

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version:	CSSB 185(EDC)
Fiscal Note Number:	2
(S) Publish Date:	4/12/2018

Identifier: SB185-DOA-DRB-04-5-18
 Title: REEMPLOYMENT OF RETIRED TEACHERS & ADMIN
 Sponsor: MICCICHE
 Requester: Senate Finance

Department: Department of Administration
 Appropriation: Centralized Administrative Services
 Allocation: Retirement and Benefits
 OMB Component Number: 64

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2019 Appropriation Requested	Included in Governor's FY2019 Request	Out-Year Cost Estimates				
	FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES	***		***	***	***	***	***
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	***	0.0	***	***	***	***	***

Fund Source (Operating Only)

None							
Total	***	0.0	***	***	***	***	***

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 0.0 (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? YES
 If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/18

Why this fiscal note differs from previous version/comments:

Updated to reflect actuarial analysis of the effects on the Teachers' Retirement System (TRS).

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Division:	Division of Retirement and Benefits	Date:	04/05/2018 05:45 PM
Approved By:	Leslie Ridle, Commissioner	Date:	04/05/18
Agency:	Department of Administration		

**REPORTED OUT OF
SFC 04/12/2018**

FISCAL NOTE ANALYSIS

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Analysis

This bill will allow teachers who retired with a normal retirement benefit to return to participating positions in the Teachers' Retirement System (TRS) to work full or part-time and still receive their TRS benefit. Retired teachers must have a bona fide termination of employment. Retirees age 62 or older are required to separate from employment for a minimum of 60 days and retirees under age 62 are required to separate from employment for 6 months before rehire.

The net impact of the bill will depend on whether 1) the rehired teacher is currently actively employed and retires after the effective date of this bill, or 2) if the retired teacher is a current retiree on or after the effective date of the bill, and 3) total utilization of the retired population.

Current active members who retire after the effective date of the bill in anticipation of rehire will create an increase in the actuarial accrued liability of the system. The system experience shows active members retire four (4) years after reaching normal retirement eligibility. This bill provides an incentive to retire earlier than anticipated by the plan actuaries and therefore generates a cost. Current retired members covered under the AlaskaCare Retiree Health Plan who return to employment under this bill will generate a cost savings as their retiree health insurance will become secondary to the active insurance received upon reemployment, reducing healthcare claim expense.

A key assumption for calculating the impact of this bill rests with utilization. It is not possible to predict who will elect to return to employment. For this reason, the estimates below show the impact to liabilities in a range of possible outcomes. This also is true for the analysis of the effect on the projected State Assistance contributions. The net increase (or decrease) in the TRS Actuarial Accrued Liability under HB 224, based on utilization, would be:

Amounts are in millions

% rehired from current
retired population

200 Rehired Retirees

400 Rehired Retirees

100%	\$(2.2)	\$(4.3)
67%	\$8.7	\$17.4
50%	\$14.3	\$28.7
33%	\$19.9	\$39.9
0%	\$30.8	\$61.7

The bill will have an impact on the State assistance contributions to the TRS, increasing (or decreasing) the payments as follows:

% rehired from current

retired population

200 Retirees

	FY 21	FY 22	FY 23	FY 24	FY 25	5-yr Total
100%	\$(0.2)	\$(0.2)	\$(0.2)	\$(0.2)	\$(0.2)	\$(1.0)
67%	\$0.0	\$0.2	\$0.5	\$0.7	\$0.8	\$2.2
50%	\$0.1	\$0.4	\$0.8	\$1.1	\$1.3	\$3.7
33%	\$0.1	\$0.6	\$1.2	\$1.6	\$1.9	\$5.4
0%	\$0.3	\$1.0	\$1.9	\$2.5	\$2.9	\$8.6

400 Retirees

100%	\$(0.4)	\$(0.4)	\$(0.4)	\$(0.5)	\$(0.5)	\$(2.2)
67%	\$(0.1)	\$0.4	\$1.0	\$1.3	\$1.6	\$4.2
50%	\$0.1	\$0.8	\$1.7	\$2.2	\$2.7	\$7.5
33%	\$0.3	\$1.1	\$2.4	\$3.1	\$3.7	\$10.6
0%	\$0.6	\$1.9	\$3.7	\$4.9	\$5.8	\$16.9

FISCAL NOTE ANALYSIS

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2018 LEGISLATIVE SESSION

BILL NO. SB 185

Analysis

The current projected State Assistance contributions for TRS based on the June 30, 2017, draft actuarial valuation without HB 224 are:

Amounts are in millions

FY 21:	\$148.5
FY 22:	\$147.0
FY 23:	\$151.5
FY 24:	\$156.4
FY 25	\$161.5

The complete analysis by the plan actuary, Conduent Human Resources Services, will be submitted with this fiscal note.