

ALASKA LEGISLATURE COMMITTEE FILES 2007-2008 SSTA 12750

SB

171



SARAH PALIN
GOVERNOR
GOVERNOR@GOV.STATE.AK.US

P.O. Box 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

May 2, 2007

The Honorable Lyda Green
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Green:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to judicial retention election candidates.

The state elections code currently does not contain a process for a candidate for judicial retention to withdraw from candidacy. This bill would amend the state elections code to provide such a process.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script that reads "Sarah Palin".

Sarah Palin
Governor

COMMITTEE COPY

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 171
 (S) Publish Date: 5/3/07

Revision Date/Time (Note if correction): _____ Dept. Affected: OOG
 Title "An Act relating to the withdrawal of a candidate RDU Elections
from a judicial retention election...." Component Elections
 Sponsor Rules Committee
 Requester Governor Component No. 21

Expenditures/Revenues (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|------------|------------|------------|------------|------------|------------|
| 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 | | | | | | |
|-----------------------------|--|--|--|--|--|--|

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|-------------------------------|--|--|--|--|--|--|
| 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 (1175-Business License Receipts) | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This legislation will have no fiscal impact on the division.

Prepared by: Gail Fenumiai, Asst. Admin. Director
 Division Division of Administrative Services
 Approved by: Whitney Brewster, Director
 Agency Office of the Lt. Governor, Division of Elections

Phone 465-3885
 Date/Time 3/29/2007, 12:51pm
 Date 3/29/2007

SB

183

SENATE COMMITTEE REPORT

DATE: 2/15/08

FURTHER: Judiciary
Finance

DATE TURNED
IN TO OFFICE: _____

State Affairs Committee considered SENATE BILL NO. 183

SB 183 REPEAL DEFINED CONTRIB RETIREMENT PLANS

"An Act repealing the defined contribution retirement plans for teachers and for public employees; making conforming amendments; and providing for an effective date."

and recommends:

- be replaced with SCS or CS _____ (_____)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

| | |
|--------------------------|--------------------------|
| SENATE BILL: | |
| <input type="checkbox"/> | Same Title |
| <input type="checkbox"/> | New Title |
| <hr/> | |
| HOUSE BILL: | |
| <input type="checkbox"/> | Same Title |
| <input type="checkbox"/> | Technical Title Change |
| <input type="checkbox"/> | New Title w/ SCR # _____ |




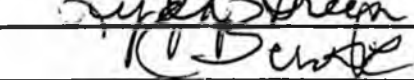

NEW FISCAL NOTE(S):

| Department | Date | Fiscal | Indet. | Zero | FN# |
|------------|------|--------|--------|------|-----|
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PREVIOUS FISCAL NOTE(S):

| Department | Date | Fiscal | Indet. | Zero | FN# |
|------------|---------|--------|--------|------|-----|
| Admin | 2/15/08 | ✓ | | | |
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APPROPRIATION - no fiscal note

| SIGNATURES AND RECOMMENDATIONS: | PRINTED LAST NAME | DO PASS | DO NOT PASS | NO REC | AMEND |
|--|-------------------|---------|-------------|--------|-------|
|  | French | x | | | |
|  | Staves | ✓ | | x | |
|  | Green | | ✓ | | |
|  | Bunde | | ✓ | | |
| CHAIR:  | McGuire | ✓ | | | |



SENATOR KIM ELTON

SB 183 – Restoring Pension Benefits for Public Employees

Sponsor Statement

SB 183 returns guaranteed pension and health care benefits to Alaska public employees. It will make it easier to recruit and retain teachers, police officers, firefighters, and other public employees.

Analyses by actuaries and the state Division of Retirement and Benefits show that Alaska's defined benefit pension – paying a guaranteed monthly benefit plus health care – costs the same as the new defined contribution system but provides much better benefits. In a worst-case scenario, monthly costs might increase by \$5 per public employee. With SB 183, Alaskans get more benefit for the same cost.

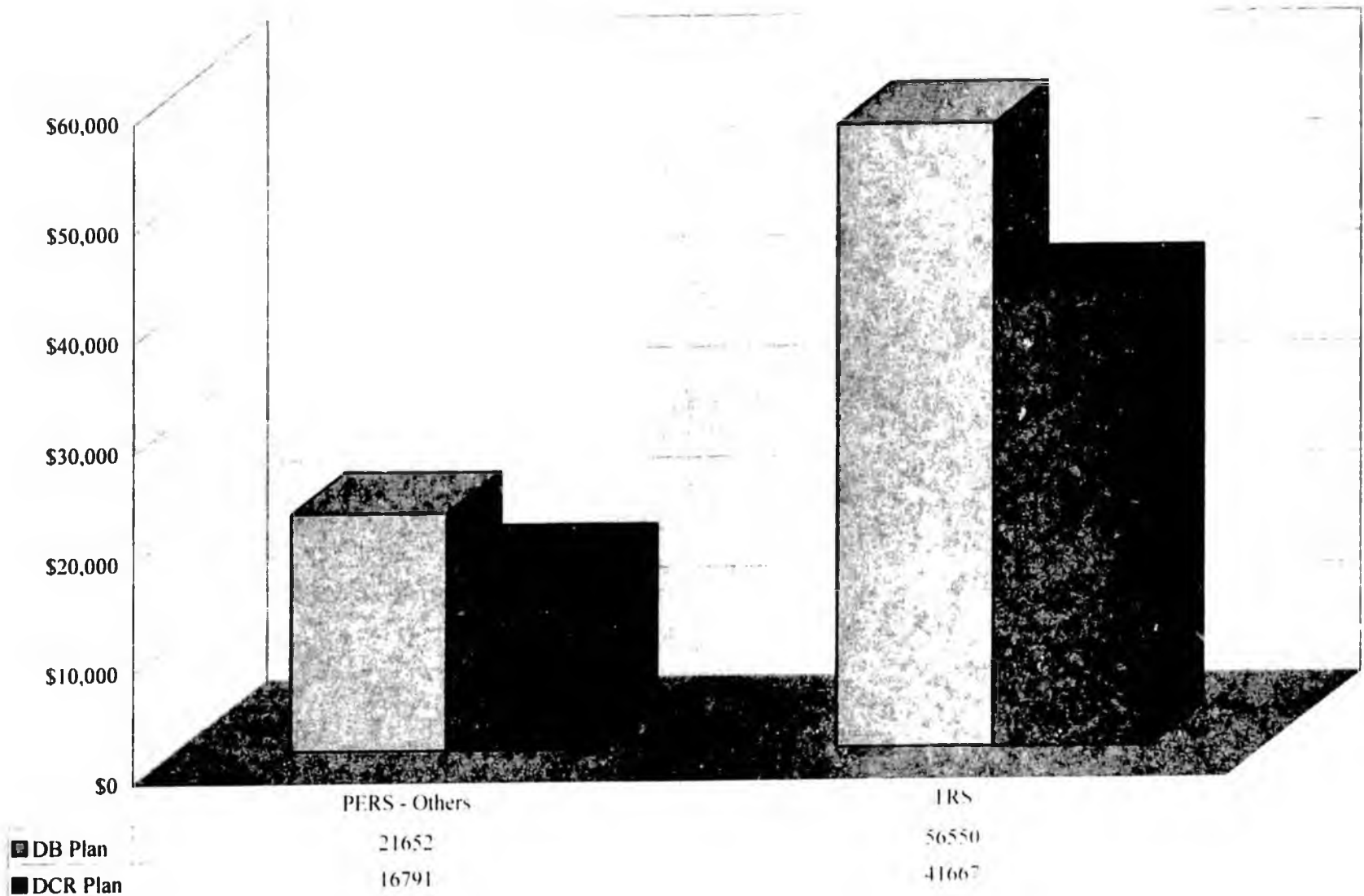
SB 183 repeals the laws putting public employees into risky individual savings account plans, and enrolls them in the least expensive pension plans, the current public employee tier III and teacher tier II. The State already administers these tiers for thousands of members, so no new bureaucracy is required.

A few years ago, Alaska beefed up oversight of the pension system: now two actuaries analyze the health of the pension funds, there are more frequent experience studies, and the state stopped the practice of sometimes paying less than the cost of benefits. SB 183 retains these smart reforms, making Alaska pensions stronger than ever.

The K-12 teachers and university professors who educate our children, the police and firefighters who protect our families, and the public employees who serve our state and cities deserve a secure retirement in return for their service.

I respectfully ask for your support.

**Value of Employer-Paid Benefits
(31-year old new employee)**



Based on data provided by Buck Consultants, letter dated May 4, 2006

Assumes a married member with starting salary of \$35.5/year.



SENATOR KIM ELTON

Memorandum

TO: Sens. Hoffman and Stedman, co-chairs, and Finance Committee members

FROM: Sen. Kim Elton

RE: Defined Benefit/Defined Contribution

DATE: March 30, 2007

Attached are slightly reformatted charts codifying data provided by Buck Consultants in their letter dated March 19, 2007. The Buck letter responds to requests by the committee to disaggregate by tiers data that previously was dumped into only two buckets for comparison purposes—a defined benefit bucket and a defined contribution bucket. Now we have several buckets of data—four PERS buckets (tiers 1-4) and three TRS buckets.

The normal cost charts for PERS and TRS are easy-to-read comparisons of PERS pension and medical costs by tier and TRS pension and medical costs by tier. The third chart, the accrued liability chart, puts dollar amounts to liabilities by tier.

Here are some demonstrable basics revealed by the Buck data:

- the PERS tier 3 DB employees are just slightly more expensive than the new DC employees;
- the new TRS DC employees are very slightly more expensive than the TRS tier 2 DB employees;
- the very slight cost advantage of a PERS tier 4 over a tier 3 is erased when tier 4 employees leave early and take employer dollars that, if left in the system, would help meet pension benefit obligations in the out years; so
- the DB PERS tier 3 and the DB TRS tier 2 fundamentally fixed the problems the governor claimed had to be fixed by his new DC plan.

There also are some other DB/DC inferences that can be drawn:

- recruitment for quality public employees is made more difficult when Alaska is a defined contribution pension system (without even the backstop of the defined Social Security benefit) because professionals can work with other public employers that are just as competitive on wages and almost all of whom provide a defined benefit pension; and
- retention is made more difficult with the portability provisions of the defined contribution because relatively short-term employees can take their contributions as-well-as employer contributions out of the retirement systems and go to

ALASKA SENATE

STATE CAPITOL • JUNEAU, ALASKA 99801-1182 • (907) 465-4947 • FAX (907) 465-2108
SENATOR_KIM_ELTON@LEGIS.STATE.AK.US

another public employer that provides a defined benefit (any federal employer, or any other state, or almost all municipalities or school districts outside Alaska). As we know, a high percentage of teachers and public employees leave before five years and now new DC employees have a special financial inducement to leave—they can cut and run and take the employer dollars, too.

These inferences are now backed with anecdotal Alaska evidence, even after less than a year's experience with tier 4. Further, the anecdotal Alaska evidence mimics the real-life experience of the two states that actually moved to a defined contribution but later back-tracked because of recruitment and retention problems.

Given the instructive Buck numbers that finally compare the immediately previous DB plans to the replacement DC plan and given, too, the cost-sharing bills that will spread the past service costs to employers regardless of tiers, we need to review what we wrought with SB141.

We must not assume our only options now are passing a DC 'fix-it' bill and passing a cost sharing bill that spreads the pain of past service costs. At a minimum we must also decide whether to give new employees a choice of tier 3 or DC in the PERS system or tier 2 and DC in the TRS system. If the cost differences are a wash, why limit the ability of employers to recruit and retain, and limit new employees to a risky defined contribution plan?

Normal Cost

| Employer Normal Cost Rate | PERS Pension | PERS Medical | PERS Total | # of Active & Retired |
|---------------------------|--------------|--------------|------------|-----------------------|
| Tier 1 (DB) | 9.15% | 10.46% | 19.61% | 26,263 |
| Tier 2 (DB) | 5.33% | 10.41% | 15.74% | 10,999 |
| Tier 3 (DB) | 1.55% | 9.28% | 10.83% | 18,719 |
| Tier 4 (DC) | 5.67% | 3.99% | 9.66% | 2,214 |

| Employer Normal Cost Rate | TRS Pension | TRS Medical | TRS Total | # of Active & Retired |
|---------------------------|-------------|-------------|-----------|-----------------------|
| Tier 1 (DB) | 7.18% | 8.02% | 15.20% | 11,872 |
| Tier 2 (DB) | 2.16% | 8.96% | 11.12% | 7,635 |
| Tier 3 (DC) | 7.56% | 3.99% | 11.55% | 754 |

Accrued Liability

| Accrued Liability (DB) | PERS Pension | PERS Medical | PERS Total | TRS Pension | TRS Medical | TRS Total |
|------------------------|--------------|--------------|--------------|-------------|-------------|-------------|
| Tier 1 | \$5,628,778 | \$4,036,751 | \$9,665,530 | \$3,925,023 | \$1,816,223 | \$5,741,247 |
| Tier 2 | 1,123,559 | 1,334,674 | 2,458,233 | 409,562 | 347,748 | 757,309 |
| Tier 3 | 334,854 | 386,224 | 721,078 | N/A | N/A | N/A |
| Total | \$7,087,191 | \$5,757,650 | \$12,844,841 | \$4,334,585 | \$2,163,971 | \$6,498,556 |
| Assets | | | \$8,442,919 | | | \$3,958,939 |
| Accrued Liability | | | \$4,401,922 | | | \$2,539,617 |

INVESTMENT RETURNS: DEFINED BENEFIT VS. 401(k) PLANS

BY ALICIA H. MUNNELL, MAURICIO SOTO, JERILYN LIBBY, AND JOHN PRINZIVALLI*

Introduction

Pension coverage in the private sector has shifted from defined benefit plans where professionals manage the money to 401(k) plans where participants invest their own accounts. The supposition is that individuals are not very good at investing their own money. The question is whether the supposition is borne out by the facts. That is, are returns on 401(k) plans markedly lower than those on traditional defined benefit plans?

This *brief* first reports rates of return on defined benefit and 401(k) plans over the period 1988-2004. The second section then looks at the holdings of the two types of plans to see whether the differences in returns can be explained by a more risky portfolio. The third section speculates about the role fees play in the results. The fourth section explores the implications of the findings for 401(k) participants. The final section reports on Individual Retirement Accounts (IRAs), because the assets in these accounts now exceed holdings in either defined benefit or

defined contribution plans, and most of the money is rolled over from employer-sponsored plans.

The bottom line is that over the period 1988-2004 defined benefit plans outperformed 401(k) plans by one percentage point. This outcome occurred despite the fact that 401(k) plans held a higher portion of their assets in equities during the bull market of the 1990s. Part of the explanation may rest with higher fees, which are deducted before returns are reported to participants. But the one percentage point shortfall understates the investment problem in 401(k) plans, since an aggregate number does not reflect the fact that more than half of participants in 401(k) plans do not follow the prudent investment strategy of diversifying their holdings. Finally, the available data suggest that IRAs produce even lower returns than 401(k) plans, which, if true, implies trouble ahead given the massive amount of money that is being rolled over into these accounts.

* Alicia H. Munnell is the Director of the Center for Retirement Research at Boston College (CRR) and the Peter F. Drucker Professor in Management Sciences at Boston College's Carroll School of Management. Mauricio Soto is a senior research associate, Jerilyn Libby is a research associate, and John Prinzivalli is a student research assistant at the CRR. The authors would like to thank Sylvester Schieber and Brendan McFarland for providing access to Watson Wyatt's previous research and Peter Diamond and Francis Vitagliano for helpful comments.

Rates of Return in Defined Benefit and 401(k) Plans

Financial assets in private sector defined benefit and defined contribution plans (including IRAs) totaled \$8.5 trillion at the end of 2005 (see Table 1). At that time, defined benefit assets accounted for only 23 percent of the total, while self-directed defined contribution plans and IRAs made up the rest. Thus, the question of how individuals fare when investing their own retirement funds is an important one.

TABLE 1. PRIVATE SECTOR RETIREMENT ASSETS, YEAR END 2005

| Type of plan | Billions of dollars | Percent of total |
|----------------------|---------------------|------------------|
| Defined benefit | \$1,916.5 | 22.7% |
| Defined contribution | 2,868.7 | 33.9 |
| IRAs | 3,667.0 | 43.4 |
| Total | 8,452.2 | 100.0 |

Source: U.S. Board of Governors of the Federal Reserve System (2006).

The first step in assessing the performance is to compare median annual rates of return for defined benefit and 401(k) plans. The analysis focuses on companies that sponsor both types of plans to minimize the effect of company or participant characteristics on the results.¹ The formula for calculating rate of return is one commonly used by actuaries.² It relates the change in assets ($A_t - A_{t-1}$), netting out the impact of benefit payments from the plan (B) and contributions to the plan (C), to initial assets (A_{t-1}) plus half of net inflows (C - B):

$$\text{Rate of return} = \frac{(A_t - A_{t-1}) + B - C}{(A_{t-1}) + \frac{1}{2}(C - B)}$$

The Department of Labor's Form 5500 filings provide data on assets, contributions, and benefits for each plan over the period 1988-2004.³

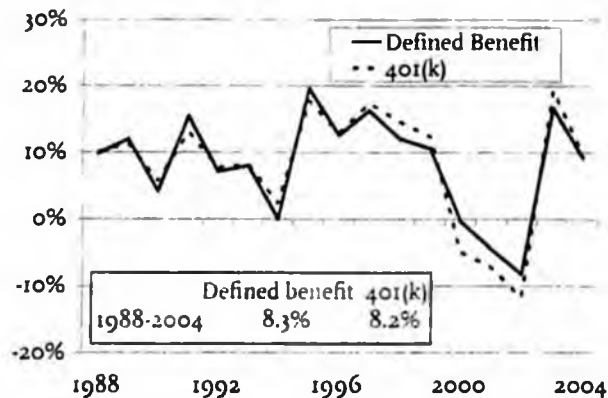
Returns, even median returns, can be calculated in a number of ways. The analysis presented below starts with the simplest approach, and one used in earlier studies, that arrays the plans and reports the return for the plan at the 50th percentile. In terms of the example shown below, the median rate of return would be 5 percent. One obvious question is whether comparing median rates of return is the right exercise, since three-quarters of the total assets in the example are in Plan A earning 10 percent. An alternative measure would be one that weighted returns by plan assets, and then identified the median. Such an approach would yield a return of 10 percent in this example. In our view, this is the preferred approach, although both results are reported below.

EXAMPLE: UNWEIGHTED VERSUS WEIGHTED MEDIANS

| Plan | Assets | Rate of return |
|--------|--------|----------------|
| Plan A | \$75 | 10% |
| Plan B | 20 | 5 |
| Plan C | 5 | 2 |

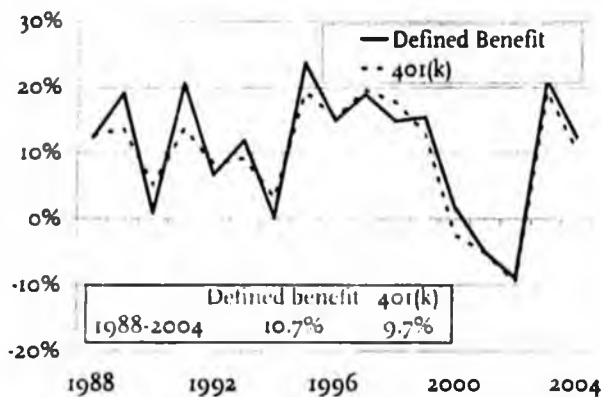
Figure 1 shows the simple medians over the period 1988-2004.⁴ During the period, the average of this measure suggests that the performance of defined benefit and 401(k) plans is virtually identical — 8.3 percent versus 8.2 percent.⁵

FIGURE 1. UNWEIGHTED MEDIAN RATES OF RETURN FOR DEFINED BENEFIT AND 401(K) PLANS, 1988-2004



Source: Authors' calculations from U.S. Department of Labor (1990-2006).

FIGURE 2. WEIGHTED MEDIAN RATES OF RETURN FOR DEFINED BENEFIT AND 401(K) PLANS, 1988-2004



Source: Authors' calculations from U.S. Department of Labor (1990-2006).

Figure 2 recalculates rates of return weighting returns by assets in the plan. Two factors change. First, the returns are higher. Second, defined benefit plans appear to have outperformed 401(k) plans by one percentage point (10.7 percent versus 9.7 percent).

The higher return reflects the fact that larger plans have historically performed better than smaller ones (see Table 2). The usual explanation is that large plans can hire better managers and spread fees over a larger base. Size matters much less for 401(k) plans, because the outcome reflects a myriad of individual investment decisions.

TABLE 2. MEDIAN RATES OF RETURN BY ASSET QUANTILE FOR DEFINED BENEFIT AND 401(K) PLANS, 1988-2004

| Asset quintile | Defined benefit | 401(k) |
|---------------------|-----------------|--------|
| Largest 20 percent | 10.1% | 8.8% |
| Second | 8.9 | 8.1 |
| Third | 8.2 | 7.8 |
| Fourth | 7.4 | 7.6 |
| Smallest 20 percent | 5.6 | 6.6 |

Source: Authors' calculations from U.S. Department of Labor (1990-2006).

The Impact of Portfolio Allocation

One question is the extent to which portfolio differences can explain differences in rates of return. Based on historical performance, stocks have a high yield and big fluctuations in annual rates of return; corporate bonds have a lower yield and much less variation; Treasury bills are the most predictable investment but provide the lowest return (see Table 3).

TABLE 3. ANNUAL TOTAL RETURNS ON VARIOUS FINANCIAL INSTRUMENTS, 1926-2005

| Financial instrument | Rate of return | Standard deviation |
|-------------------------------|----------------|--------------------|
| Stocks | 10.4% | 20.2% |
| Long-term corporate bonds | 5.9 | 8.5 |
| Intermediate government bonds | 5.3 | 5.7 |
| U.S. Treasury bills | 3.7 | 3.1 |
| Inflation | 3.0 | 4.3 |

Source: Ibbotson Associates (2006). Based on copyrighted works by Ibbotson and Sinquefeld. All rights reserved. Used with permission.

Table 4 shows a breakdown by type of investment for both defined benefit and defined contribution plans.⁶ Defined benefit plans appear to hold about 59 percent of assets in equities, compared to 35 percent for defined contribution plans.⁷ But that is not the end of the story because mutual funds also reflect equity holdings, and mutual funds are a very important component of the assets of defined contribution plans. In 2005, roughly 78 percent of the mutual fund assets in 401(k) plans were equities.⁸ Applying that percentage to both the defined benefit and defined contribution mutual fund numbers yields total equity holdings of 67 percent in defined benefit plans and 65 percent in defined contribution plans.

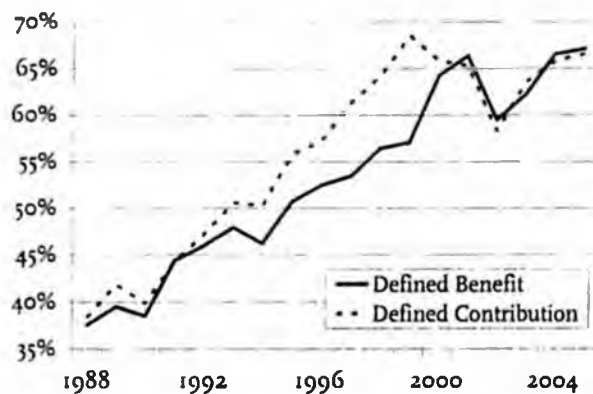
TABLE 4. PERCENTAGE DISTRIBUTION OF ASSETS IN PRIVATE SECTOR DEFINED BENEFIT AND DEFINED CONTRIBUTION PLANS, YEAR END 2005

| Financial instrument | Defined benefit | Defined contribution |
|----------------------|-----------------|----------------------|
| Equities | 58.8% | 35.2% |
| Mutual funds | 10.6 | 18.5 |
| Bonds | 21.9 | 6.7 |
| Cash | 3.1 | 4.5 |
| GICs | 3.6 | 8.7 |
| Other | 2.0 | 6.4 |
| Total | 100.0 | 100.0 |

Source: U.S. Board of Governors of the Federal Reserve System (2006).

Figure 3 shows the percentage of the portfolios in equities for defined benefit and defined contribution plans over the period 1988-2005, where a portion of mutual funds are included in equities as described above. The higher share in equities for defined contribution plans in the late 1990s allowed 401(k) plans to outperform defined benefit plans. The reliance on equities also meant that 401(k) participants were hurt more when the stock market collapsed in 2000, and then did better when the stock market recovered.

FIGURE 3. EQUITIES AS A PERCENT OF TOTAL PORTFOLIO, DEFINED BENEFIT AND DEFINED CONTRIBUTION PLANS, 1988-2005



Sources: Authors' calculations from U.S. Board of Governors of the Federal Reserve System (2006); Investment Company Institute (2005); and Investment Company Institute (2006b).

One interesting aspect of Figure 3 is not the difference between the defined benefit and defined contribution portfolios, but the fact that both professional managers and individual 401(k) participants dramatically increased their holdings of equities over the period. If defined benefit portfolios were optimally balanced in the early 1990s with about 40 percent in equities, what would make 65 percent optimal by the end of the period? In the case of defined benefit plans, an aging beneficiary population would argue, if anything, for less equity investment. Some potential explanations include: 1) professional managers, like individual investors, forgot to re-balance; 2) professional managers, like individual investors, got swept up in the euphoria of the boom and purposely increased their holdings of stocks; 3) sponsors of fully funded defined benefit plans felt like they could gamble with their "surplus" funds; or 4) defined benefit managers wanted to hold the market portfolio and the boom caused equities to increase as a share of the total market. Regardless of the explanation, defined benefit and defined contribution plans both held 40 percent of their portfolios in equities in 1990 and increased their holdings to 65 percent by 2000. The difference is that during most of that period, individual 401(k) investors had higher equity holdings.

The Role of Fees

Another possible explanation for the lower return in defined contribution plans is investment fees, which typically account for 75 to 90 percent of total expenses associated with managing 401(k) plans.⁹ These fees compensate providers of, say, mutual funds for selecting the stocks and undertaking the research that leads to buy and sell decisions. These fees are usually assessed as a percentage of invested assets, and are paid by the employee in that they are deducted directly from investment returns.¹⁰

Mutual funds are the major investment vehicle for 401(k) participants, and Table 5 reports the fees for alternative investments. The fees vary substantially depending on whether the investments are actively managed or follow an index. For example, an actively managed Global Fund costs 1.72 percent of assets annually compared to 0.59 percent for an S&P Index Fund. Given these charges, it is probably reasonable to assume that fees reduce the gross return on 401(k) plans by about one percentage point.

Of course, defined benefit plans also involve some expenses but these are small compared to those associated with 401(k) plans.¹¹

TABLE 5. MUTUAL FUND FEES AS A PERCENT OF ASSETS.
JULY 31, 2006

| Category | Fee |
|---------------------------------|-------|
| Global Fund | 1.72% |
| Equity Income Fund | 1.33 |
| Balanced Fund | 1.22 |
| Intermediate Bond Fund | 0.92 |
| S&P Index Fund | 0.59 |
| Institutional Money Market Fund | 0.45 |

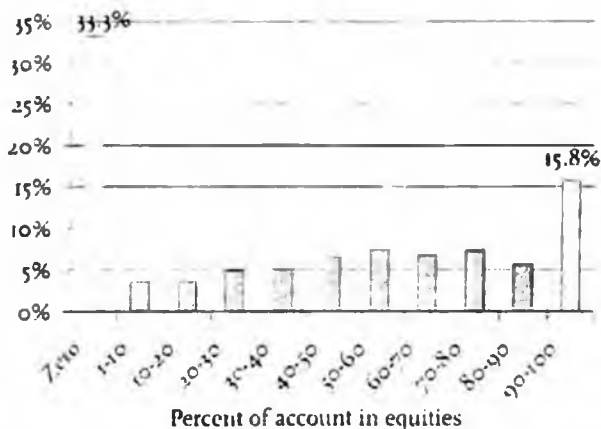
Source: Lipper (2006).

The Implications for Individual 401(k) Participants

So far the discussion has focused only on totals and averages, which tell us little about how individuals might invest. After all, if a plan has 100 participants and half invest all their assets in stocks and the other half all their assets in bonds, the aggregate data suggest that participants are well diversified when in fact they are not. Therefore, it is useful to look at investment data from particular 401(k) plans to see whether the individual participants have balanced portfolios or whether the balance simply reflects offsetting behavior.

As shown in Figure 4, detailed data on the asset allocation of individual participants show that nearly half of all participants have either none of their ac-

FIGURE 4. EQUITIES AS A PERCENT OF 401(k) PARTICIPANT ACCOUNT BALANCES BY PERCENT OF PARTICIPANTS, 2005



Source: Holden and VanDerhei (2006).

count in equities or virtually all of their account in equities. So even though the aggregate data suggest that participants make sensible investment choices on average, the individual data reveal that a majority of participants are not diversified at all. Given their choices, most participants face the risk of ending up with inadequate retirement income or exposing themselves to large swings in the value of their assets.¹² Thus, the one percentage point difference in returns between defined benefit and 401(k) plans understates the poor investment decisions made by individuals.

TABLE 6. ASSET HOLDINGS AND IRAS BY INSTITUTION, YEAR END 2005

| Institution | Percent of total |
|-------------------------------------|------------------|
| Mutual funds | 39.0% |
| Life insurance companies | 11.1 |
| Money market mutual funds | 4.4 |
| Commercial banking | 4.6 |
| Saving institutions | 1.5 |
| Credit unions | 1.3 |
| Other self-directed accounts | 38.0 |
| Total | 100.0 |
| Memorandum: total assets (billions) | \$3,667.0 |

Source: U.S. Board of Governors of the Federal Reserve System (2006).

The Inclusion of IRAs

It has become impossible to ignore the role of IRAs. As shown earlier in Table 1, IRAs now hold more money than either defined benefit or defined contribution plans. And even though most IRAs are not sponsored by employers, the Investment Company Institute (2006b), the national association for mutual fund companies, reported that 94 percent of the money flowing into traditional IRAs was rolled over from employer-sponsored plans in the period 1997-2003.¹³ Although detailed information is not available, it is probably reasonable to assume that most of the rollovers come from defined contribution plans — although lump-sum payments are becoming increasingly common in defined benefit plans.

Only limited information is available on the asset allocation in IRAs. The Flow of Funds data show only the type of institution holding the account, as opposed to the type of asset in the account (see Table 6). About 73 percent of the mutual fund assets — the

largest component — are in stock.¹⁴ But no information is available on the composition of IRA assets held by other institutions, which hold the majority of the assets.

The Investment Company Institute (2006a) provides data on beginning-year assets, year-end assets, contributions, rollovers, and withdrawals for traditional IRAs that make it possible to calculate the aggregate average return for the period 1998-2003. Table 7 summarizes these results and compares them to returns earned on defined benefit and 401(k) plans over the same period. If estimates of the flows into and out of IRAs are correct, the rate of return numbers suggest that IRA investments produced significantly lower returns than either defined benefit or 401(k) plans during the six-year period.¹⁵ More important than the precise numbers, however, is the message that the performance of IRAs will have a significant impact on the retirement security of people in the future.

TABLE 7. RATE OF RETURN FOR IRAs, DEFINED BENEFIT PLANS AND 401(k)s, 1998-2003

| Year | IRA | Defined benefit | 401(k) |
|-----------|--------|-----------------|--------|
| 1998 | 13.6 % | 14.9 % | 17.8 % |
| 1999 | 15.7 | 15.5 | 13.1 |
| 2000 | -6.0 | 1.8 | -2.4 |
| 2001 | -4.6 | -5.1 | -5.1 |
| 2002 | -8.1 | -8.9 | -9.5 |
| 2003 | 12.1 | 21.2 | 19.4 |
| 1998-2003 | 3.8 | 6.6 | 5.6 |

Source: Authors' estimates based on Investment Company Institute (2006a).

Conclusion

Three main conclusions emerge from this review. First, defined benefit plans outperformed 401(k) plans over the period 1988-2004. This conclusion is most evident using the weighted median. A higher equity allocation most likely led to higher 401(k) returns during the 1990s, while fees inevitably reduced returns. These two effects may well have balanced each other out, leaving a one percentage point shortfall due to poor timing and other investment mistakes.

Second, lower returns are only one component of the investment problems facing 401(k) investors. The other is that despite a reasonable mix for 401(k) assets in the aggregate, nearly half of 401(k) participants are either nearly fully invested in stocks or hold no stocks at all. That is, nearly 50 percent of participants are not diversified in their retirement accounts. The combination of the lack of diversification and the lower returns suggests that introducing balanced portfolios as a default, which would remove the individual from the decision making, would significantly improve the performance of 401(k) plans.

Finally, IRAs are now bigger than either defined benefit or defined contribution plans, and their performance is going to have a major impact on retirement security in the future. Preliminary data suggest that IRAs underperform employer-sponsored plans. IRAs are too big and important a form of retirement saving to not know what is going on with these accounts. Some mechanism is needed to identify the asset allocations in these accounts as well as document the inflows and outflows. Only by including IRAs will it be possible to understand fully how well people are investing for retirement.

Endnotes

- 1 This formulation follows Watson Wyatt (2002 and 2003). Calculations for the entire universe of plans showed very similar results.
- 2 Including one half of contributions less benefits assumes that net inflows occur at an even rate over the year so that on average half the annual net inflows are available for investment. This assumption is necessary because the Form 5500 lacks detailed information on the timing of benefits and contributions over the year.
- 3 See Buessing and Soto (2006) for a detailed description of the Form 5500 data.
- 4 The median refers to the across-firm rates of return per year for defined benefit and defined contribution plans. The average returns shown are the arithmetic means of the median rates of return over the period 1988-2004. The geometric means do not differ widely from the arithmetic means calculated for the unweighted and weighted median rates of return. Appendix Table A1 shows the unweighted and weighted median rates of return as well as the arithmetic and geometric means.
- 5 For the 1990-2002 period, the results are similar to results from Watson Wyatt (2004) with defined benefit plans outperforming 401(k) plans. The difference in defined benefit and 401(k) returns is 0.35 percent while Watson Wyatt showed a difference of 0.56 percent for this period. The improved performance of 401(k)s over the 1988-2004 period comes simply from adding four more years of data to what was a very close outcome.
- 6 Separate data on 401(k) plans are not available on a comparable basis. But in 2004, 401(k) assets accounted for 88 percent of total private sector defined contribution assets for plans sponsored by employers with 100 or more employees. See Munnell and Perun (2006).
- 7 Since most 401(k) participants invest through mutual funds, the high number for "Equities" for defined contribution plans (that is, direct equity holdings as opposed to equities held through mutual funds) in Table 4 is surprising. The explanation is that "Equities" include pools of stocks that companies set up themselves for their 401(k) plans; only mutual funds bought off the shelf are included in the mutual fund line. The other large category of direct equity holdings is employer stock. The final category of direct equity investment arises from a relatively small percentage of 401(k) participants who invest directly through brokerage accounts.
- 8 Investment Company Institute (2006a).
- 9 Munnell and Sundén (2004).
- 10 Fees are generally not explicitly reported in the Form 5500. See U.S. Department of Labor (2004).
- 11 Council of Institutional Investors (2005).
- 12 Of course, critics contend that assessing individuals' 401(k) holdings without knowing their entire asset holdings is of limited value. They argue that most people who save through a 401(k) plan also have Social Security, human capital, defined benefit pension wealth, housing, and taxable savings. But for most people taxable savings are miniscule, and their 401(k) plan is their major financial asset. Thus the investment allocation within their 401(k) plan is important.
- 13 In 2005, assets in traditional IRAs accounted for 90 percent of total IRA assets. This share was down slightly from 95 percent in 1997.
- 14 Investment Company Institute (2006a).
- 15 One likely explanation for the lower returns in IRAs is that IRAs are often held by older workers who have rolled over their 401(k) assets. Older workers tend to invest in assets with lower returns to avoid the potentially large fluctuations that are associated with riskier investments.

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APPENDIX

Appendix A

TABLE A1. UNWEIGHTED AND WEIGHTED MEDIAN RATES OF RETURN FOR DEFINED BENEFIT AND 401(k) PLANS, 1988-2004

| Year | Unweighted | | Weighted | |
|-----------------|-----------------|--------|-----------------|--------|
| | Defined benefit | 401(k) | Defined benefit | 401(k) |
| 1988 | 9.8 | 10.1 | 12.4 | 12.7 |
| 1989 | 12.0 | 11.3 | 19.1 | 13.7 |
| 1990 | 4.2 | 5.7 | 1.0 | 5.2 |
| 1991 | 15.4 | 13.1 | 20.6 | 13.7 |
| 1992 | 7.1 | 7.7 | 6.8 | 8.5 |
| 1993 | 8.0 | 8.2 | 11.9 | 9.2 |
| 1994 | 0.0 | 2.3 | 0.3 | 3.2 |
| 1995 | 19.6 | 17.8 | 23.7 | 19.3 |
| 1996 | 12.6 | 12.9 | 15.0 | 15.4 |
| 1997 | 16.3 | 17.4 | 19.0 | 19.6 |
| 1998 | 12.1 | 14.6 | 14.9 | 17.8 |
| 1999 | 10.6 | 12.4 | 15.5 | 13.1 |
| 2000 | -0.3 | -4.9 | 1.8 | -2.4 |
| 2001 | -4.4 | -7.1 | -5.1 | -5.1 |
| 2002 | -8.2 | -11.7 | -8.9 | -9.5 |
| 2003 | 16.7 | 19.4 | 21.2 | 19.4 |
| 2004 | 9.3 | 9.7 | 12.5 | 10.5 |
| Arithmetic Mean | 8.3 | 8.2 | 10.7 | 9.7 |
| Geometric Mean | 8.0 | 7.8 | 10.2 | 9.3 |

Source: Authors' calculations from U.S. Department of Labor (1990-2006).

AN ISSUE IN BRIEF
CENTER FOR
RETIREMENT
RESEARCH
AT BOSTON COLLEGE

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Massachusetts Institute of Technology
Syracuse University
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Contact Information

Center for Retirement Research
Boston College
Fulton Hall 550
Chestnut Hill, MA 02467-3808
Phone: (617) 552-1762
Fax: (617) 552-0191
E-mail: crr@bc.edu
Website: <http://www.bc.edu/crr>

The Center for Retirement Research thanks AARP, AIM Investments, AXA Financial, Citi Street, Fidelity Investments, John Hancock, Nationwide Mutual Insurance Company, Prudential Financial, Standard & Poor's and TIAA-CREF Institute for support of this project.

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The research reported herein was supported by the Center's Partnership Program. The findings and conclusions expressed are solely those of the authors and do not represent the views or policy of the partners or the Center for Retirement Research at Boston College.

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 183
 () Publish Date: _____

Identifier (file name): SB183-DOA-DRB-2-15-08 Dept. Affected: Administration
 Title: "An Act repealing the defined contribution retirement plans..." RDU: Centralized Administrative Services
 Component: Division of Retirement and Benefits
 Sponsor: ELTON, McGuire, Ellis, Wielechowski
 Requester: _____ Component Number: 64

Expenditures/Revenues (Thousands of Dollars)

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

| | Appropriation Required | Information | | | | | | |
|-------------------------------|---------------------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|
| | | FY 2009 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
| OPERATING EXPENDITURES | | | | | | | | |
| Personal Services | | | | | | | | |
| Travel | | | | | | | | |
| Contractual | | | | | | | | |
| Supplies | | | | | | | | |
| Equipment | | | | | | | | |
| Land & Structures | | | | | | | | |
| Grants & Claims | | | | | | | | |
| Miscellaneous | | 346.6 | 0.0 | 298.8 | 254.0 | 281.0 | 284.0 | 267.0 |
| TOTAL OPERATING | | 346.6 | 0.0 | 298.8 | 254.0 | 281.0 | 284.0 | 267.0 |

| | | | | | | | | |
|-----------------------------|--|--|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | | | |
|-----------------------------|--|--|--|--|--|--|--|--|

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

FUND SOURCE (Thousands of Dollars)

| | | | | | | | | |
|----------------------------|--|--------------|------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts | | | | | | | | |
| 1003 GF Match | | | | | | | | |
| 1004 GF | | 346.6 | 0.0 | 298.8 | 254.0 | 281.0 | 284.0 | 267.0 |
| 1005 GF/Program Receipts | | | | | | | | |
| 1037 GF/Mental Health | | | | | | | | |
| Other Interagency Receipts | | | | | | | | |
| TOTAL | | 346.6 | 0.0 | 298.8 | 254.0 | 281.0 | 284.0 | 267.0 |

Estimate of any current year (FY2008) cost: 1,267.4

POSITIONS

| | | | | | | | | |
|-----------|--|--|--|--|--|--|--|--|
| Full-time | | | | | | | | |
| Part-time | | | | | | | | |
| Temporary | | | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

Currently, those who join a PERS or TRS employer are enrolled in the defined contribution retirement (DCR) plan (PERS Tier IV and TRS Tier III). This bill would allow those current members and new members to choose between enrolling in the defined benefit (DB) plan or the DCR plan. There are currently 6,157 DCR members who are currently (active) employees. Since the inception of the DCR plan, and based on the number of members who converted from the DB plan to the DCR plan during the choice period created when the DCR plan was created (SB 141), the Division estimates that up to 75% of the members would enroll in the DB plan.

(continued on second page)

Prepared by: Pat Shier, Director
 Division: Division of Retirement and Benefits
 Approved by: Rachael Petro, Deputy Commissioner
Department of Administration

Phone 465-4817
 Date/Time 2/15/08 12:00 AM
 Date 2/15/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. SB 183

ANALYSIS CONTINUATION

This bill information is based on the likely scenario of a PERS cost share program proposed in SB 125. Under a cost share plan the State assumes a greater share of the risk and cost for PERS. TRS is already a cost share plan.

Buck Consultants used data from the most recent draft retirement system valuation for the period ending June 30, 2007. The assumptions, plan provisions, and methods used are also from the same draft actuarial valuation report. The above numbers represent the net increased cost to the State of Alaska if 75% PERS / TRS eligible members choose the defined benefit (DB) plan.

Included in the costs are the effects of adverse selection, expected when new employees closer to retirement age choose the DB plan in greater proportion than younger employees. The DB plan cost for these older employees is higher because there is a shorter time to accumulate the assets needed to pay for the benefit.

The sums also contemplate the effect of recent favorable healthcare experience for both PERS and TRS, and the relatively higher employer contribution of 7% of payroll for the TRS DCR plan. A year or two of more typical health cost experience (less favorable) would affect DB costs much more significantly than DCR costs. Unfavorable health cost experience was a significant contributing factor in the move to the DCR plan through SB 141.

The sums consider that investment, mortality and health care cost risks are borne by the employer in a DB plan. This risk causes volatility over the short-term in determining the annual cost that will sufficiently meet the long-term benefit obligation, due in large part to the significant risk associated with DB health care plan design. The employer contribution rates in the DCR plan are not subject to this short-term volatility due to the design of the DCR health plan and because the members bear more of the risk in the DCR plan. As a result, employer DCR contribution rates are stable and not subject to volatility.

There are additional costs associated with conversion of the Division's Combined Retirement System (CRS) database which accounts for employer and employee contributions. Moving to a system which accommodates member choice is not particularly difficult but converting any existing DCR members will require extensive manual processing. The Division has estimated a significant amount of contractor time for adding choice elements to the CRS system because core staff is otherwise engaged, and the Division has recently lost some expertise in the legacy system. The preliminary estimate is nearly \$1.3 million and will be required in FY08 so that changes can be made to accommodate a July 1, 2008 effective date.

Section 26 of the bill prescribes a method of converting DCR time and contributions to DB time in service. This process will require an actuarial valuation for each individual's conversion, and cannot be determined accurately at this time.

SB

185

**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 1/16/08

FURTHER: Judiciary
Finance

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 01/19/08

State Affairs Committee considered SENATE BILL NO. 185

SB 185 SEX OFFENDER/CHILD KIDNAPPER REGISTRATION

"An Act relating to sex offenders and child kidnappers."

and recommends:

- be replaced with SCS or CS SB 185 (STA)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

| | |
|--------------------------|--------------------------|
| SENATE BILL: | |
| <input type="checkbox"/> | Same Title |
| <input type="checkbox"/> | New Title |
| <hr/> | |
| HOUSE BILL: | |
| <input type="checkbox"/> | Same Title |
| <input type="checkbox"/> | Technical Title Change |
| <input type="checkbox"/> | New Title w/ SCR # _____ |

NEW FISCAL NOTE(S):

| Department | Date | Fiscal | Indet. | Zero | FN# |
|------------|----------|--------|--------|------|-----|
| DPS | 02/07/08 | ✓ | | | |
| Admin | 01/28/08 | | | ✓ | |
| | | | | | |
| | | | | | |
| | | | | | |

PREVIOUS FISCAL NOTE(S):

| Department | Date | Fiscal | Indet. | Zero | FN# |
|------------|------|--------|--------|------|-----|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

APPROPRIATION - no fiscal note

| SIGNATURES AND RECOMMENDATIONS: | PRINTED LAST NAME | DO PASS | DO NOT PASS | NO REC | AMEND |
|---------------------------------|-------------------|---------|-------------|--------|-------|
| | French | X | | | |
| | Jenkins | X | | | |
| | Brien | | | ✓ | |
| | | | | | |
| CHAIR: | McBuire | ✓ | | | |

25-LS0985\M
Luckhaupt
2/13/08

CS FOR SENATE BILL NO. 185()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS WIELECHOWSKI, Ellis

A BILL
FOR AN ACT ENTITLED

1 **"An Act relating to sex offenders and child kidnappers; and providing for an effective**
2 **date."**

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

4 *** Section 1. AS 11.56.840(a) is repealed and reenacted to read:**

5 **(a) A person commits the crime of failure to register as a sex offender or child**
6 **kidnapper in the second degree if the person fails, as required by AS 12.63.010, to**

7 **(1) register;**

8 **(2) file written notice of**

9 **(A) change of residence;**

10 **(B) change of mailing address;**

11 **(C) establishment of an electronic or messaging address or any**
12 **change to an electronic or messaging address; or**

13 **(D) establishment of an Internet communication identifier or**
14 **any change to an Internet communication identifier;**

- 1 (3) file the annual or quarterly written verification; or
2 (4) supply accurate and complete information required to be submitted
3 under (1) - (3) of this subsection.

4 * Sec. 2. AS 12.63.010(b) is amended to read:

5 (b) A sex offender or child kidnapper required to register under (a) of this
6 section shall register with the Department of Corrections if the sex offender or child
7 kidnapper is incarcerated or in person at the Alaska state trooper post or municipal
8 police department located nearest to where the sex offender or child kidnapper resides
9 at the time of registration. To fulfill the registration requirement, the sex offender or
10 child kidnapper shall

11 (1) complete a registration form that includes, at a minimum,

12 (A) the sex offender's or child kidnapper's name, address, place
13 of employment, and date of birth;

14 (B) each conviction for a sex offense or child kidnapping for
15 which the duty to register has not terminated under AS 12.63.020, the date of
16 the sex offense or child kidnapping convictions, the place and court of the sex
17 offense or child kidnapping convictions, and whether the sex offender or child
18 kidnapper has been unconditionally discharged from the conviction for a sex
19 offense or child kidnapping and the date of the unconditional discharge; if the
20 sex offender or child kidnapper asserts that the offender or kidnapper has been
21 unconditionally discharged, the offender or kidnapper shall supply proof of
22 that discharge acceptable to the department;

23 (C) all aliases used;

24 (D) the sex offender's or child kidnapper's driver's license
25 number;

26 (E) the description, license numbers, and vehicle identification
27 numbers of motor vehicles the sex offender or child kidnapper has access to,
28 regardless of whether that access is regular or not;

29 (F) any identifying features of the sex offender or child
30 kidnapper;

31 (G) anticipated changes of address; [AND]

1 (H) a statement concerning whether the offender or kidnapper
2 has had treatment for a mental abnormality or personality disorder since the
3 date of conviction for an offense requiring registration under this chapter; **and**

4 **(I) each electronic mail address, instant messaging address,**
5 **and other Internet communication identifier used by the sex offender or**
6 **child kidnapper;**

7 (2) allow the Alaska state troopers, Department of Corrections, or
8 municipal police to take a complete set of the sex offender's or child kidnapper's
9 fingerprints and to take the sex offender's or child kidnapper's photograph.

10 * Sec. 3. AS 12.63.010(c) is amended to read:

11 (c) If a sex offender or child kidnapper changes residence after having
12 registered under (a) of this section, the sex offender or child kidnapper shall provide
13 written notice of the change by the next working day following the change to the
14 Alaska state trooper post or municipal police department located nearest to the new
15 residence or, if the residence change is out of state, to the central registry. **If a sex**
16 **offender or child kidnapper establishes or changes an electronic mail address,**
17 **instant messaging address, or other Internet communication identifier, the sex**
18 **offender or child kidnapper shall, by the next working day, notify the department**
19 **in writing of the changed or new address or identifier.**

20 * Sec. 4. AS 18.65.087 is amended by adding a new subsection to read:

21 (i) Notwithstanding (b) of this section,

22 (1) the department may provide a method for, or may participate in a
23 federal program that allows, the public to submit an electronic or messaging address or
24 Internet identifier and receive a confirmation of whether the address or identifier
25 belongs to a registered sex offender or child kidnapper;

26 (2) the department may provide electronic or messaging addresses and
27 Internet communication identifiers in the central registry to Internet service providers
28 and Internet security firms to assist those entities in preventing children from receiving
29 communications from registered sex offenders and child kidnappers and to warn the
30 public that persons with those addresses or identifiers are registered sex offenders or
31 child kidnappers.

1 * **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to
2 read:

3 **APPLICABILITY.** (a) This Act applies to persons convicted of sex offenses or child
4 kidnapping before, on, or after the effective date of this Act whose duty to register as a sex
5 offender or child kidnapper has not expired under AS 12.63.010(d)(1) on the effective date of
6 this Act.

7 (b) Notwithstanding AS 11.56.840(a), repealed and reenacted by sec. 1 of this Act,
8 and AS 12.63.010(c), amended by sec. 3 of this Act, a sex offender or child kidnapper whose
9 duty to register as a sex offender or child kidnapper arose

10 (1) on or before December 31, 2008, does not have to initially report
11 electronic or messaging addresses or Internet communication identifiers to the Department of
12 Public Safety until the date that the sex offender or child kidnapper's next annual, or quarterly
13 if applicable, written verification is due; after the initial report of addresses and identifiers is
14 due, the sex offender or child kidnapper shall report the establishment of an electronic or
15 messaging address, or any changes to those addresses, or the establishment of an Internet
16 communication identifier, or any change to an identifier, as required by AS 11.56.840 and
17 AS 12.63.010;

18 (2) on or after January 1, 2009, shall report electronic or messaging addresses
19 or Internet communication identifiers, and changes to addresses and identifiers, to the
20 Department of Public Safety as required by AS 12.63.010.

21 * **Sec. 6.** This Act takes effect January 1, 2009.

Alaska State Legislature

Session:
State Capitol, Rm. 125
Juneau, AK 99801
Phone: (907) 465-2995
Fax: (907) 465-6592



Interim:
716 W 4th Avenue, Suite 430
Anchorage, AK 99501-2133
Phone: (907) 269-0250
Fax: (907) 269-0249

Senator Lesil McGuire
Chair, Senate State Committee

Fax

To: Leg Legal **From:** Shalon Szymanski, SSTA Committee Aide

Fax: 2029 **Pages:**

Phone: **Date:** February 19, 2008

Re: Final CS Request **CC:**

Urgent **For Review** **Please Comment** **Please Reply** **Please Recycle**

● **Comments:**

SB 185 DID MOVE OUT OF SENATE STATE AFFAIRS TODAY.

ALASKA STATE LEGISLATURE

Sen. Lesil McGuire, Chair
Sen. Gary Stevens, Vice-Chair
Sen. Lyda Green
Sen. Hollis French
Sen. Con Bunde



State Capitol, Room 125
Juneau, AK 99801-1182
(907) 465-2995
Fax (907) 465-6592

SENATOR LESIL McGUIRE
CHAIR, STATE AFFAIRS

Memorandum

To: Jerry, Leg. Legal
From: Shalon Szymanski, Committee Aide
Senate State Affairs Committee
Date: February 19, 2008
Re: Final CS Request

Please create a Final Committee Substitute (STA) for work order # 25-LS0985\M,
mirroring # 25- LS0985\M.

SB 185 did move out of committee today.

Thank you!

AMENDMENT # 1
(withdrawn)

OFFERED IN THE SENATE STATE
AFFAIRS COMMITTEE
TO: SB 185

BY SEN. MCGUIRE

- 1 Page 3, following line 11:
- 2 Insert new bill sections to read:
- 3 "* Sec. 4. AS 18.65.087(b) is amended to read:
- 4 (b) Information about a sex offender or child kidnapper that is contained in the central
- 5 registry, including sets of fingerprints and a sex offender's or child kidnapper's electronic
- 6 mail address, instant messaging address, and other Internet communication identifier, is
- 7 confidential and not subject to public disclosure except as to the sex offender's or child
- 8 kidnapper's name, aliases, residence address, photograph, physical description, description of
- 9 motor vehicles, license numbers of motor vehicles, and vehicle identification numbers of motor
- 10 vehicles, [PLACE OF] employment address, date of birth, crime for which convicted, date of
- 11 conviction, place and court of conviction, length and conditions of sentence, and a statement as
- 12 to whether the offender or kidnapper is in compliance with requirements of AS 12.63 or cannot
- 13 be located.
- 14 * Sec. 5. AS 18.65.087(d) is amended to read:
- 15 (d) The Department of Public Safety
- 16 (1) shall adopt regulations to
- 17 (A) allow a sex offender or child kidnapper to review sex offender
- 18 or child kidnapper registration information that refers to that sex offender or child
- 19 kidnapper, and if the sex offender or child kidnapper believes the information is
- 20 inaccurate or incomplete, to request the department to correct the information; if
- 21 the department finds the information is inaccurate or incomplete, the department

1 shall correct or supplement the information;

2 (B) ensure the appropriate access [CIRCULATION] to law
3 enforcement agencies of information contained in the central registry, including a
4 sex offender's or child kidnapper's electronic mail address, instant messaging
5 address, and other Internet communication identifier;

6 (C) ensure the anonymity of members of the public who request
7 information under this section;

8 (2) shall provide to the Department of Corrections and municipal police
9 departments the forms and directions necessary to allow sex offenders and child
10 kidnappers to comply with AS 12.63.010;

11 (3) may adopt regulations to establish fees to be charged for registration
12 under AS 12.63.010 and for information requests; the fee for registration shall be based
13 upon the actual costs of performing the registration and maintaining the central registry
14 but may not be set at a level whereby registration is discouraged; the fee for an
15 information request may not be greater than \$10;

16 (4) shall remove from the central registry of sex offenders and child
17 kidnappers under this section information about a sex offender or child kidnapper
18 required to register under AS 12.63.020(a)(2) at the end of the sex offender's or child
19 kidnapper's duty to register if the offender or kidnapper has not been convicted of another
20 sex offense or child kidnapping and the offender or kidnapper has supplied proof of
21 unconditional discharge acceptable to the department; in this paragraph, "sex offense"
22 and "child kidnapping" have the meanings given in AS 12.63.100."
23

24 Renumber the following bill section accordingly.

AMENDMENT

OFFERED IN THE SENATE STATE
AFFAIRS COMMITTEE
TO: SB 185

BY Sen. McGuire

1 Page 1, lines 3 - 10:
2

3 Delete all material and insert:
4

5 **"* Section 1. AS 11.56.840(a) is repealed and reenacted to read:**

6 (a) A person commits the crime of failure to register as a sex offender or child
7 kidnapper in the second degree if the person fails, as required by AS 12.63.010, to

8 (1) register;

9 (2) file written notice of

10 (A) change of residence address;

11 (B) change of mailing address;

12 (C) establishment of an electronic or messaging address or any
13 change to an electronic or messaging address; or

14 (D) establishment of Internet communication identifier or any
15 change to an Internet communication identifier;

16 (3) file the annual or quarterly written verification; or

17 (4) supply accurate and complete information required to be submitted
18 under (1) - (3) of this subsection."

ALASKA STATE LEGISLATURE

Session
State Capitol, Rm. 115
Juneau, AK 99801
(907) 465-2435
Fax: (907) 465-6615

Interim
716 W. 4th Ave, Ste. 540
Anchorage, AK 99501
(907) 269-0120
Fax: (907) 269-0122



Co-chair
Joint Armed Services Committee

Member
Resources Committee
Judiciary Committee
Transportation Committee

Senator Bill_Wielechowski@legis.state.ak.us

SENATOR BILL WIELECHOWSKI

Senate Bill 185

"An Act relating to sex offenders and child kidnappers."

Sponsor Statement

Senate Bill 185 will help prevent online sexual predators from preying on children or anyone else by requiring convicted sex offenders and child kidnappers to register their e-mail addresses, instant messaging addresses and any other internet communication identifiers with the Alaska Department of Public Safety. Currently sex offenders in Alaska must register their home address and place of employment with the Department's publicly searchable online database. This would be another category of information to be added to that database. Requiring sex offenders to register their online identities gives parents, kids, and law enforcement a new and effective weapon to repel internet predators.

In the future, data generated under this bill may be used by internet service providers and internet security firms to prevent children from receiving messages from convicted sex offenders or warn parents of the sender's status. In order for these services to be developed, states must take the first step and make the data available.

The internet will likely never be a completely safe place, and parents need to take an active role in making sure their children use the internet responsibly. SB 185 merely gives us a new tool we can use to help protect our selves and our families.

I encourage you to support this legislation.

LEGAL SERVICES

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

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

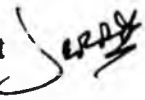
State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 5, 2008

SUBJECT: Sectional Summary - Sib 185 (Work Order No. 25-LS0985\A)

TO: Senator Bill Wielechowski

FROM: Gerald P. Luckhaupt
Legislative Counsel 

You have requested a sectional summary of the above-described bill. As a preliminary matter, please note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill - the bill itself is the best statement of its contents.

Section 1 amends AS 11.56.840(a) by providing that a sex offender or child kidnapper's failure to update email address and Internet identifiers violates this section.

Section 2 amends AS 12.63.010(b) by requiring a sex offender or child kidnapper when registering to provide the person's email and instant messaging addresses and Internet identifiers in addition to other information required under this subsection.

Section 3 amends AS 12.63.010(c) by requiring a sex offender or child kidnapper to notify the department of public safety whenever the person establishes or changes an email or instant messaging address or Internet identifier.

Section 4 provides an applicability section.

GPL:lmb
08-012.lmb

STATE OFFICE
ALASKA PEACE OFFICERS ASSOCIATION

P.O. Box 240106 Anchorage, Alaska 99524-0106 Phone (907) 277-0515 Fax (907) 272-5355



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Anchorage

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Scott McCumby, Member
Valdez
Pres. Port of Valdez Chapter

January 24, 2008

Senator Bill Wielechowski
Alaska State Senate
State Capitol
Juneau AK 99801-1182

Dear Senator Wielechowski:

On behalf of the Alaska Peace Officers Association (APOA), I would like to thank you for introducing SB 185, an act relating to sex offenders and child kidnappers.

The APOA State Board's Legislative Committee recently reviewed this proposed legislation and decided to unanimously support this bill.

We thank you for addressing this issue. Please contact the APOA office in Anchorage at 277-0515, if there is anything our organization can do to assist in the passage of this bill.

Sincerely,

Angella Long
State President

AK Senate Bipartisan Working Group

Cowdery Davis Ellis Elton French Green Hoffman Huggins Kookesh McGuire Olson Stedman Stevens
Thomas Wielechowski

Today is Jan. 23rd



Alaska State Legislature



Senator Bill Wielechowski

Press Release • July 19, 2007

CONTACT: Senator.Bill.Wielechowski@legis.state.ak.us • Room 115 Capitol Bldg. • (907) 465-2435

Bill Prefiled for Upcoming Session Would Require Sex Offenders to Register e-mail Addresses

Helps Law Enforcement to Track Predators in Cyberspace

(ANCHORAGE) – A bill to help prevent online sexual predators from preying on children or anyone else is being prepared by Sen. Bill Wielechowski (D – Anchorage) for the 2008 legislative session. The bill requires convicted sexual offenders and child kidnappers to register their e-mail addresses, instant messaging addresses or any other Internet communication identifiers with the Alaska Department of Public Safety.

“The Internet has become a hunting ground for sex offenders and they’re preying on our children,” said Wielechowski. “Nationwide, one in five children have been sexually solicited online; and Alaska has the highest rate of internet use per capita.”

The legislation also requires the sex offender or child kidnapper to notify the department in writing within five days of any changes to their e-mail address or identifier.

Arizona, Kentucky and Virginia already require sex offenders to register their e-mail addresses and at least a dozen other states are considering similar legislation. The popular networking site MySpace.com is on the record supporting this type of legislation.

Senator Wielechowski has pre-filed this legislation for the upcoming 2008 session.

For more information, contact Senator Wielechowski at (907) 269-0120.

###

- Print Forward this page
- http://www.aksenate.org/wielechowski/071907_prefiled_bill_sex_offender_register.pdf

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America's Newspapers

SEXUAL PREDATORS RIDE THE INTERNET INTO HOMES ACROSS AMERICA

Seattle Post-Intelligencer - May 6, 1997

Author: VANESSA HO, P-I Reporter

When a Federal Way mother posed as a teenager online to catch her son's molester, she also put the spotlight on the problem of sexual predators finding victims on the Internet.

The Internet and online services offer instant access to the world, but authorities say that access has a price: It's an easy way for predators to enter the homes of teens and children, who think nothing of spending hours talking with strangers at their computer keyboards. Through the unreined world of chat rooms, predators lure children with promises of support, money and a new home, experts say. In some cases, they molest them, or exploit them with pornography; in other cases, teens run away to be with them.

"It's a systemic problem, it's very bad, and we in the FBI are taking it very seriously," said Larry Foust, spokesman for the FBI Baltimore division in Maryland, where an Internet-related abduction and murder of a child in 1993 prompted a national investigation into online pedophiles.

Investigators were shocked at how widespread the crimes were, Foust said. "And it was only the tip of the iceberg." So far, the investigation has resulted in 96 arrests for child pornography or for luring a child across state lines for illicit sex. There have been 89 convictions.

Foust said that in one case, two suspects not only lured children through the Internet and then molested them, but also took pictures of them to distribute online.

He said sexual predation on the Internet is worse than on the streets "because you can lock your door and stay inside, and they can still penetrate the sanctity of your house."

Millions of people use the Internet, and most do so with no problems, authorities say. But cases of online crimes serve as a reminders of danger:

In February, a man was arrested in California after communicating with a 13-year-old boy for three months and flying across the country to meet him for a sexual encounter.

In December, a Connecticut man was arrested after talking online with a 13-year-old girl, sending her indecent material and driving 100 miles to meet her for sex.

Last month, a 14-year-old girl from suburban Rochester, N.Y., returned home after disappearing for four months with a 22-year-old Air Force deserter she met in a chat room devoted to vampire fantasies.

In 1995, Daniel Montgomery, a 15-year-old Maple Valley boy, ran away for two weeks to San Francisco to meet someone he met online.

The growing number of cases also illuminates hurdles facing police agencies, which often lack resources and money to investigate online crimes.

"We see that this is a growing problem, and it's something we'll be dealing with more and more," said Casey Johnson, a detective with the King County police Special Assault Unit. "The problem is money and bodies."

In the Federal Way case, the mother, posing as a teenager, received sexually explicit messages from the man and an offer to meet face-to-face and have sex. When the meeting was arranged last month, an undercover police officer arrested him. The man, Otis Fellows, pleaded guilty to a charge of second-degree child molestation, which stemmed from an incident in 1993. He faces sentencing on May 23.

Some online encounters between adults and children have resulted in heartache for parents, such as Kathy Newell of Eugene, Ore.

Last year, her 14-year-old daughter Channa befriended a 24-year-old woodworker in a chat room. A shaggy redhead who sometimes masqueraded as a medieval knight, the man came by to visit, and Newell said no way.

"I said, 'This girl is off-limits to you,'" she said. Her daughter didn't agree, and one morning last May, the man drove by Channa's high school, picked her up and disappeared.

"(Police) say she chose to go with him, but I say she was lured," Newell said.

At the National Center for Missing and Exploited Children, "online luring" makes up a small part of the center's overall cases, but the problems are increasing, said Gary Costello, director of the child exploitation unit at the Arlington, Va.-based center, a national clearinghouse for parents whose children have run away or were abducted.

This year, the center has received 11 reports of online luring, in which a child ran away after meeting an adult in cyberspace. Last year, the center handled seven such cases.

Although some teens have voluntarily left home, Costello treats them as children who were lured, as opposed to children who ran away.

"If someone came into the neighborhood, ended up talking to a child, befriending them, enticing them with promises of money and a better life, would you treat the case any differently?" he asked.

Parents should take a greater interest in their children's computer activities, Costello said. Often, when children spend hours alone on a computer, parents have no idea who they are meeting.

"Picture it like this: Would you let your 9- to 14-year-old go to the worst part of Seattle and walk the streets in the middle of the night?"

"That's what chat rooms are like, but the child can't see who is walking toward him," he said.

Johnson, the detective with the King County police Special Assault Unit, said online predators often target emotionally vulnerable children, who come from unstable families and have low self-esteem. So when an adult offers support, money and a new home, the child is at a disadvantage.

"When you get an adult who is methodically pulling a child out of his home, for whatever reasons, that's exploitation," he said.

Tips for parents

The National Center for Missing and Exploited Children offers these tips for parents to help children have safe cyber-chats.

Never give out personal information such as address, phone number or school name before verifying the receiver of the information.

Get to know the services your child uses. Learn how to log on. Find out what types of information the services offer and whether there are ways for parents to block out objectionable material.

Never allow a child to arrange a face-to-face meeting with another computer user without parental permission. Make sure the first meeting is in a public spot and be sure to accompany the child.

Never respond to messages or bulletin board items that are suggestive, obscene, belligerent, threatening or make you feel uncomfortable. If you receive one, forward a copy to your service provider.

More of the center's tips can be found at its site: <http://www.missingkids.org/childsafety.html>

Another helpful Web site is <http://www.yahooligans.com/docs/safety>

America Online offers members resources on how to report a violation in a chat room and what to do if a harassing message is received.

It also offers "parental controls" that restrict a child's access, with the caveat: "It's important to note that no system of controls makes up for good old-fashioned parental supervision."

Edition: Final

Section: News

Page: A1

Index Terms: TIPS, INTERNET, SEX CRIME, CHILDREN, SUMMARY, STATISTIC

Record Number: 9705060081

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America's Newspapers

Cyber-stalking

News & Observer, The (Raleigh, NC) - July 30, 2007

Child predators didn't spring up from the fertile soil of the Internet. Physical and sexual abuse of children are age-old problems. But the Internet has brought a whole new aspect to child predation.

Computers in the home are ubiquitous. Kids easily master the machines, and they find the technology inviting. Meanwhile, adults who make it their business to become experts at stalking children have discovered social networking sites that are popular with young people. Using the sites, stalkers can zero in on kids from several states away, in relative anonymity, rather than from the bench near the swing set at the neighborhood park.

If there were any questions about the extent of the problem, good work by state Attorney General Roy Cooper has pried loose an answer. To combat predators, Cooper and attorneys general from several other states asked one of the more popular social sites, MySpace, to reveal the names of sex offenders who use the site. MySpace reluctantly complied in May, reporting about 7,000 offenders across the country on the site (245 of them were sex offenders registered in North Carolina).

The company updated its list last week. It now says that more than 29,000 offenders have MySpace profiles. And MySpace is just one of several social sites. Two years ago, a 34-year-old former Wake County sheriff's deputy posed as a 19-year-old N.C. State University student on several sites, including MySpace. Today he is in prison for persuading two Triangle boys he met online, ages 14 and 15, to have sex with him.

The attorneys general are pressing for better regulation of the networking sites, both by the companies that operate them and in state law. Cooper wants North Carolina legislators to require parental permission for youngsters to create a profile. He combines that effort with an educational campaign showing parents and teachers how kids can surf the Web safely.

Cooper also is pushing a bill that would require convicted sex offenders who create profiles to provide authorities with their e-mail addresses and all other on-line identifiers. As it stands now, offenders must tell the public where they live and when they move to a new neighborhood. But they can mask themselves as a teen on the Internet and prey on youngsters with impunity. The bill deserves approval.

Some lawyers and online companies complain that Cooper's efforts endanger the First Amendment rights of corporations. So far there's no overreaching on the attorney general's part.

At the same time, Internet companies need to design their sites with the vulnerability of youngsters in mind. Sexual crimes and violence against kids have exploded as the Internet has matured.

If foot-dragging lawmakers need help deciding whether to vote for Cooper's initiative, here's an aid: Put Internet firms on one side of the scale, and vulnerable youngsters at risk of being sexually assaulted or killed by predators on the other. Cooper's instincts are right.

Edition: Final

Section: Editorial/Opinion

Page: A8

Index Terms: CRIME ; CHILDREN ; TEEN ; NC ; BILL ; Internet ; Roy Cooper ; Editorial

Record Number: jiz6dp89

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'THESE PREDATORS ARE NO LONGER ISOLATED'

Maine Sunday Telegram (Portland, ME) - October 11, 1998

Author: ERIC BLOM Staff Writer

The Internet has become a refuge for child molesters, a place to seek shelter from the social isolation and anger they often confront in real life.

Known molesters can be threatened by neighbors, featured on police handbills when they move into a neighborhood, harassed by fellow prisoners in jail, and isolated by watchful parents who tell children not to talk with strangers on the street. Online, predators are safe in the anonymity of made-up screen names. They can identify and target children at will. Pedophiles can share encouragement, support and advice with one another, describing child sexual abuse as pleasurable and natural, even beneficial to children.

"These predators are no longer isolated. They're part of a community on the Internet," said Colin Gabriel Hatcher, executive director of Cyberangels, a division of the Guardian Angels.

The most direct threat to children is online predation. Adults with a sexual interest in children can identify, contact and groom potential victims via the Internet.

No one is sure how common online predation has become. It's clearly involved in a small minority of all child sexual assaults.

Still, advocates for children say that online predation represents an entirely new kind of threat and poses risks that are difficult to address. The danger is growing as more children, and more adults with a sexual interest in children, go online.

"It has provided a whole new, additional venue for (predators) to operate," said Peter Banks, director of training for the National Center for Missing and Exploited Children. "Child molesters go where the children are, and the children are in cyberville."

Online predation also may be much more common than is generally recognized, he and other advocates for children said.

The anonymity of computer networks, the secretive nature of child sexual predators and the shame felt by many victims conspire to keep formal complaints down and the activity hidden.

"The number of people who are arrested is a very small number compared to the number of offenders out there," said Capt. Richard Wallikas of the Broome County (N.Y.) Sheriff's Department, which has an ongoing undercover operation online.

Banks agreed that police complaints are a poor measure of the problem.

"We don't fully understand, because of the nature of sexual victimization, how big a problem this is," Banks said. "Probably only one in 10 crimes gets reported."

Indeed, many of the incidents thus far have been discovered almost by accident.

For example, in July, Massachusetts police discovered that a 37-year-old Michigan man had met at least

two teen-age girls -- from Massachusetts and Georgia -- online and traveled to have sex with them. The man was caught after a sheriff's deputy saw a 16-year-old girl, chased by her father, running toward the man's car with a suitcase. The deputy became suspicious and accosted the driver.

Increasingly, online predation also is being detected through electronic undercover police operations.

Most recently, on Sept. 14, police arrested a Portland man on charges of distributing child pornography to an undercover police detective in New Hampshire. The Keene, N.H., detective was posing as a 14-year-old boy.

Michael Weeks, 23, allegedly sent the detective photos depicting boys involved in sex acts, said Portland Police Chief Michael Chitwood. Weeks also has been charged with molesting a 10-year-old Portland boy.

INFORMATION HIGHWAY

GETS THE WORD OUT

Direct contact between adult predators and children is not the only danger posed by online computer networks. Children also are threatened by the online communities that sexual predators are building on the Internet.

These burgeoning online pedophile networks indirectly threaten all children, not just those who use computers, said many advocates for children, federal police and social scientists.

Historically, shame and public condemnation have kept many pedophiles from assaulting children. Society uniformly condemns adult-child sex. Pedophiles seldom encounter other people who admit to a sexual desire for children, much less the illegal acts of raping, molesting or exploiting them.

"Traditionally, a good social control for pedophiles is condemnation," said Keith Durkin, a sociologist who has studied the use of online computers by pedophiles. "This has to be the most condemned form of human sexual behavior that there is."

The mainstream online community also condemns child molestation. Thousands of Web sites and forums have been established to fight the problem. Offenders' names are even being published on Web sites such as the one run by the Bangor Police Department.

However, in many other corners of the Internet, child molesters find advice and support that was not available to them prior to the growth of online computing.

"There's nothing to stop someone from advocating really horrible crimes against children" online, said Tracey O'Connell-Jay, executive director of WebWise Kids and the sister of a girl lured from home by an online predator in another state.

The Internet allows anyone to publish anything, of any length, for very little money. Freedom of speech is protected by the U.S. Constitution, even speech advocating child sexual abuse.

More than 8,000 sites on the World Wide Web encourage adults to have sex with children.

Some of these Web pages tell young people that they should never reveal their "secret" relationship with an adult. This is the opposite message from the one that child advocates say children need to hear. Other sites tell pedophiles how to locate school or playground addresses online before going away on vacation.

"These pages link to legitimate sites like Disney. Hello! If that doesn't raise red flags, I don't know what

will," said Debbie Mahoney, a California woman whose 12-year-old son was sexually assaulted by a man who later was charged with distributing child pornography online. Mahoney is founder of the advocacy group, Safeguarding Our Children -- United Mothers.

Newsgroups allow pedophiles from around the world to anonymously exchange messages of solace, share tips on how to lure children into sexual encounters and trade information on police strategies. Newsgroups are electronic bulletin boards where people from around the world post messages for others to read.

Durkin studied one such newsgroup in 1996 -- early in the growth of Internet popularity -- and found that it received about 200 new postings a month. He had no way to determine how many people read the postings without submitting their own messages.

Most of the people who posted articles admitted to being pedophiles. Many of their messages sought support from other newsgroup readers. A quarter of the users said they wanted to contact other pedophiles via telephone, mail, in-person meetings or electronic mail, Durkin found.

"Preferential child molesters who target boys have the capacity to victimize hundreds of young males," Durkin wrote in *Pedophiles in Cyberspace*, which is his article on the newsgroup. "If computer groups such as (this one) inspire only a few pedophiles to molest children, this would translate into hundreds -- even thousands -- of victims."

FINDING VALIDATION

FOR CRIMES, URGES

Other experts agree that propaganda advocating adult-child sex can increase the abuse of children.

"There's no crime in being a pedophile and suffering from those urges," said Douglas Rehman, a former Florida state police officer with extensive experience in online undercover operations.

"What you've got is people who have it under control before they get online and then they see there are all these other people with the same urges and interests."

Kenneth Lanning of the FBI Behavioral Science Unit explained the psychology behind this in his monograph, "Child Molesters: A Behavioral Analysis."

Many child molesters, he wrote, "spend their lives attempting to convince themselves that they are not immoral, not sexual deviants, or not criminals.

"They prefer to believe that they are high-minded, loving individuals whose behavior is misunderstood or politically incorrect at this time in history," Lanning wrote.

The Internet has made it possible for many more pedophiles to receive that kind of validation for their crimes from groups such as the North American Man Boy Love Association, or NAMBLA, which advocates adult-child sex.

"A group like NAMBLA now has an audience beyond its mailing list," Durkin said.

Literature from NAMBLA -- along with child pornography -- was found in the car allegedly used to transport 10-year-old Jeffrey Curley's body to the Great Works River in Maine after his murder and subsequent sexual assault last autumn. Charges are pending against two men in that case. It is not yet clear whether the material allegedly found in their possession came from the Internet or through the mail.

Still, material like the propaganda and pornography found in their vehicle is widely available online. And that material helps reduce the social control of shunning and shame that keeps many pedophiles from acting on their sexual impulses.

"These people who were hiding under a rock someplace are actively out there communicating with each other" and with children, Mahoney said.

Memo: The graphic accompanying this article HOW TO PROTECT CHILDREN must be read on microfilm

Edition: CITY

Section: FRONT

Page: 7A

Series: DANGER ONLINE Technology's threat to children

Record Number: 0002230511

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FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 185
 () Publish Date: _____

Identifier (file name): SB185-DOA-OPA-2-04-08 Dept. Affected: Administration
 Title: "An Act relating to sex offenders and child kidnappers..." RDU: Legal and Advocacy Services
 Component: Office of Public Advocacy
 Sponsor: Senator Wielechowski
 Requester: _____ Component Number: 43

Expenditures/Revenues (Thousands of Dollars)

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

| | Appropriation Required | Information | | | | | | |
|-------------------------------|---------------------------|-------------|------------|------------|------------|------------|------------|------------|
| | | FY 2009 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
| OPERATING EXPENDITURES | | | | | | | | |
| Personal Services | 0.0 | 0.0 | 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 | 0.0 | 0.0 |
| Contractual | 0.0 | 0.0 | 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 | 0.0 | 0.0 |
| Equipment | 0.0 | 0.0 | 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 | 0.0 | 0.0 |
| Grants & Claims | 0.0 | 0.0 | 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 | 0.0 | 0.0 |
| TOTAL OPERATING | 0.0 | 0.0 | 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 | 0.0 | 0.0 | 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 | 0.0 | 0.0 |
| 1004 GF | 0.0 | 0.0 | 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 | 0.0 | 0.0 |
| 1037 GF/Mental Health | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Interagency Receipts | 0.0 | 0.0 | 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 | 0.0 | 0.0 |

Estimate of any current year (FY2008) cost: _____

POSITIONS

| | | | | | | | |
|-----------|--|--|--|--|--|--|--|
| Full-time | | | | | | | |
| Part-time | | | | | | | |
| Temporary | | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This bill expands the requirements for sex offender registration by adding the requirement of providing any electronic messaging address or internet identifier or any change in this information, and it amends the crime of failure to register as a sex offender or child kidnapper accordingly. While it is possible that this bill could have a fiscal impact on the agency by expanding the conduct that could trigger prosecution for failure to register as a sex offender, it cannot be predicted at this time. Therefore, OPA submits a zero fiscal note.

Prepared by: Joshua P. Fink, Director
 Division: Office of Public Advocacy
 Approved by: Rachael Petro, Deputy Commissioner
Department of Administration

Phone 907-269-3501
 Date/Time 2/4/08, 12:00 p.m.
 Date 2/4/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB185-DOC-OC-02-08-08
 () Publish Date: _____

Identifier (file name): SB185-DOC-OC-02-08-08 Dept. Affected: Corrections
 Title "An Act relating to sex offenders and child kidnappers." RDU Administration and Operations
 Component Office of the Commissioner
 Sponsor Senators Wielechowski & Ellis
 Requester Senate State Affairs Component Number 694

Expenditures/Revenues (Thousands of Dollars)

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

| | Appropriation Required | Information | | | | | | |
|-------------------------------|---------------------------|-------------|------------|------------|------------|------------|------------|------------|
| | | FY 2009 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
| OPERATING EXPENDITURES | | | | | | | | |
| Personal Services | 0.0 | 0.0 | 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 | 0.0 | 0.0 |
| Contractual | 0.0 | 0.0 | 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 | 0.0 | 0.0 |
| Equipment | 0.0 | 0.0 | 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 | 0.0 | 0.0 |
| Grants & Claims | 0.0 | 0.0 | 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 | 0.0 | 0.0 |
| TOTAL OPERATING | 0.0 | 0.0 | 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 | 0.0 | 0.0 | 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 | 0.0 | 0.0 |
| 1004 GF | 0.0 | 0.0 | 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 | 0.0 | 0.0 |
| 1037 GF/Mental Health | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Interagency Receipts | 0.0 | 0.0 | 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 | 0.0 | 0.0 |

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

Passage of this legislation should have no fiscal impact on the Department of Corrections.

Prepared by: Sharleen Griffin, Director
 Division Administrative Services
 Approved by: Dwayne Peoples, Deputy Commissioner
Department of Corrections

Phone (907) 465-3339
 Date/Time 2/8/08 1:25 PM
 Date 2/8/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 185
 () Publish Date: _____

Identifier (file name): SB185-DPS-R&I-02-05-08 Dept. Affected: Public Safety
 Title "An Act relating to sex offenders and child kidnappers." RDU Statewide Support
 Component Records & Identification
 Sponsor Senator Wielechowski
 Requester Senate State Affairs Committee Component Number 1190

Expenditures/Revenues (Thousands of Dollars)

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

| | Appropriation Required | Information | | | | | | |
|-------------------------------|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | FY 2009 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
| OPERATING EXPENDITURES | | | | | | | | |
| Personal Services | | | | | | | | |
| Travel | | | | | | | | |
| Contractual | 42.0 | | 42.0 | 42.0 | 42.0 | 42.0 | 42.0 | 42.0 |
| Supplies | | | | | | | | |
| Equipment | | | | | | | | |
| Land & Structures | | | | | | | | |
| Grants & Claims | | | | | | | | |
| Miscellaneous | | | | | | | | |
| TOTAL OPERATING | 42.0 | 0.0 | 42.0 | 42.0 | 42.0 | 42.0 | 42.0 | 42.0 |

| | | | | | | | | |
|-----------------------------|--|--|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | | | |
|-----------------------------|--|--|--|--|--|--|--|--|

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

FUND SOURCE (Thousands of Dollars)

| | | | | | | | | |
|----------------------------|-------------|------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | | | |
| 1003 GF Match | | | | | | | | |
| 1004 GF | 42.0 | | | | | | | |
| 1005 GF/Program Receipts | | | | | | | | |
| 1037 GF/Mental Health | | | | | | | | |
| Other Interagency Receipts | | | | | | | | |
| TOTAL | 42.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY2008) cost: _____

POSITIONS

| | | | | | | | | |
|-----------|--|--|--|--|--|--|--|--|
| Full-time | | | | | | | | |
| Part-time | | | | | | | | |
| Temporary | | | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This legislation requires sex offenders and child kidnappers to provide more extensive registration information than is currently required under AS 12.63.010 and consequently collected and maintained by the department.

Sex offender and child kidnapper registration information is entered into and maintained electronically in the state's central criminal history repository, the Alaska Public Safety Information Network (APSIN). Information is obtained from forms completed by offenders at initial registration, annual or quarterly verification, and upon a qualifying change in the offender's information. (Continued)

Prepared by: David Schade, Director
 Division Statewide Services
 Approved by: Walt Morgan, Commissioner
Department of Public Safety

Phone (907) 269-0202
 Date/Time 2/7/08 8:47 AM
 Date 2/6/2008

FISCAL NOTE

**STATE OF ALASKA
2008 LEGISLATIVE SESSION**

BILL NO. SB 185

ANALYSIS CONTINUATION

This legislation will require the department to revise its forms to include fields for offenders to report all Internet identifiers and addresses (e.g. email and instant messaging addresses) used by the offender. There is no fiscal impact anticipated as a result of making the forms revisions.

Significant new business logic would be needed to capture, manage, and interpret timeframes associated with various Internet identifiers. In addition to email and instant messaging addresses, Internet identifiers include any designations or monikers used for self-identification in Internet communications or postings on social networking sites (i.e. Facebook, MySpace, LinkedIn) and gaming (i.e. WoW, Second Life), potentially thousands per user, each with a variety of properties. Because the Internet is very dynamic with new services being created monthly (many of which quickly have millions of registrants) there will be an ongoing requirement to add new Internet identifiers and types to any database system that needs to track this information.

For the first year, considerable analysis, programming, and data entry changes in APSIN and the Sex Offender Registration (SOR) office's application will be necessary to add data fields for the entry of all Internet identifiers and addresses reported as being used by an offender. The programming changes and associated costs assume that the data is for the mainframe APSIN system and the SOR office application only. Changes to the public website display are not included, nor are the cost of any reports. Costs are based on \$85.00 per hour.

Computation:

- Analysis during project: 80 hours
- Modify mainframe and screens (new screen for amount of data) and database to capture and store updates: 120 hours
- Mainframe database coordination and program moves: 40 hours
- Modify the migration process of mainframe data to the data warehouse: 40 hours
- Modify SOR office application to store and display the additional fields: up to 80 hours
- Final testing: 40 hours
- Initial operating costs: 95 hours

Ongoing operating costs (200 hours per year), additional storage, backup, and data management is estimated to cost \$42,000 annually.

The bill is unclear as to the timeframe for current registered offenders to provide all Internet identifiers and addresses used by the offender. Therefore, the department has conservatively not included the cost associated with immediate compliance for current registered offenders in this analysis, including mailing notification of new requirements and instructions, data entry, etc. Rather, current registered offenders would be required to provide this additional information at annual or quarterly verification or upon an otherwise-required qualifying change in the offender's information.

SB

1988

WITHDRAWN

McGUIRE

25-LS1102L.1
Bullard
3/31/08

AMENDMENT #1

OFFERED IN THE SENATE

TO: SSSB 198

1 Page 1, line 1:

2 Delete "extending"

3 Insert "relating to"

4

5 Page 1, line 2, following "campaigns;":

6 Insert "relating to the statute of limitations for the filing of complaints with the
7 Select Committee on Legislative Ethics;"

8

9 Page 1, lines 5 - 12:

10 Delete all material and insert:

11 **"* Section 1. AS 15.13.380(b) is amended to read:**

12 (b) A [MEMBER OF THE COMMISSION, THE COMMISSION'S
13 EXECUTIVE DIRECTOR, OR A] person who believes a violation of this chapter or a
14 regulation adopted under this chapter has occurred or is occurring may file an
15 administrative complaint with the commission within ^{Fc112} ~~five~~ years [ONE YEAR] after
16 the date of the alleged violation. If a member of the commission has filed the
17 complaint, that member may not participate as a commissioner in any proceeding of
18 the commission with respect to the complaint. The commission may consider a
19 complaint on an expedited basis or a regular basis. The time limitations of this
20 subsection do not bar proceedings against a person who intentionally prevents
21 discovery of a violation of this chapter.

22 * Sec. 2. AS 24.60.170(a) is amended to read:

23 (a) The committee shall consider a complaint alleging a violation of this