

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 242
 (H) Publish Date: 4/17/01

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
 Title: "An Act relating to reemployment of and BRU: Centralized Admin. Services
medical benefits of PERS & TRS members..." Component: Retirement & Benefits
 Sponsor: Representative Kott
 Requester: House State Affairs Component Number: 64

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	41.0	41.0	41.0	41.0	41.0	41.0
Travel						
Contractual	50.0	15.0	15.0	15.0	15.0	15.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	91.0	56.0	56.0	56.0	56.0	56.0

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 (PERS,TRS,JRS)	91.0	56.0	56.0	56.0	56.0	56.0
TOTAL	91.0	56.0	56.0	56.0	56.0	56.0

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time	1	1	1	1	1	1
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation will allow certain retirees who return to permanent employment the option to elect whether to continue receiving a retirement benefit (and forego additional retirement benefit accrual) or to receive additional retirement benefit accrual (and suspend receiving a retirement benefit). Additional member counseling and education will be necessary to assist reemployed retirees in their selection. A Retirement and Benefits Technician position will be needed to assist with member counseling. Contractual costs are included for computer programming to incorporate changes to the law and to cover the publication of educational materials.

Prepared by: Guy Bell, Director Phone 465-4471
 Division: Retirement & Benefits Date/Time 04/13/01
 Approved by: Jim Duncan, Commissioner Date 4/13/01
 Agency: Department of Administration

For distribution information, call the Governor's Legislative Office

HB 242 FN#1 – Continued (Actuarial Cost)

This legislation has three basic components:

1. Retiree Return Incentive
2. Improvements to Tier II Medical Benefits to address employee attraction and retention
3. Simplification of Geographic Differential language

1. Retiree Return Incentive

The retiree return incentive removes a disincentive for retirees to return to full time employment. Currently, a retiree who wishes to return to permanent public employment must forego retirement benefit payments during their period of return. The change we propose would allow the retiree to continue receiving benefit payments after returning to public employment. To keep this cost-neutral, an employee would not accrue additional retirement credit during the period of return. This provision will have no actuarial impact.

2. Improvements to Tier II Medical Benefits to address employee attraction and retention.

Currently, regardless of their length of service, Tier II retirees are not eligible for system paid medical coverage until age 60, at which point the retirement system pays half the cost. With the change proposed in this legislation, a Tier II peace officer or teacher with 25 years of such service, or a general public employee with 30 years of service, will qualify for system provided and paid medical coverage. In addition, any retiree over the age of 60 will receive system provided and paid medical coverage. This change will increase PERS and TRS employer rates a modest 0.17% of payroll.

3. Simplification of Geographic Differential language

This change will not have an impact on employer rates. Our actuarial firm does not consider the current geographic differential law when calculating retirement system liability. Instead, they use current total salary (including any geographic differential) and project it forward to the expected retirement date to calculate system liabilities. That methodology won't change as a result of this legislation.

For some Tier II members, the system will have a larger retirement benefit liability than would occur in the absence of this legislation. However, the amount of that liability cannot be predicted and it will depend on each member's total employment history.