

FISCAL NOTE

Bill Version: HB 277
 (H) Publish Date: 2/15/00

STATE OF ALASKA
2000 LEGISLATIVE SESSION

Revision Date 2/9/00 Dept. Affected Administration
 Title An act relating to payment of retirement BRU Centralized Administrative Services
benefits for subsequently reemployed retired members Component Retirement and Benefits
 Sponsor Representative Halcro
 Requester (H) HESS Component No. 64

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

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 Division Retirement and Benefits Date/Time 2/9/00
 Approved by Commissioner Robert Poe Jr. Date 2/9/00
 Agency Department of Administration

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House Bill 277

The fiscal impact of this legislation is difficult to quantify for the following reasons:

1. The Teachers' Retirement System (TRS) is funded with rates charged against the salaries of active members (certificated teachers and administrators), and earnings from fund investments. Teachers currently pay 8.65% and employers pay 12% of salary into TRS.

The State of Alaska employs only approximately 100 of the 9,300 active TRS members. The rest of the members are employed by Alaska school districts. Therefore, the fiscal impact of any legislation falls on school districts, not the State of Alaska. Since a fiscal note reflects the cost of legislation to state government, even legislation with a high cost to TRS could show minimal fiscal note impact.

2. Currently, when a retired TRS member returns to TRS covered employment, the member's retirement benefit is suspended until the member again retires. Under this legislation, the benefit would no longer be suspended, so the member would receive a TRS retirement check and a TRS employer paycheck. System demographics indicate that relatively few TRS retirees currently return to employment covered by TRS. If this were to continue, our actuaries have estimated that the legislation would only increase TRS rates by approximately 0.01 percent of payroll. If this were the case, the long-term employer contribution rate of 12 percent of payroll would be adequate to fund the System.

However, relieving the penalty for retired members to come back to work may increase the number who choose to do so. We asked our actuaries to quantify the possible impact if this occurs.

Our actuaries focused on the portion of the population for whom the legislation produces a measurable cost increase – members who earn 20 years of service before otherwise becoming eligible for retirement. We found that for these members, retiring when they first achieve 20 years of service, returning to work for two years and then re-retiring increases the liability associated with their benefits by about 10%. If half of the members elect to do this, we estimate that the annual cost increase would be approximately 0.75% of total TRS payroll. The cost increase is roughly proportional to the assumptions. For example, if **all** employees who attain 20 years before other retirement eligibility return to work for 2 years, the cost increase should be about 1.5% of payroll. Moreover, if the period of return is doubled, so is the cost.