally a more complex formula can meet a wider variety of specific objectives.
- ⇒ Members may perceive more value in a retirement plan that is more understandable.

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Employer Survey – TRS

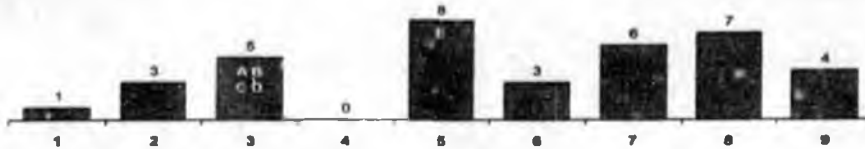
27. Change in Cost

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Aggregate retirement contributions should be less than they are now

Marginal cost increases are appropriate in meet other design goals



Key Comments

- ⇒ Employees contribution rates may need to increase!!
- ⇒ We understand that costs are increasing. Want to keep plans competitive while keeping plan costs reasonable.
- ⇒ We have to contain costs or everyone loses.
- ⇒ Costs need to be sufficient to do the job.

Key Implications

- ⇒ Lowering contributions will result in generally lower level of benefits for retirees.
- ⇒ System benefits may or may not be competitive against peer group if benefits are decreased.

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Slide 99



Employer Survey – TRS

29. Most Important Questions



The four most important questions with preferred spectrum comment

- Question # 7: "The retirement program should provide medical coverage"
- Question #26: "We want maximum predictability and stability of contributions"
- Question #1: "Plan should favor long-service employees"
- Question #6: (The responses did not indicate a significant difference between the two)
 - "The System should provide medical coverage to terminated vested members"
 - "The System should not provide medical coverage to terminated vested members"

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Slide 100

DRAFT

OUTLINE OF MAJOR POINTS FOR TESTIMONY

BEFORE ALASKA LEGISLATURE, MARCH 29-31, 2005

Richard J. Solie, TRS Board Member

-- My name is Richard Solie, Sr. I am retired from the University of Alaska where I was a Professor of Economics, Head of the Department of Economics, and Acting Dean of the School of Management. I also ran my own economic consulting firm for a number of years.

I am a member of the TRS Board, having been appointed by Governor Murkowski in the summer of 2003 and re-appointed to a new term in January of 2004. As a member of the TRS Board I served as one of four members on the Tier Committee which was charged with developing a proposal or proposals for a new retirement plan for both TRS and PERS.

After review of several of the major bills being considered by the House and Senate, I have a number of observations that I would like to make. I will deal with these under several different categories, and I will approach them in order of my perception of their importance. That way, if I run out of time, I'll at least have been able to discuss what to me are the most important issues.

I. MEMBER CONTRIBUTIONS:

A. Equal sharing of "Normal Cost":

1. I, personally, agree philosophically with this approach, and, as a matter of fact, the Tier Committee's recommendation for both Alternatives 1 and 2 included employee contributions which were at least as high as the employer contributions! (TRS: Employer - 8.75%, Employee -- 10.0%; PERS - Both pay 8.0%).
2. I even agree philosophically with equal sharing of "Normal Cost" for employees covered under existing tiers, however I am concerned that the 5%/year possible increase is a very stiff increase for an individual employee. That probably wouldn't come into play, however, if the equal sharing was limited to "Normal Cost";

3. I might note that the employee survey conducted by the Division of Retirement at the request of the Tier Committee indicated a willingness on the part of some of the employees to make higher contributions if the DB plan could be retained in a future tier; and there was wide-spread feeling among employers that employees should pay a larger share of benefit costs than they presently do;
4. I am concerned about the response of the judiciary if this is applied to existing tiers, and this is one of the reasons that the Tier Committee didn't consider this alternative;
5. I also question whether the contributions should be the same for all existing tiers:
 - "Normal Cost" for TRS Tier II in FY06 is 20.36% versus a 22.97% combined rate for Tiers I & II (p. 8, slide 15, November 19, 2004 Presentation to PFRS and TRS Boards).
 - "Normal Cost" for PERS Tier III is 17.55% versus 20.05% for Tiers I, II and III combined (slide 14)

B. Equal sharing of contributions for "Past Unfunded Liabilities":

1. For members of a new tier, there would, of course, be no unfunded liabilities so presumably it isn't the intent of the legislature to charge them for the unfunded liabilities of existing tiers;
2. For current TRS/PERS members I am strongly opposed to such a policy for several reasons:
 - a. The majority of the past funded-liabilities are associated with retirees rather than with current actives;
 - b. Bob Reynolds with Mercer estimated the allocation of unfunded liabilities to be approximately:
 - TRS – 27.8% active participants, 68.5% for retirees and beneficiaries, 3.2% for terminated vested individuals and 0.5% for "others" (thus **72.2% for non-actives**);
 - PERS – 33.2% actives, 11.7% terminated vested, 54.7% retirees and dependents, and 0.4% "other" (**66.8% for non-actives**).

c. Furthermore, you would get a similar disparity even among the actives since a newly hired employee would have essentially no unfunded liability related to his future benefits whereas a long-term employee who was nearing retirement would have a great deal.

d. The result would be that existing members would be required to pay additional contributions that would be grossly out of line with the future benefits they could be expected to receive.

II. INTRODUCTION OF A 100% DC PLAN TO REPLACE THE EXISTING DB PLAN.

- A. First of all, let me say that I am not opposed to the general concept of DC plans or of privatized retirement plans. I strongly believe in individual responsibility and in the advantages of personal ownership of private equities;
- B. I am sure that all of you are aware that, although the Tier Committee did forward to the full boards an Alternative 2 which was 100% DC, the committee was unanimous in opposing its adoption;
- C. I personally pressed for a hybrid plan that included both a 1% DB and a DC component. Although some of the committee members undoubtedly had misgivings about it, there was a clear recognition of the serious problem facing the State of Alaska with respect to the retirement plans, and consequently the Tier Committee voted unanimously to support the hybrid plan;
- D. There are several reasons for the committee's and my personal opposition to a 100% DC plan:
1. A key factor is that in Alaska **most of the teachers in this state are not covered by Social Security**. Thus, they lack the floor of retirement benefits that is available to private sector employees and to public sector employees in most other states. The 1% DB plan that the Tier Committee proposed would provide such a floor.
 2. The employer surveys that were conducted showed strong support for a sharing of the risks of the retirement plan, not a complete shifting of the risk to the employees;

3. The vast majority of other public employment plans are 100% DB plans; a much smaller number are hybrid plans with both DB and DC components; and some include an optional DC plan. Only a handful are 100% mandatory DC, and this could be a significant factor in competing for employees;
4. I am sure you have been exposed to the studies showing significantly lower rates of return on individually managed versus pooled accounts and also the problem with some employees utilizing their retirement funds for purposes other than retirement. As a consequence, I won't discuss those issues
5. Individual investors face risk that is significantly greater than that for a pooled investment plan for several reasons:
 - a. The volatility of the markets is such that there is a significant possibility that an individual's planned retirement will coincide with a down market. And, while there might be some possibility for a postponement of the planned retirement, I would call attention to the fact that the U.S. stock markets generally reached their previous highs in March of 2000 and five years later the S&P 500, for example, is still approximately 25% below the March of 2000 peak.
 - b. The pooled funds, of course, are subject to similar volatility, but in any given year only a small fraction of the members are planning to retire, and as a consequence the pooled funds have a much longer time horizon in which to recover from those downturns.
 - c. When it comes to actual retirement, the longevity factor is very significant for the individual retiree, but it is largely limited by the pooling that results with a large fund. (By this I mean that for an individual, the number of additional years that he/she will live after retirement is very uncertain. Thus, there is a significant risk of outliving one's retirement funds. For a large group, in contrast, the average risk is minimal because of the large numbers of individuals involved. This, of course, is what creates the opportunity for life insurance.)

- d. The suggestion could be made that when the individual retires, he/she could buy a whole-life annuity which would shift the risk to an insurance company. The problem with this is that annuities are very much a function of interest rates at the time they are written, and consequently a period of low interest rates would result in a much smaller annuity for an individual retiree. Again, the pooled retirement fund is able to take a much longer view of interest rates.
6. Largely as a result of issues such as these, the State of Nebraska, recently switched from the DC plan that it had maintained for 25 years to a Defined Benefit plan.
7. In most states where employees have been given the option to choose between a DC and a DB plan, the overwhelming majority have chosen the DB option. In Florida, for example, only 3% of the employees chose the DC alternative, and in Ohio only 7,367 of almost 300,000 employees chose the DC plan. (Source: *Public Pension Action News*, Spring 2003.)
- This, I believe, is a strong indicator of the negative impact that a 100% DC plan would have on our competitiveness in attracting and retaining teachers and other public employees in the future.
8. I am aware that there is a movement in some states to replace their DB plans with either hybrid plans or, in some cases, with 100% DC plans. Given the problems already facing the State in attracting and retaining employees, I am not sure that it is wise for Alaska to get into the lead on this movement.

III. RE-CONSTITUTION OF AND/OR ELIMINATION OF THE EXISTING BOARDS:

A. In my opinion, the proposed increase in professionalism would be positive, although I have been impressed with the expertise and experience already existent on the Boards.

B. I am concerned about the lack of assured representation of TRS/PERS members in some of the bills – after all, the monies in the funds are held in trust for the members; the members have made major contributions into the funds; and the funds represent the major (and in some cases the total) basis for their future retirement.

- Further, even if there is assured member representation, there is a question as to whether public or member's representatives should hold the majority (I would personally favor the members' representatives being in the majority.)

C. Role of PERS/TRS Boards in appeals:

- Hearing Officer would probably be more efficient if efficiency is measured only by the hearing itself. But, because the boards act as a jury of peers in essence, I believe the board approach reduces the risk of further litigation and gives the beneficiaries a greater sense that their case has been truly heard.

-- I was a member of the National Panel of Arbitrators of AAA for a number of years, and I feel that that system (which in a majority of the cases relies on a single arbitrator) works well.

- There is a major distinction between that system and the one envisioned here, however. The arbitrator is jointly selected by the parties and thus there is basis for trust and confidence on both sides of the issue being appealed.
- In this instance, I am afraid that the fact that the Hearing Officers would be administratively appointed would engender potential distrust on the part of the appellants;

D. Some of the functions envisioned for a "Super Board", while probably well within their capabilities, would add significant and potentially time-consuming duties to the already heavy responsibility of overseeing investment of the funds.

E. I am sure some of my colleagues have discussed the loss that a "Super Board" might engender in some of the inputs currently realized from the existing TRS/PERS boards (e.g., recommendations for health plan cost savings from the Health Sub-committee) so I won't go into that.

IV. PROPOSED CHANGES IN THE HEALTH PLAN:

- A. As you are all aware, the health plans have been a **major contributor** to the unfunded liability for the Alaska TRS and PERS. Further, unlike the impact of the downturn in the securities markets—which will probably even out over time—there is really no end in sight for the health plan problems. As a consequence, the Tier Committee (and a majority of the TRS/PERS Boards) considered it to be absolutely essential that the administration and/or the legislature make significant changes in the current plan. Such changes should be designed to reduce both plan costs and future risk.
- B. The Tier Committee's proposal included several major changes for employees under a new tier:
1. Participation in the health plan would require retirement directly from employment.
 2. The plan would be redesigned to include true deductibles and co-pays for Medicare eligible retirees. This is not true under the existing plan, and **the situation that exists at present provides essentially no incentive for such retirees to monitor and ration their health care usage and costs.**
 3. The plan would provide for significant health plan premium payments by the retirees tied to the length of the employee's service and to whether they were taking early or normal retirement:
 - a. Access only to coverage with full premiums paid by the retiree would apply during early retirement;
 - b. A DC type of employer subsidy for premium payments would be provided during normal retirement and up to Medicare eligibility;
 - c. Employees would pay a percentage of actual plan costs upon reaching Medicare eligibility with the percentage varying in accordance with the employee's years of service.

4. As a means of assisting retirees with the payment of the larger deductibles and co-pays as well as the retiree premium payments, an Employer paid for Health Savings Account would be provided. At the same time that this would assist retirees in paying the larger share of health plan costs it, **along with the higher deductibles and co-pays, would provide the retiree with a strong incentive to assist in controlling health care expenses.**

C. I am aware that Senate Bill 141 appears to provide similar changes to those outlined above for retirees who have reached Medicare eligibility. I am also aware of the HSA provisions in most, if not all of the various legislative bills. I am concerned, however, about several provisions:

1. For retirees from age 60-Medicare eligibility there is no subsidy (other than what might provided by the HSA). I am somewhat disappointed in this since I believe that the Tier Committee's age 60-Medicare eligibility subsidy would have involved essentially no risk to the employer (The subsidies are fixed in initial amount and in terms of future increases, and they would be readily calculable.) and the cost would have been relatively low.
2. The HSA contributions are capped at \$500 per year. There is concern that this would produce an inadequate fund to assist in the retiree's uncovered health care expenses.

V. **ELIMINATION OF THE 10% COLA:**

-- As you are aware, the Tier Committee recommended elimination of the 10% COLA **for the new tier.**

- Our reason for eliminating COLA for the new tier was our recognition of the current court action challenging the application of the existing COLA and seeking to apply it to retirees living outside the State in areas which have living costs equal to or greater than those in Alaska;
- We did feel, however, that the COLA (unless the legal challenge is successful) does serve a public purpose by encouraging retirees to remain in Alaska.

VI. **ADDITIONAL POTENTIAL CHANGES APPARENTLY NOT CONTEMPLATED IN CURRENT LEGISLATION:**

A. Although the Tier Committee did not formally recommend it, there was considerable discussion about proposing the elimination of SBS. This could mean many millions of dollars in savings to the State and other employers which could be used to help fund the existing retirement programs as well as the benefits of a new tier.

1. In considering this, the Tier Committee was aware that, although the State and University of Alaska are covered by SBS, a number of the political subdivisions are not. Thus, eliminating SBS would also be a means of rationalizing the statewide retirement benefits structure.
2. The specific reason that this was not proposed by the Tier Committee was a caution by the Board's legal counsel that the courts might view SBS as a contractual obligation paid in return for the agreement to opt out of Social Security.
3. The legislature, however, is in a position to get a thorough review of the legal issues involved in such a change, and if the determination is that it would pass judicial scrutiny, I (and I believe I speak for the majority if not all of the Tier Committee and also for several of the other Board members) would recommend that this be given consideration for a future tier.

B. As you are aware, the Tier Committee recommended the adoption of a "career average" base salary (adjusted for changes in the Alaska CPI) under the new tier in contrast to the "High Three Years' Salary" that is the basis for pension calculations at present.

1. This, of course, is irrelevant if the legislature adopts a 100% DC plan, but if a hybrid plan is approved, it could be very important.
2. A career average salary would eliminate many of the so-called "abuses" of the system under which various actions are taken to build up the final three years of salary.
3. A career average base would allow such things as inclusion of overtime pay, bonuses, etc. without distorting the benefits and creating unfunded liability as currently occurs when such elements are added in the final three years. Allowing them to be included, however, would give employers maximum flexibility in using these as tools for managing their workforce.

3/24/05

House State Affairs Committee

PERS/TRS legislation

Thank you for addressing the PERS/TRS \$5 billion problem.

My name is Larry Semmens, I am a CPA and Finance Director for the City of Kenai. I have attended most of the PERS meetings the last 18 months or so, including 3/22/05.

From an employers standpoint, the recent jump in the unfunded actuarial liability and the resulting rate increases are difficult to absorb, so I believe changes do need to be made.

Predictability of cost and local control are best provided with a defined contribution plan, so I support a new tier which is a DC plan. Recruitment issues are real, but can be dealt with locally with either salary, work conditions, or even supplemental retirement plans like the State's SBS plan.

Although the PERS/TRS boards have some culpability in the current situation, I honestly believe it is limited. Consider that the actuary is the expert and the Boards practically have to believe what they are told. Until 2002, the actuary told the boards that the funds were fully funded and the rate needed to support the system was 6.77%. The next year the board had to be as shocked as everyone else when the actuary told them the fund is now about 75% funded and the rate needed is 25%. Did the board have anything to do with that change?

I do not believe that changing the make-up of the board to more of a disinterested board will necessarily help. The key attribute of a PERS/TRS member in my opinion is understanding what a pension plan is, how it works and where the risks are. The change in board structure that I would like to see is employer representation.

If I can be of service please contact me.

lsemmens@ci.kenai.ak.us

DRAFT Sectional Analysis for CSHB 238

Sec. 1. Establishes applicability of the subsequent sections to teachers hired before July 1, 2005.

Sec. 2. Establishes an effective date for an increase in the contribution percentage for existing employees as outlined in the following sections.

Sec. 3. Establishes the manner in which the member contribution rate is calculated: the greater of 8.65% or ½ the normal cost rate. However, the member contribution rate may not increase by more than ½ a percent annually.

Sec. 4. Establishes the employer contribution amount as a percentage approved by the board applied to the sum of all employee's base salaries plus adjustments.

Sec. 5. Requires that the member and employer contribution rates when added not be less than the actuarially computed amount necessary to fully fund future liabilities of members (normal cost rate).

Sec. 6. States that an ad hoc post pension retirement adjustment (an increase in the pension benefits due to an increase in the cost of living) may not be issued until the retirement system is 100% funded. (1988).

Sec. 7. States that an ad hoc post pension retirement adjustment (an increase in the pension benefits due to an increase in the cost of living) may not be issued until the retirement system is 100% funded. (1990).

Sec. 8. Defines "fund" as the assets of the defined benefit retirement plan for the purposes of this section.

Sec. 9. Defines "system" as the Teachers' Retirement System of Alaska.

Sec. 10. Specifies the statutes relating to defined benefit plan members.

Sec. 11.

Sec. 14.25.310. Specifies that the previous sections only apply to teachers first hired on or before July 1, 2005, and defines "first hired" as the first day of employment.

Sec. 14.25.320. Establishes a Defined Contribution Plan in compliance with federal regulations.

Sec. 14.25.330. States that the purpose of the legislation is to encourage qualified teachers to enter and remain in the State.

Sec. 14.25.340. Establishes the member contribution rate for TRS employees as 11% to be deducted from their salary at the end of each pay roll period and to be credited to their account. The contribution will be calculated from the members base salary, excluding cost of living differentials, bonuses, per diems, expense allowances, etc.

Sec. 14.25.350. Establishes an employer contribution rate of 11% of the member's base salary. Distributes the employer contribution in the following manner: 5.75% to the member's contribution account, 3.75% to the member's medical plan, and 1.5% to the member's Health Reimbursement Account.

Sec. 14.25.360. Gives 15 days from the close of pay roll for member and employee contributions to be transferred to the member's retirement fund. Establishes consequences for non-transmittal.

Sec. 14.25.370. Establishes immediate vesting of a member in both the employer and employee contributions.

Sec. 14.25.380. Tasks the Alaska State Pension Investment Board with providing a range of investment options for members and exercising control over those options.

Establishes that if the account has been divided under a qualified domestic relations order, each individual exercises control over his or her account.

Sec. 14.25.390. Establishes requirements for the distribution of a member's account. A former member, or their beneficiary if the member is deceased, may chose between the following distribution options: a lump sum, a direct rollover of the lump sum into another qualified plan, periodic distributions, or no distribution until the member elects to do so. If a former member's account balance is less than \$5,000 that amount is automatically distributed unless the former member submits a written statement within 120 days of termination requesting that the balance remain in the plan.

Sec. 14.25.400. Acknowledges the refund of members upon termination when a qualified domestic relations order applies.

Sec. 14.25.410. Establishes rights of participants if married or under a qualified domestic relations order upon termination of member.

Sec. 14.25.420. Allows a member to roll over funds from a previous qualified plan upon hire or into another qualified plan upon termination. Establishes that rollover contributions cannot count as service towards medical eligibility. Defines qualified plans eligible for rollover.

Sec. 14.25.430. Establishes distribution requirements for the interest of a member's account in the event that member dies, that member's dependents die, or no one claims the distributions. Defines designated beneficiary and required beginning date.

Sec. 14.25.440. Requires that each member designate a beneficiary and allows them to change that choice at any time except to the extent that a qualified domestic relations order applies. If a member fails to designate a beneficiary, at the time of the member's death the spouse if married to the member at some point during the member's employment automatically becomes the designated beneficiary. If there is no surviving spouse, the amount is distributed between the surviving children, if there are no surviving children to the surviving parents of those children. If none of the above, the account is distributed to the estate. Establishes a time limit on beneficiaries claiming benefits of 120 days after the member's death.

Sec. 14.25.450. Establishes procedures for correcting an error in the calculation of benefits. Gives the Alaska Teacher's Retirement Board responsibility for taking action on such claims.

Sec. 14.25.460. Allows the board to waive an adjustment that would be deemed unfair for a variety of reasons and provides a time period and process for appeals.

Sec. 14.25.470. Establishes requirements for eligibility of medical benefits. A member must retire directly from the system at any age with 30 years of service or at normal retirement age with 10 years of service. Defines the normal retirement age as months less than the age set for Medicare eligibility.

Sec. 14.25.480. Establishes medical benefits to retirees as access to a major medical insurance plan and to the health reimbursement account. Establishes eligibility of members and any dependents for medical benefits. Outlines the eligibility of medical benefits for an early, normal, and Medicare eligible retiree.

Sec. 14.25.495. References the statutes that define the terms administrator, beneficiary, board, compensation, employer, fund, former participating member, fund, retirement fund, Internal Revenue Code, member, member contribution account, qualified domestic relation order, school year, teacher, and year of service. Defines terminated as a person no longer employed by an employer participating in the plan.

Sec. 12. Subjects an employee who wishes to transfer assets out of the system to a qualified domestic relations order and establishes relevant requirements.

Sec. 13. Allows the Department of Administration to obtain group insurance under the condition that it provides certain types of insurance, such as hospital expense, life, surgical, etc.

Requires members whenever possible to obtain drugs from a preferred drug list (formulary) established by the insurance provider. If the member opts for a non-formulary drug when the formulary version is available, they will pay the difference between the two.

Establishes eligibility of member's dependents for said group insurance policy.

Establishes the procedure for employers to participate in said group insurance policy.

Establishes the procedure for the Department of Administration to procure an insurance policy for members. Requires that the Department allow all eligible insurance carriers to bid and determine selection of carrier based on lowest bid amount to be reviewed at least once every 5 years.

Establishes that the level of benefits for persons over Medicare eligible age shall be the same as for persons under Medicare eligible age, however the cost of post-Medicare eligible member's benefits will be supplemented by any benefits provided under the federal old age, survivors, and disability insurance programs.

Allows a member to elect and pay for long-term care insurance for member and dependents.

Sec. 14. Establishes a Health Reimbursement Account Plan for State of Alaska Teachers and Public Employees and outlines eligibility.

Sec. 39.30.310. Establishes that a Health Reimbursement Account is created to reimburse members for qualified medical expenses. Establishes an effective date of July 1, 2005.

Sec. 39.30.320. Establishes the attorney general of the State of Alaska as legal council for the administrator of the plan.

Sec. 39.30.330. Establishes the commissioner of administration, or the commissioner's designee, as the administrator of the plan.

Sec. 39.30.340. Establishes the powers and duties of the administrator of the Health Reimbursement Account fund.

Sec. 39.30.350. Specifies that only employer contributions are permitted to the Health Reimbursement Account.

Sec. 39.30.360. Establishes the Alaska State Pension Investment Board as the fiduciary of the fund.

Sec. 39.30.370. Establishes that when a person terminates employment before becoming eligible for medical benefits they forfeit any access to their Health Reimbursement Account. However, if a person is re-employed at a later date their account balance will be restored with interest attributed to it.

Sec. 39.30.380. Establishes that a member is eligible for the plan when they become eligible for medical benefits.

39.30.390. Establishes that if the participant elects major medical insurance the administrator will pay the premium on behalf of that member from their Health Reimbursement Account. When the participant's member account is exhausted, the participant is responsible for those payments.

If a participant dies before exhausting their account their surviving dependents are eligible to use the remaining balance. If any amount remains in the account after the death of the member and all remaining dependents, the balance reverts to the trust.

Sec. 39.30.400. Exempts contributions to the plan from taxes, however a member's right to receive benefits may be assigned under a qualified domestic relations order, a trust or a similar qualifying legal device.

Sec. 39.30.410. Gives the state the right to amend the plan at any time. Bars the administrator from changing the plan in a manner to reduce the accrued benefits of any member. Allows the state to terminate the plan in whole or in part without any liability. If this occurs, all investments remain in the account until all accounts have been distributed.

Requires any contribution made to the plan by an employer because of a mistake of fact to be returned to the employer.

Sec. 39.30.420. Requires that the fund not be used for any other purpose than the benefit of the participants. The assets of the plan may not be used to pay other plans of an employer.

Sec. 39.30.495. Refers to the definition of the following terms in statute: administrator, board, dependent child, employer, and qualified domestic relations order. Defines the terms fund, individual account, member, and participant.

Sec. 15.

Sec. 39.30.500. Establishes a past service cost offset account for employers and employees in a defined contribution plan.

Sec. 39.30.510. The purpose of the account is to help employers pay their past service cost and will consist of legislative appropriations and investment returns

Sec. 39.30.520. Establishes the attorney general of the State as legal council for the account.

Sec. 39.30.530. Establishes the commissioner of administration or the designee of the commissioner as administrator of the account.

Sec. 39.30.540. Establishes the powers and duties of the administrator.

Sec.39.30.550. Establishes the Alaska Pension Investment Board as fiduciary of the fund.

Sec. 39.30.560. Requires the administrator to pay into the teacher's retirement fund on the employer's behalf the employer's past service cost for each member in a defined contribution plan.

Sec. 39.30.570. Establishes that the administrator shall pay into the fund on behalf of the employers the past service cost for each member in a defined contribution plan.

Sec. 39.30.595. Defines the terms accrued liability, administrator, blended employer past service cost rate, member, past service cost, and past service cost rate.

Sec.39.35.005. Establishes applicability of the following provisions only to members first hired before July 1, 2005.

Sec.39.35.010. Substitutes the term "plan" for "system" in existing defined benefit statutes. Substitutes a specific statute reference for the term "this chapter" in existing statute referring to a defined benefit plan.

Sec. 39.35.158. Substitutes the term "plan" for "system" in existing defined benefit statutes.

Sec.19. Establishes the contribution rate for peace officers and fire fighters.

Sec. 20. Determines the employee contribution rate for a peace officer or fire fighter at the lesser of 7.5%, 6.75% or one-half the normal cost rate.

Sec. 21. Authorizes the board to set employer and member contributions.

Sec. 22. Determines that the member contribution rate plus the employer contribution rate may not be less than the normal cost rate.

Sec. 23. Exempts the University of Alaska as eligible for credible service under the teachers retirement plan.

Sec. 24. Establishes employee groups eligible for credited service.

Sec. 25. Establishes an administrative director of Alaska Court system as eligible for the plan.

Sec.26. Establishes credited service requirements for teachers

Section 27. Defines parameters under which a member may claim credited service.

Section 28. Defines method of calculation for public service benefits.

Sec. 29. Establishes that a member who claims credited service in a DC plan by transfer loses all rights to benefits under a defined contribution plan. Disqualifies public service benefits as counting towards years of service requirements.

Sec. 30. Allows a former member to reinstate service when they have received a refund of contributions.

Sec. 31. Establishes that when a member retires from the plan and is later re-hired they will suspend collection of their retirement benefits and begin paying into the retirement plan again.

Sec. 32. Establishes elected officials as eligible for benefits under this plan.

Sec. 33. Lists the different types of eligible members that the plan will cover. Lists the different types of ineligible members the plan will not cover.

Sec. 34. Defines plan as the defined contribution retirement plan as established in this legislation.

Sec. 35. Sec. 39.35.00. Applies the following to employees hired on or after July 1, 2005.

Sec.39.35.710. Establishes a defined contribution plan in compliance with federal qualification requirements.

Sec. 39.35.720. States that the purpose of the legislation is to encourage qualified personnel to enter and remain in the state.

Sec. 39.35.730. Establishes the member contribution rate for Public Employee Retirement System employees at 10% to be deducted from their salary at the end of each pay roll period and credited to their account.

The contribution will be calculated from the members base salary, excluding cost of living differentials, bonuses, per diems, expense allowances, etc.

Sec. 39.35.740. Establishes an employer contribution rate at 10% of the member's base salary. Distributes the employer contribution in the following manner: 5.5% to the members account, 3.5% to the member's medical plan, and 1% to the member's Health Reimbursement Account.

Sec. 39.35.750. Gives 15 days from the close of pay roll for member and employee contributions to be transferred to the members retirement fund. Establishes repercussions for non-transmittal.

Sec. 39.35.760. Establishes that a member is immediately vested in both the employer and employee contributions.

Sec. 39.38.770. Tasks the Alaska State Pension Investment Board with providing a range of investment options for members and exercising control over those options. If the account has been divided under a qualified domestic relations order, each individual exercises control over his or her account.

Sec. 39.35.780. Establishes requirements for the distribution of a member's account. A former member, or their beneficiary if deceased, may chose between the following distribution options: a lump sum, a direct roll over of the lump sum into another qualified plan, periodic distributions, or no distribution until the member elects to do so. If a former member's account balance is less than \$5,000 that amount is automatically distrusted unless the former member submits a written statement within 120 days of termination requesting that the balance remain in the plan.

Sec. 39.35.790. Acknowledges the refund of members upon termination when a qualified domestic relations order applies.

Sec. 39.35.800. Establishes rights of participants if married or under a qualified domestic relations order upon termination of member.

Sec. 39.35.810. Allows a member to roll over funds from a previous qualified plan upon hire or into another qualified plan upon termination. However, rollover contributions cannot count as service towards medical eligibility. Defines qualified plans eligible for rollover.

Sec. 38.35.820. Establishes distribution requirements for the interest of a member's account in the event that member dies, that member's dependents die, or no one claims the distributions. Defines designated beneficiary and required beginning date.

Sec. 39.35.830. Requires that each member designate a beneficiary and allows them to change that choice at any time except to the extent that a qualified domestic relations order applies. If a member fails to designate a beneficiary, at the time of the member's death the spouse if married to the member at some point during the member's employment automatically becomes the designated beneficiary. If there is no surviving spouse, the amount is distributed between the surviving children, if there are no surviving children to the surviving parents of those children. If none of the above, the account is distributed to the estate. Establishes a time limit on beneficiaries claiming benefits of 120 days after the member's death.

Sec. 39.35.840. Establishes procedures for correcting an error in the calculation of benefits. Gives the Alaska Teacher's Retirement Board responsibility for taking action on such claims.

Sec. 39.35.850. Allows the board to waive an adjustment that would be deemed unfair for a variety of specified reasons and provides a time period and process for appeals.

Sec. 39.35.860. Establishes requirements for eligibility of medical benefits. A member must retire directly from the system at any age with 30 years of service or at normal retirement age with 10 years of service. Defines the normal retirement age as 60 months before Medicare eligible age.

Sec. 39.35.870. Establishes medical benefits to retirees as access to a major medical insurance plan and to a Health Reimbursement Account. Establishes eligibility of members and any dependents for medical benefits. Outlines the eligibility of medical benefits for an early, normal, and Medicare eligible retiree.

Sec. 39.35.880. Establishes the Alaska State Pension Investment Board as fiduciary of the fund and determines their responsibilities and statutory limitations.

Sec. 39.35.884. Allows service credit to be obtained for military service.

Sec. 39.35.888. Exempts member contributions from taxation or any kind of anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge. However a member's right to receive benefits may be assigned under a qualified domestic relations order or a trust or similar legal device.

An inactive member may directly transfer their account into a qualified retirement plan.

Sec. 39.35.890. If a former member has not filed for benefits or refund by the time they reach 75 or within 50 years of the most recent active membership, benefits or refunds will be forfeited and the member's records destroyed.

Sec. 39.35.892. Establishes knowingly falsifying records of this plan as a misdemeanor and defines knowingly.

Sec. 39.35.895. Defines the following terms: active member, actuarial adjustment, administrator, beneficiary, board, calendar year, compensations, employee contribution account, former member, fund, and inactive member.

Lists the different types of eligible members that the plan will cover. Lists the different types of ineligible members the plan will not cover. Lists the different types of employees the plan may cover.

Defines military service, peace officer, plan, public organization, and qualified domestic relations order.

Recognizes the rights to an alternate payee to a member's benefits. Establishes those distribution requirements and the conditions of payment to the alternate payee.
Defines the terms: retired member, retirement, surviving spouse, and terminated.

Sec. 36. Repeals AS 39.35.680(39)

Sec. 37. Allows a Teachers Retirement System non-vested defined benefit tier member to transfer into a defined contribution plan. The present value of the members account balance will be transferred to the defined contribution plan and the appropriate amount to cover payments towards medical benefits will be applied. Upon transfer, credit under the defined contribution plan is nullified, however the member's accrued years of service will count towards qualifying for medical eligibility in the defined contribution plan.

Establishes a 90-day window after the effective date of this legislation for the member to transfer.

Gives the board the authority to establish regulations to regulate the transfer of employees.

Requires the employee's election be stated in writing and ensures that the employee is fully aware of the implications of their transfer.

If a member makes no election within the time period provided, they will remain in the defined benefit tier.

Defines the terms administrator, board, defined benefits retirement plan, defined contribution retirement plan, International Revenue Code, member, member contribution account, and qualified domestic relations order.

Sec. 38. Allows a Public Employees Retirement System non-vested defined benefit tier member transfer into a defined contribution plan. The present value of the member's account balance will be transferred to the defined contribution plan and the appropriate amount to cover payments towards medical benefits will be applied. Upon transfer credit under the defined contribution plan is nullified, however the member's accrued years of service will count towards qualifying for medical eligibility in the defined contribution plan.

Establishes a 90-day window after the effective date of this legislation the member has to transfer.

Gives the board the authority to establish regulations to regulate the transfer of employees.

Requires the employee's election be stated in writing and ensures that the employee is fully aware of the implications of their transfer.

If a member makes no election within the time period provided, they will remain in the defined benefit tier.

Defines the terms administrator, board, defined benefits retirement plan, defined contribution retirement plan, International Revenue Code, member, member contribution account, and qualified domestic relations order.

Sec. 39. Establishes the legislative intent of this legislation: to provide the members with investment options similar to the State Supplemental Annuity Plan.

Sec. 40. Gives instruction to revisor.

Sec. 41. Effective date of July 1, 2005

HB

248

Representative Mike Hawker

Alaska State Legislature

Session:

State Capitol
Juneau, AK 99801
907 465-4949 direct
800 478-4950 toll free
907 465-4979 fax

Interim:

716 W 4th Avenue
Anchorage, AK 99501
907 269-0244 office
907 269-0248 fax

Member:

House Finance Committee
Legislative Budget
& Audit Committee

House District 32:

Eagle River
Anchorage
Rainbow
Indian
Bird
Girdwood
Portage
Whittier
Sunrise
Hope

House Bill 248 Sponsor Statement

"An Act relating to the exemption from public inspection of certain records and information of public agencies that are compiled in connection with peace or correctional officers."

House Bill 248 will protect law enforcement officers from being targeted for frivolous lawsuits. Currently, a person can request a copy of a peace officer's Internal Affairs (IA) files through the Freedom of Information Act. There have been incidents where this information is received and evaluated to determine if the officer is vulnerable to civil litigation due to previous complaints, even if those complaints have been found to be false, not sustained or unfounded.

If an individual has been wrongfully treated by an officer, he or she still has the right to bring suit against the officer. The officer's IA files can then be reviewed "in camera" by a judge to determine what information is relevant to the case in question. Those files are then released for use during the court case. This procedure protects officers from prospective litigants "case shopping" to determine which officer would be the best target for a suit.

The changes made by this bill would not prevent a private citizen from obtaining general information about complaints – including the number, type and disposition of complaints filed against a particular facility or office, as long as the information doesn't personally identify the officer.

Troopers, Police Officers and Correctional Officers are in daily contact with the criminal element of society and especially exposed to their scrutiny. Passage of HB 248 will protect peace officers, while still allowing a person who has a legitimate cause to bring suit. Thank you for your consideration of this legislation.

24-LS0768\Y
Bannister
4/11/05

CS FOR HOUSE BILL NO. 248()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE HAWKER

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the exemption from public inspection of certain records and**
2 **information of public agencies that are compiled in connection with internal**
3 **investigations or proceedings."**

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

5 *** Section 1. AS 40.25.120(a) is amended to read:**

6 (a) Every person has a right to inspect a public record in the state, including
7 public records in recorders' offices, except

8 (1) records of vital statistics and adoption proceedings, which shall be
9 treated in the manner required by AS 18.50;

10 (2) records pertaining to juveniles unless disclosure is authorized by
11 law;

12 (3) medical and related public health records;

13 (4) records required to be kept confidential by a federal law or
14 regulation or by state law;

1 (5) to the extent the records are required to be kept confidential under
2 20 U.S.C. 1232g and the regulations adopted under 20 U.S.C. 1232g in order to secure
3 or retain federal assistance;

4 (6) records or information compiled for law enforcement purposes, but
5 only to the extent that the ~~production~~ production of the law enforcement records or information

6 (A) could reasonably be expected to interfere with enforcement
7 proceedings;

8 (B) would deprive a person of a right to a fair trial or an
9 impartial adjudication;

10 (C) could reasonably be expected to constitute an unwarranted
11 invasion of the personal privacy of a suspect, defendant, victim, or witness;

12 (D) could reasonably be expected to disclose the identity of a
13 confidential source;

14 (E) would disclose confidential techniques and procedures for
15 law enforcement investigations or prosecutions;

16 (F) would disclose guidelines for law enforcement
17 investigations or prosecutions if the disclosure could reasonably be expected to
18 risk circumvention of the law; [OR]

19 (G) could reasonably be expected to endanger the life or
20 physical safety of an individual; or

21 (H) would disclose the contents of an internal investigation
22 or proceeding of a public agency, except to the extent a court orders
23 otherwise;

24 (7) names, addresses, and other information identifying a person as a
25 participant in the Alaska Higher Education Savings Trust under AS 14.40.802 or the
26 advance college tuition savings program under AS 14.40.803 - 14.40.817;

27 (8) public records containing information that would disclose or might
28 lead to the disclosure of a component in the process used to execute or adopt an
29 electronic signature if the disclosure would or might cause the electronic signature to
30 cease being under the sole control of the person using it;

31 (9) reports submitted under AS 05.25.030 concerning certain

1 collisions, accidents, or other casualties involving boats;

2 (10) records or information pertaining to a plan, program, or
3 procedures for establishing, maintaining, or restoring security in the state, or to a
4 detailed description or evaluation of systems, facilities, or infrastructure in the state,
5 but only to the extent that the production of the records or information

6 (A) could reasonably be expected to interfere with the
7 implementation or enforcement of the security plan, program, or procedures;

8 (B) would disclose confidential guidelines for investigations or
9 enforcement and the disclosure could reasonably be expected to risk
10 circumvention of the law; or

11 (C) could reasonably be expected to endanger the life or
12 physical safety of an individual or to present a real and substantial risk to the
13 public health and welfare;

14 (11) the written notification regarding a proposed regulation provided
15 under AS 24.20.105 to the Department of Law and the affected state agency and
16 communications between the Legislative Affairs Agency, the Department of Law, and
17 the affected state agency under AS 24.20.105.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 248
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Corrections
 Title "An act relating to the exemption from public RDU Administration & Support
inspect of records Connection of or correctional officers." Component Commissioner's Office
 Sponsor Representative Hawker
 Requester State Affairs, Judiciary Component No. 694

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	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
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	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

The Department of Corrections does not anticipate a significant fiscal impact with passage of this legislation. Employee records are maintained by the Division of Personnel, Department of Administration.

Prepared by: Sharleen Griffin, Acting Director Phone 465-4641
 Division Administrative Services Date/Time 4/26/05 6:53 AM
 Approved by: Portia Parker, Deputy Commissioner Date 4/26/2005
 Agency Department of Corrections

Q 5 What is meant by "La Entremis Propos"?

Write a Definition of "La Entremis Propos"?

Page 2 line 5: production in ex of statute
"Production of Documents" term of Art 1

→ public law (sec 7)

Not to go

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB248-LAW-CDCO-4-26
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: LAW
 Title "An Act relating to the exemption from public RDU CRIMINAL
inspection of certain records and information..." Component Criminal Justice Litigation
 Sponsor Representative Hawker
 Requester House State Affairs 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 40.25.120 (Public Records) by adding a new subsection that would allow certain information about peace officers or correctional officers to be disseminated to a requestor.

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

Prepared by: Kathryn Daughhete, Director Phone 465-3673
 Division Administrative Services Division Date/Time 4/25/05 5:33 PM
 Approved by: Kathryn Daughhete for David Márquez, Attorney General Date 4/25/2005
 Agency Department of Law

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB248-DPS-ASTD-4-28-05
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Public Safety
 Title "An Act relating to the exemption from public RDU Alaska State Troopers
inspection of certain records and information..." Component AST Detachments
 Sponsor Representative Hawker
 Requester House State Affairs Component No. 2325

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)

Passage of this bill will not have a fiscal impact on the Alaska State Troopers.

Note: After conferring with the bill sponsor, it became apparent that the language drafted for this legislation was going to have the opposite effect of the sponsor's intent. No further comment will be offered for this original bill as a complete rewrite will be addressed in committee.

Prepared by: Lieutenant Todd Sharp Phone 907-269-4532
 Division: Alaska State Troopers Date/Time 4/25/05 4:53 PM
 Approved by: Commissioner William Tandeske Date 4/25/2005
 Agency: Department of Public Safety

HB

273

ALASKA STATE LEGISLATURE

Representative Bruce Weyhrauch

HOUSE DISTRICT 4

ALASKA
STATE CAPITOL
JUNEAU, ALASKA
99801-1182

Sponsor Statement

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

HB 273

"An Act relating to the dividends of individuals claiming allowable absences, and providing for an effective date."

The Alaska Permanent Fund Dividend was initiated to provide Alaskans with a share of the state's resource wealth, primarily derived from oil. As dividend values increase, the number of allowable absences also has increased. While receiving dividends out of state, many valuable Alaskans continue to receive dividends under many exemptions authorized by the Legislature. To encourage those who live out of state and receive PFD checks to return to the state, HB 273 simply asks individuals to return in order to collect their dividends.

Individuals collecting dividends out of state, leave little in net return to Alaska. In 2004, roughly 18489 dividends were paid to people living out of state, removing \$17,006,921.76 directly from the state's economy. With a dividend in the amount of \$1963 in 2000, roughly \$30 million left the state.

The system for paying dividends out of state is based on statutory absences created by the legislature. All that is necessary for individuals to receive approval for an allowable absence is that they make a simple statement that they intend to return to the state. Essentially, its an 'honor system.'

But does this really work? Recently, the PF Division issued an estimate that the average rate of return for individuals out of state on an allowable absence was 30%. Over a nine-year period the PF Division estimates the sum of dividends paid to those absent more than 180 days who never returned to the state at approximately \$86.1 million dollars.

Distributing dividends in Alaska through HB 273's requirement for return, suggests that more money will be spent in Alaska. Knowing that a sizable nest egg had accrued in absence, HB 273 might encourage college students and our valuable military personnel to also return to Alaska. By distributing more dividends in state, HB 273 seeks to remedy the situation where a person collects Alaska PFD checks but doesn't live here, while potentially pumping more money into the state's economy.

Contact: Linda Sylvester

Revised: May 3, 2005

24-LS0871\G
Cook
5/3/05

CS FOR HOUSE BILL NO. 273()

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION**

BY

**Offered:
Referred:**

**Sponsor(s): REPRESENTATIVES WEYHRAUCH, Seaton, McGuire, Gatto, Gruenberg, Elkins, Hawker,
Wilson, Ramras, Cissna, Thomas, Foster, Anderson, Rokeberg, Moses, Olson, Holm, Chenault, Kelly,
Guttenberg, Dahlstrom**

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the dividends of certain individuals claiming allowable absences;**
2 **and providing for an effective date."**

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

4 *** Section 1. AS 43.23.005(a) is amended to read:**

5 (a) An individual is eligible, or conditionally eligible under AS 43.23.009, to
6 receive one permanent fund dividend for each year in an amount to be determined
7 under AS 43.23.025 if the individual

- 8 (1) applies to the department;
- 9 (2) is a state resident on the date of application;
- 10 (3) was a state resident during the entire qualifying year;
- 11 (4) has been physically present in the state for at least 72 consecutive
- 12 hours at some time during the prior two years before the current dividend year;
- 13 (5) is
- 14 (A) a citizen of the United States;

1 (B) an alien lawfully admitted for permanent residence in the
2 United States;

3 (C) an alien with refugee status under federal law; or

4 (D) an alien that has been granted asylum under federal law;

5 (6) was, at all times during the qualifying year, physically present in
6 the state or, if absent, was absent only as allowed in AS 43.23.008 and met the
7 requirements of AS 43.23.009; and

8 (7) was in compliance during the qualifying year with the military
9 selective service registration requirements imposed under 50 U.S.C. App. 453
10 (Military Selective Service Act), if those requirements were applicable to the
11 individual, or has come into compliance after being notified of the lack of compliance.

12 * Sec. 2. AS 43.23.008(a) is amended to read:

13 (a) Subject to (b) and (c) of this section, an otherwise eligible individual who
14 is absent from the state during the qualifying year remains eligible, or conditionally
15 eligible under AS 43.23.009, for a current year permanent fund dividend if the
16 individual was absent

17 (1) receiving secondary or postsecondary education on a full-time
18 basis;

19 (2) receiving vocational, professional, or other specific education on a
20 full-time basis for which, as determined by the Alaska Commission on Postsecondary
21 Education, a comparable program is not reasonably available in the state;

22 (3) serving on active duty as a member of the armed forces of the
23 United States or accompanying, as that individual's spouse, minor dependent, or
24 disabled dependent, an individual who is

25 (A) serving on active duty as a member of the armed forces of
26 the United States; and

27 (B) eligible for a current year dividend;

28 (4) serving under foreign or coastal articles of employment aboard an
29 oceangoing vessel of the United States merchant marine;

30 (5) receiving continuous medical treatment recommended by a
31 licensed physician or convalescing as recommended by the physician that treated the

1 illness if the treatment or convalescence is not based on a need for climatic change;

2 (6) providing care for a parent, spouse, sibling, child, or stepchild with
3 a critical life-threatening illness whose treatment plan, as recommended by the
4 attending physician, requires travel outside the state for treatment at a medical
5 specialty complex;

6 (7) providing care for the individual's terminally ill family member;

7 (8) settling the estate of the individual's deceased parent, spouse,
8 sibling, child, or stepchild, provided the absence does not exceed 220 cumulative days;

9 (9) serving as a member of the United States Congress;

10 (10) serving on the staff of a member from this state of the United
11 States Congress;

12 (11) serving as an employee of the state in a field office or other
13 location;

14 (12) accompanying a minor who is absent under (5) of this subsection;

15 (13) accompanying another eligible resident who is absent for a reason
16 permitted under (1), (2), (5) - (12), or (14) of this subsection as the spouse, minor
17 dependent, or disabled dependent of the eligible resident;

18 (14) for any reason consistent with the individual's intent to remain a
19 state resident, provided the absence or cumulative absences do not exceed

20 (A) 180 days in addition to any absence or cumulative absences
21 claimed under (3) of this subsection if the individual is not claiming an absence
22 under (1), (2), or (4) - (13) of this subsection;

23 (B) 120 days in addition to any absence or cumulative absences
24 claimed under (1) - (3) of this subsection if the individual is not claiming an
25 absence under (4) - (13) of this subsection but is claiming an absence under (1)
26 or (2) of this subsection; or

27 (C) 45 days in addition to any absence or cumulative absences
28 claimed under (1) - (13) of this subsection if the individual is claiming an
29 absence under (4) - (13) of this subsection.

30 * Sec. 3. AS 43.23 is amended by adding a new section to read:

31 **Sec. 43.23.009. Dividends of individuals with allowable absences. (a)**

1 Notwithstanding other provisions regarding eligibility for and payment of dividends,
2 the dividend of an individual who was absent from the state during the qualifying year
3 as allowed in AS 43.23.008(a)(1) - (8) or (10) - (13) shall be paid to that individual on
4 the first subsequent year that the individual is eligible for a dividend without claiming
5 an allowable absence under AS 43.23.008(a)(1) - (8) or (10) - (13).

6 (b) If an individual who is conditionally eligible for a dividend that has not
7 become payable under (a) of this section fails to be eligible for a subsequent year
8 dividend, the individual's conditional eligibility for the dividend that has not become
9 payable under (a) of this section is terminated, and that dividend may not be paid.

10 (c) If an individual who is conditionally eligible for a dividend that has not
11 become payable under (a) of this section dies before conditional eligibility for the
12 dividend is terminated under (b) of this section, the department shall pay the dividend
13 to a personal representative of the estate ~~or to a successor claiming personal property~~
14 under AS 13.16.680.]

15 (d) Notwithstanding other provisions, a dividend that has not become payable
16 to an individual under (a) of this section is not subject to levy, execution, garnishment,
17 attachment, or any other remedy for the collection of debt until that dividend becomes
18 payable or is paid to the individual.

19 * Sec. 4. AS 43.23.025(a) is amended to read:

20 (a) By October 1 of each year, the commissioner shall determine the value of
21 each permanent fund dividend for that year by

22 (1) determining the total amount available for dividend payments,
23 which equals

24 (A) the amount of income of the Alaska permanent fund
25 transferred to the dividend fund under AS 37.13.145(b) during the current year;

26 (B) plus the unexpended and unobligated balances of prior
27 fiscal year appropriations that lapse into the dividend fund under
28 AS 43.23.045(d);

29 (C) less the amount necessary to pay prior year dividends from
30 the dividend fund in the current year under AS 43.23.005(h), 43.23.009, and
31 under AS 43.23.055(3) and (7);

1 (D) less the amount necessary to pay dividends from the
2 dividend fund due to eligible applicants who, as determined by the department,
3 filed for a previous year's dividend by the filing deadline but who were not
4 included in a previous year's dividend computation;

5 (E) less appropriations from the dividend fund during the
6 current year, including amounts to pay costs of administering the dividend
7 program and the hold harmless provisions of AS 43.23.075;

8 (2) determining the number of individuals eligible to receive a
9 dividend payment for the current year and the number of estates and successors
10 eligible to receive a dividend payment for the current year under AS 43.23.005(h); and

11 (3) dividing the amount determined under (1) of this subsection by the
12 amount determined under (2) of this subsection.

13 * Sec. 5. This Act takes effect January 1, 2006.

Conceptual Amendment to ASHB 273 '6' version

by Brunette

page 4 line 19
following line 18

a new AS 4 3.23.009(c)
Add in appropriate place

" If the applicant's initial enlistment or initial entry into the armed forces began while the ~~person~~ applicant was an Alaskan resident for more than one year, they shall be exempt from not be required to delay receiving the permanent fund dividends under this section."

conceptual A # 3 - Lynn

withdrawing
will put
in writing
for Saturday,
bottom of
calendar

the provision of this statute ~~to~~ apply to any unit members assigned when combat pay is received or

AMENDMENT

#1 to version F.

OFFERED IN THE HOUSE

BY REPRESENTATIVE LYNN

TO: CSHB 273(STA), Draft Version F"

1 Page 4, line 6, following "AS 43.23.008(a)(1) - (8) or (10) - (13).":

2 Insert "This subsection does not apply to the payment of a current year dividend to an
3 individual claiming an allowable absence under AS 43.23.008(a)(3) if, for a period during the
4 qualifying year, the individual

5 (1) was serving as a member of the armed forces of the United States
6 on active duty

7 (A) at a location outside of the United States and outside of
8 North, South, and Central America;

9 (B) considered to be a remote tour of duty by the armed forces
10 of the United States; or

11 (C) at a location outside of the state, has a spouse or minor or
12 disabled dependent, and the spouse and each minor or disabled dependent is
13 eligible for the current year dividend without claiming an allowable absence
14 under AS 43.23.008; or

15 (2) received care in a hospital outside the state while

16 (A) serving on active duty as a member of the armed forces of
17 the United States; or

18 (B) a spouse or minor or disabled dependent of an individual
19 serving on active duty as a member of the armed forces of the United States
20 who is eligible for a current year dividend."

*Getto - No
Elkins - No
Lynn - Yes
Ramas - No
Greenberg - No
Sexton - No*

Central Amendment 3
by Rep. LYNN

The provisions of this statute do not apply to any military service member who is assigned to duty in a location where combat pay is authorized, or to any military service member whose military dependents remain in Alaska while the service member serves outside Alaska, or to any military service member who is receiving care in a military hospital.

Amendment to HB 273

Offered by Rep. Gruenberg

Amending AS 43.23

For a student who is eligible for a dividend who leaves the state to attend an educational institution, the dividend will continue to be payable to the student under the following conditions:

- * would change slightly - fiscal note -*
1. The student shall sign an affidavit, or ~~comparable instrument~~ *a form under oath* provided by the Permanent Fund Corporation, stating the student's intent to return and remain in the state within one year of completing studies, *(the last year the student applied for a "student" allowance absence)*
 2. If the student does not return and remain after one year of completing studies out of state, the entire amount of ~~the~~ Permanent Fund dividends paid during the student's absence will become payable immediately, *the last year he/she applied for the "student" allowance absence.* starting one year after ~~studies have been completed and the student has~~ *not returned to Alaska.*
 3. ~~A~~ *3%* annual interest fee will be ~~added to the~~ *charged on the* outstanding amount the student is obligated to repay the state if he/she has not returned.

#1 Adopted

9:21:02 AM

REPRESENTATIVE GRUENBERG moved to adopt Amendment 1, to eliminate: "or to a successor claiming personal property under AS 13.16.680." He said this issue has come up during another bill. He said he doesn't want this to become a big deal again.

Page 4, line 13-14
of version G

Gruber's Deeds
① Statute of purpose not funds

Gruber 1/1
Suggestion of adding a funds section
or a letter of funds

→ Look at constitutional basis of design
Carrying out for separate treatment

→ Take up bill next week

#2

Y	N

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE GARDNER

TO: HB 273

Conceptual

1 Page 1, line 6, following "dividends":

2 Insert "and except as provided in (d) of this section"

3

4 Page 2, following line 5:

5 Insert a new subsection to read:

6 "(d) The dividend for a current year and for the ~~three~~ *year* immediately
7 followi~~ng~~ the current year shall be paid to an individual each year under
8 AS 43.23.055(2) if

9 (1) without claiming an allowable absence under AS 43.23.008(a)(1) -
10 (8) or (10) - (13), the individual was eligible for a dividend for the year immediately
11 preceding the qualifying year for the current year;

12 (2) the individual was absent from the state during the qualifying year
13 for the current year as allowed in AS 43.23.008(a)(1) - (8) or (10) - (13); and

14 (3) the individual is otherwise eligible for the divi 'end."

adopted

#3 The provision of

Conceptual Amendment to CSHB273/b version

By Rep. Gruenberg

Page 4, line 19

Add a new AS 4 3.23.009 (e)

**“If the applicant’s initial enlistment or initial entry into the
Armed Forces began while the applicant was an Alaskan
resident for more than one year, they shall not be required to
delay receiving the Permanent Fund dividends under this
section.”**

CONCEPTUAL AMENDMENT

OFFERED IN STATE AFFAIRS BY REPRESENTATIVE BOB LYNN
To: HB 273

The provisions of this statute do not apply to any military service member who is assigned to duty in an overseas location, or to a location designated as "remote," or to any military service member whose military dependents remain in Alaska while the service member serves outside Alaska, or to any military service member or dependent who is receiving care in a hospital outside Alaska.

9:28:28 AM

REPRESENTATIVE GARDNER moved to adopt Conceptual Amendment 2, which she explained would have to be conceptual because it was not drafted to fit the lines of Version G. Conceptual Amendment 2 read as follows:

Page 1, line 6, following "dividends":

Insert "and except as provided in (d) of this section"

Page 2, following line 5:

Insert a new subsection to read:

one "(d) The dividend for a current year and for the ~~three~~ year immediately following the current year shall be paid to an individual each year under AS 43.23.055(2) if

(1) without claiming an allowable absence under AS 43.23.008(a)(1) - (8) or (10) - (13), the individual was eligible for a dividend for the year immediately preceding the qualifying year for the current year;

(2) the individual was absent from the state during the qualifying year for the current year as allowed in AS 43.23.008(a)(1) - (8) or (10) - (13); and

(3) the individual is otherwise eligible for the dividend."

Amendment amended to change "three years" to "one year"

Amendment drafted to version A of HB 273 so conceptual to version G

STATE OF ALASKA

DEPARTMENT OF REVENUE

PERMANENT FUND DIVIDEND DIVISION

FRANK MURKOWSKI, GOVERNOR

State Office Building
PO Box 110460
Juneau, AK 99811-0460
Telephone : 907-465-2323
Fax : 907-465-2096

December 9, 2005

The Honorable Bruce Weyhrauch
Alaska State House of Representatives
Alaska State Capitol
Juneau, AK 99801-1182

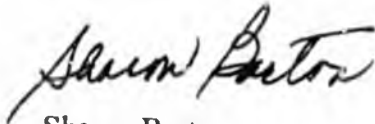
Dear Representative Weyhrauch:

In last session's hearings on HB 273, PFD Delayed Payments, I committed the division to an updated study of the return rates for PFD recipients who are absent from the state for more than 180 days.

The new study is enclosed. It was designed to be statistically valid at the 95% confidence level. The bottom line indicates that approximately \$18 million dollars is paid each year to individuals who are absent from the state and never return.

I would be happy to meet with you or your staff to go over the study in detail.

Sincerely,



Sharon Barton
Director

cc: Representative Paul Seaton, Chair
House State Affairs Committee
Tom Boutin, Deputy Commissioner
Jerry Burnett, Administrative Services Director

Enclosure

*File
too
State
affairs
HB 273*

**Permanent Fund Dividend
HB 273
2005 Absentee Return Study
Methodology & Summary**

Using a 1996 statistically valid applicant sample (95% confidence level and interval level of five) of individuals in four allowable absence categories who were absent from the state for more than 180 days, the division determined the percent of individuals who did not return to Alaska by 2005.

The respective percentages by category were applied to all individuals in each absence category for the years 1996-2005 to project the total cost of dividends paid to individuals who would not return to Alaska.

A ten year period is used for the study because Alaskans may only continue to receive the PFD for ten years while allowably absent from the state.

The "did not return" percentages for the sample are as follows:

Accompanying	81%
Students	64%
Active Military	66%
Medical	40%

Applying these percentages to each year 1996-2005 indicates that a total of \$181,790,472 was paid over the ten year period to individuals who have not or will not return to the state, an average of \$18.2 million each year.

**Permanent Fund Dividend
2005 Projection**

Individuals absent for more than 180 days who will not return over a ten year period

Absence Category/Year	Individuals Absent	% did not return in sample	Calculated total did not return	Dividend Amount	Total paid
Accompanied					
1996	4,105	0.81	3,325	\$9,427	\$31,344,781
1997	4,127	0.81	3,343	\$1,297	\$4,334,165
1998	4,248	0.81	3,441	\$1,541	\$5,301,983
1999	5,335	0.81	4,321	\$1,770	\$7,648,098
2000	7,011	0.81	5,679	\$1,964	\$11,152,584
2001	7,680	0.81	6,221	\$1,850	\$11,510,222
2002	7,525	0.81	6,095	\$1,541	\$9,391,317
2003	7,633	0.81	6,183	\$1,108	\$6,847,744
2004	7,506	0.81	6,080	\$920	\$5,592,498
2005	6,864	0.81	5,560	\$846	\$4,703,625
Total	62,034		50,248		\$97,827,018
Students					
1996	4,142	0.64	2,651	\$1,131	\$2,997,297
1997	4,446	0.64	2,845	\$1,297	\$3,689,227
1998	4,773	0.64	3,055	\$1,541	\$4,706,957
1999	5,085	0.64	3,254	\$1,770	\$5,759,767
2000	5,443	0.64	3,484	\$1,964	\$6,841,146
2001	5,611	0.64	3,591	\$1,850	\$6,644,429
2002	5,659	0.64	3,622	\$1,541	\$5,580,263
2003	5,534	0.64	3,542	\$1,108	\$3,922,712
2004	5,200	0.64	3,328	\$920	\$3,061,228
2005	4,373	0.64	3,119	\$846	\$2,638,437
Total	50,766		32,490		\$45,841,462
Active Duty					
1996	2,601	0.66	1,717	\$1,131	\$1,940,993
1997	2,813	0.66	1,857	\$1,297	\$2,407,130
1998	2,992	0.66	1,975	\$1,541	\$3,042,807
1999	3,437	0.66	2,268	\$1,770	\$4,014,740
2000	4,308	0.66	2,843	\$1,964	\$5,583,804
2001	4,805	0.66	3,171	\$1,850	\$5,867,793
2002	4,684	0.66	3,091	\$1,541	\$4,763,167
2003	4,901	0.66	3,235	\$1,108	\$3,582,580
2004	4,826	0.66	3,185	\$920	\$2,929,838
2005	4,920	0.66	3,247	\$846	\$2,747,131
Total	40,287		26,589	\$13,966	\$36,879,983
Medical					
1996	144	0.4	58	\$1,131	\$65,127
1997	138	0.4	55	\$1,297	\$71,569
1998	131	0.4	52	\$1,541	\$80,742
1999	134	0.4	54	\$1,770	\$94,863
2000	221	0.4	88	\$1,964	\$173,605
2001	261	0.4	104	\$1,850	\$193,169
2002	285	0.4	114	\$1,541	\$175,647
2003	299	0.4	120	\$1,108	\$132,464
2004	349	0.4	140	\$920	\$128,410
2005	374	0.4	150	\$845	\$126,412
Total	2,336		934	\$13,965	\$1,242,009
Total - All Categories/Ten years					\$181,790,472

~~Esther Gordon~~ Gruenberg

~~2nd school~~

10 3/4 yr

67%

38

50

33%

43%

50%

2nd school

carrier

Merchant Marine

Estate sell

Caring for family mem

Congress

~~Student 10 1/2 years~~

Student 10 1/2 years

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 273
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title PFD: Delayed payments for eligible at RDU Revenue Programs & Support
 Component Permanent Fund Dividend
 Sponsor Weyhrauch, et al
 Requester _____ Component No. 981

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 ()						
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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
 Check 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)

HB 273 delays payment of dividends for Alaskans who are out of state on allowable absences until the individual returns to Alaska for one year without allowable absences. If an individual fails to otherwise maintain eligibility for any year, the individual's eligibility for the delayed dividends is terminated and the delayed dividends will not be paid.

PFD will review all applications for those with allowable absences exceeding 180 days, determine eligibility, and pend payment for those who are otherwise eligible. In 2004, 18,489 applicants were out of state for more than 180 days on allowable absences.

Prepared by: Sharon Barton Phone 907-465-4785
 Division Permanent Fund Dividend Date/Time 4/21/05 1:53 PM
 Approved by: Jerry Burnett, Special Assistant to the Commissioner Date 4/21/2005
 Agency Department of Revenue

FISCAL NOTE

**STATE OF ALASKA
2005 LEGISLATIVE SESSION**

BILL NO. HB 273

ANALYSIS CONTINUATION

PFD will calculate and reserve in the Permanent Fund Dividend Fund the amount need to pay delayed dividends each year. Funds for delayed payments for those who do not return to the state will be released and included in the calculation for all other dividends.

Interest earned on funds held for delayed payments will be deposited in the General Fund.

Incremental costs will be minimal and can be covered within the PFD 2006 budget.