



# *Alaskans Working For Alaska!*

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## ASEA/AFSCME Local 52 Weekly Legislative Update April 23, 2005 (week 15 of 17)

### **\*ACTION ALERT\***

All members should discourage their Legislators from supporting SB 141! Consider the Talking Points below when asking your lawmakers to reject SB 141.

#### **Talking Points**

- 1) Independent study suggests that PERS funding is among the top third of all public employee retirement systems in the country. The need for drastic change is overstated and there is still time to craft a better solution.
- 2) Without competitive benefits, state service will be a revolving door and a lost investment in employees whose skills qualify them to work in the better paying private sector.
- 3) State employee/Teacher recruitment and retention of qualified individuals will become almost impossible in parts of Alaska where retirement benefits make the difference between coming and going.
- 4) Committed and career-minded Tier IV state employees risk the chance of outliving the benefits of a defined contribution plan.
- 5) The survivor benefit and disability benefit in SB 141 does not ensure a lifetime of protection for the families of Peace Officers, Firefighters, and other public employees who risk life and limb in service to the State of Alaska.
- 6) The additional administrative cost of managing thousands of individual retirement accounts instead of one retirement plan is underestimated and reduces the perceived savings of switching to a defined contribution retirement system.
- 7) Purchasing additional benefit products for state employees (life insurance, disability insurance, annuities) to compensate for shortcomings in SB 141 reduces the perceived savings of switching to a defined contribution retirement system.
- 8) PERS/TRS is not broken. PERS/TRS board recommendations haven't been seriously considered. Many public employee and teachers associations have volunteered to improve the current retirement system.

The following links will assist you in contacting legislators and help you identify the location of your nearest Legislative Information Office if you would like to testify at a future committee hearing.

Identify legislators by the district they represent.

<http://w3.legis.state.ak.us/legdist/24/legdist.htm>

Choose from a list of legislators for sending an e-mail from a union website.

<http://www.afscmelocal52.org/pac/pom/sb141>

See a listing of House Finance members.

[http://www.legis.state.ak.us/basis/get\\_com\\_info.asp?comm=HFIN&session+24](http://www.legis.state.ak.us/basis/get_com_info.asp?comm=HFIN&session+24)

See a list of Legislative Information Offices.

<http://w3.legis.state.ak.us/legaff/liolist.htm>

View the ASEA Political Action Committee description and the current status of SB 141.

<http://www.afscmelocal52.org/pac/sb141>

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**Hearings notice reduced to 24 hours!** Both the House and Senate have convened conference committees for reconciling House and Senate versions of SB 67, the operating budget. A conference committee for the operating budget invokes the 24-hour rule for minimum notice of committee hearings. Prior to convening the conference committees, the minimum notice for committee hearings was one week. Hearings can now be scheduled one day and held the next.

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**Targeted Legislation: [SB 141 \(PUBLIC EMPLOYEE/TEACHER RETIREMENT\)](#)**

**Sponsor:** Senate Finance Committee

**ASEA Position:** OPPOSE

**PAC Recommendation:** OPPOSE

**Bill Summary:** As passed by the Senate, SB141 proposes radical changes for state employees:

- 1) It allows the PERS retirement system administrator to increase current employee contribution rates until employee contributions fund one-half of the benefits expected to be earned by active members;

*(The House State Affairs Committee has removed this section of the legislation. However, we can not be sure that the State House will not return these contribution rate increases for current employees back into the bill.)*

- 2) For new employees, it replaces the defined benefit retirement system (PERS) with a new defined contribution plan that does not ensure any particular level of retirement benefit.

The bill also reduces the number of plan participants allowed to sit on the retirement boards. State workers will have NO say in who represents them on this board! Under the bill, the governor appoints seven of the members and the other two are the commissioners of Administration and Revenue.

The amendments to HCS CSSB 141(STA) also include the election of two members each to PERS/TRS boards by plan participants, and a minimum employer contribution of 10% for PERS. However, it is not certain that these amendments will remain in future versions of this bill.

On a side note, the Conference Committee charged with reconciling House Bill 1 met Monday, April 25. HB 1 makes increases to education funding contingent on the passage of legislation that replaces PERS/TRS defined benefit plans with defined contribution individual account systems (SB 141). A motion to rescind the Senate amendments to link SB 141 to early education funding failed. Green and Wilken voted against the motion. Representatives Meyer, Chanault, Gara, and Senator Hoffman voted in favor. However, Rule 42 required positive votes in both bodies. Therefore, the motion failed on a 4-2 vote.

Joseph Esuchanko, a Michigan-based actuarial consultant, reported Thursday, April 21, on his independent study of the state's PERS retirement system. His evaluation indicated that the predictions of unfunded

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liability were exaggerated by atypical actuarial practices. Based on practices employed by most actuaries, Alaska ranks among the top 30% of states in terms of public employee retirement system health.

Esuchanko explained that 1) the underfunding of medical benefits (a volatile cost factor) and 2) the lack of market investment return were the largest contributors of the decline from 105% funding in 2000 to 70% funding today. *(However, the 70% funding includes the prefunding medical benefits, a practice that is uncommon among state retirement systems, many of which use the pay-as-you-go approach to annual benefit costs.)*

**Bill Status:** SB 141 was referred to House Finance and received a hearing Saturday, April 23. Public testimony against SB 141 from public employees, teachers, police officers, firefighters and Alaska residents concerned about the effect of SB 141 on their communities was overwhelming.

**Related Bills:** The following bills relating to Public Employees Retirement reform are also pending hearing in the House State Affairs Committee. You can find updated committee schedules on the ASEA PAC Website at [www.afscmelocal52.org](http://www.afscmelocal52.org).

[HB 170 - PUB EMPLOYEES/TEACHERS RETIREMENT BOARDS, SPONSOR REP. KELLY](#)

[HB 191 - PUBLIC EMPLOYEE/TEACHER RETIREMENT, SPONSOR REP. KELLY](#)

[HB 238 - PUBLIC EMPLOYEE/TEACHER RETIREMENT, SPONSOR \(H\) STA](#)

The bills listed below are pending hearing in the House Judiciary Committee. Find updated schedules for these bills on the ASEA PAC Website at [www.afscmelocal52.org](http://www.afscmelocal52.org).

[HB 177 - STATE EMPLOYEE RETIREMENT CONTRIBUTIONS, SPONSOR REP. KELLY](#)

**Action Needed:** ASEA is very concerned that the House Finance Committee will add back the requirement for an increased employee contribution. ASEA members should contact the [House Finance Committee](#) and let them know that SB 141 is BAD for current and future state employees! Ask them to reject SB 141 and other changes to the retirement system.

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**Targeted Legislation: [HB 147](#) and [SB 108](#) (INSURANCE)**

**Sponsor:** Request of the Governor

**ASEA Position:** SUPPORT

**PAC Recommendation:** NEUTRAL

**Bill Summary:** House Bill 147 and Senate Bill 108 require notice of an insurers' lapse of certification. The bills amend restrictions regarding the advertisement of insurance products to prohibit any comparison of health discount plans to a form of insurance.

These pieces of legislation included sections with regulations for "self-funded governmental plans," which would include the ASEA/AFSCME Local 52 Health Trust, requiring health trusts to provide actuarial reports and 10% liability indemnity insurance.

**Bill Status:** The House Labor & Commerce Committee removed the language referring to "self-funded governmental plans" from the House version of HB 147 by adopting a committee substitute on April 18th. The bill has been referred to House Rules.

SB 108 The Senate Labor & Commerce Committee held a hearing on SB 108 April 14<sup>th</sup>; SB 108 was referred with amendments to Senate Finance.

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**Action Needed:** Contact members of the [Senate Finance Committee](#) and ask them to keep the language referring to “self-funded governmental plans” in the bill! It is the position of the union that the increased regulation will provide better service to our members!

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**Targeted Legislation: [HB 257](#) and [SB 160](#) (STATE PROCUREMENT ELECTRONIC TOOLS)**

**Sponsor:** SB 160:Senate Labor & Commerce Committee, HB 257:House Judiciary Committee

**ASEA Position:** OPPOSE

**PAC Recommendation:** OPPOSE

**Bill Summary:** House Bill 257 and Senate Bill 160 aim to privatize state procurement functions. These bills could eliminate approximately 180 state positions. ASEA estimates that 120 of those positions would be GGU members’ jobs. The remaining positions would be APEA and Local 71 members.

House Judiciary amended HB 257 to extend the pilot project for one additional year without expansion to additional departments within the state. CSHB 257(JUD) includes clarification of its exemption from the Procurement Code, and a list of Alaska procurement preferences and definitions.

ASEA is taking this threat very seriously, the union has joined forces with APEA and Local 71 to collect information and actively lobby against this legislation. **Moving procurement to a private vendor will destroy the public trust in the process.** State employees should be making procurement decisions per the State’s Procurement Code.

The Pilot Program, HB 313 that the legislature passed in 2003, has not proved cost savings for the state. Final results will not be returned for the pilot program until next year

**Bill Status:** SB 160 is currently in the Senate Finance Committee. HB 257 has been referred from House Judiciary Committee to House Finance Committee. No hearings are currently scheduled for either SB 160 or HB 257

**Action Needed:** Contact your members of the [Senate Finance Committee](#) and [House Finance Committee](#) to urge them to examine the results of the HB 313 Pilot Program before considering making these drastic changes to the procurement system!

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**Targeted Legislation: [HB 161](#), [SB 24](#), and [SB 31](#) (REEMPLOYMENT OF RETIREES)**

**Sponsor:** SB 24: Sen. Gary Stevens (R)-Kodiak, Sen. Bettye Davis (D)-Anchorage, and Sen. Kim Elton (D)-Juneau; HB 161: Representative Elkins (R) – Ketchikan; SB 31: Sen. Kim Elton (D)-Juneau

**ASEA Position:** OPPOSED

**PAC Recommendation:** OPPOSED

**Bill Summary:** SB 24 has undergone a major rewrite in the Senate State Affairs Committee, including removal of retroactive claims against past employers of retirees whose employment increased the unfunded liability of either of the state retirement systems.

As written, the SB 24 includes a one-year extension of the waiver for retired teachers and public employees to collect retirement benefits after being rehired by a public employer. Rehired retirees who do not qualify for the waiver extension are prohibited from receiving retirement system medical benefits during the period of reemployment, but will receive from the employer the same medical benefits extended to other employees. In addition to providing medical benefits, the employer must make contributions to the retirement system for each returning retiree at the same rate as any other employee.

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HB 161 saw some changes in the House Health & Social Services Committee. HB 161 requires an employee waiver of retirement system medical benefits in order to receive retirement disbursements. HB 161 obliges the employer to demonstrate a need for hiring retirees before a waiver may be accepted. The employer in turn provides medical benefits to the retiree. HB 161 requires contributions for returning retirees toward the retirement system unfunded liability, but not at the same rate as other active employees.

SB 31 is similar to previous versions of SB 24 and HB 161. SB 31 remains inactive and is unlikely to replace either bill.

**Bill Status:** SB 24 has been referred to the Senate Finance. Currently, SB 24 is not scheduled for any hearings.

HB 161 has been referred the House State Affairs Committee. No hearings are currently scheduled.

SB 31 has been referred to the Senate's Health and Social Services Committee, State Affairs, and Finance. No hearings are currently scheduled.

**Action Needed:** Contact members of the [House State Affairs Committee](#) and ask them to oppose HB 161!

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**Targeted Legislation: [HB 98](#) and [SB 71](#) (NONUNION PUBLIC EMPLOYEE SALARY & BENEFIT)**

**Sponsor:** Request of the Governor

**ASEA Position:** NEUTRAL

**PAC Recommendation:** NEUTRAL

**Bill Summary:** Provides for salary increases to exempt and partially exempt employees of the Executive Branch, and adjusts salary schedules that were last updated in 2001. Exempt employees of the Executive Branch and the Judicial Branch will receive an adjustment of 2%, an increase comparable to those received by classified employees.

**Bill Status:** HB 98 has been passed out of the House State Affairs Committee and House Finance. It is currently in House Rules. No hearings are currently scheduled.

SB 71 has been referred to the Senate Finance Committee. A hearing was held Monday, April 25.

**Action Needed:** No action needed at this time.

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**Targeted Legislation: [HB 180](#) and [SB 130](#) (WORKERS' COMPENSATION)**

**Sponsor:** Request of the Governor

**ASEA Position:** OPPOSE

**PAC Recommendation:** OPPOSE

**Bill Summary:** Implements changes to workers' compensation affecting the supervising government agency, appeal procedure, hearings format, and claim amounts. Workers Compensation Hearing Officers would remain as members of ASEA/AFSCME Local 52 with the protections of collective bargaining.

**Bill Status:** HB 180 has been referred to the House Labor & Commerce Committee, Judiciary and Finance Committees. No hearings are currently scheduled.

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SB 130 has been passed from the Senate Floor with amendments. It has been referred to the House Labor & Commerce, House Judiciary, and House Finance committees.

**Action Needed:** No action needed at this time.

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**Targeted Legislation:** [SB 152 \(Geo-Diff Study Funding\)](#)

**Sponsor:** Sen. Tom Wagoner (R)-Kenai

**ASEA Position:** SUPPORT

**PAC Recommendation:** SUPPORT

**Bill Summary:** The bill, introduced on March 24<sup>th</sup>, would authorize a \$500,000 appropriation for the purpose of conducting a study to review pay differentials, commonly known as the Geo-Diff. State law requires such studies to take place every five years. However, the last pay differential study took place more than twenty years ago in 1983.

Sen. Wagoner says in his sponsor statement, "Over time, some differentials have changed to reflect the change in cost of living, while state statutes remain unchanged since there has not been an update on the Cost of Living survey. The recent School District Cost Study highlights that a cost of living study should be done soon to ensure that the geographic pay differential provided to public employees is up to date."

**Bill Status:** SB 152 passed out of Senate State Affairs and has been referred to the Senate Finance Committee. No hearings are currently scheduled.

**Action Needed:** Contact members of the [Senate Finance Committee](#) and urge them to vote yes on this long overdue legislation!

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**Targeted Legislation:** [HB 67](#) and [SB 45](#) (APPROP: OPERATING BUDGET/LOANS/FUNDS)

**Sponsor:** Request of the Governor

**ASEA Position:** SUPPORT

**PAC Recommendation:** SUPPORT

**Bill Summary:** Provides funding for the second year of the Collective Bargaining Agreement. **This funding includes a 1.5% upward salary adjustment for the GGU.** The increase in health insurance premium will be determined before the end of the session. HB 67 has been amended to provide funding for this increase and has passed the House of Representatives.

HB 67 has been amended by the Senate Finance Committee to withhold the \$69 million needed for the Extra PERS contribution unless SB 141 (see page one of the alert) passes both chambers.

**Bill Status:** HB 67 passed the Senate Floor on April 14 and a Conference Committee is reconciling differences between the Senate and House version of this bill. The convening of a conference committee for consideration of the operating budget invokes the 24 Hour Rule, reducing hearing notice to 24 hours. Hearings can now be scheduled one day and held the next.

***HB 67 funds our CBA but still withholds the funding for the extra PERS contribution contingent on the passage of SB 141.***

**Action Needed:** Contact [your senator and representatives](#) and ask that they support State Employees and approve the funding for the second year of the Collective Bargaining Agreement **AND** remove the language that ties the funding to radical and unfounded changes to the retirement system!

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