

# COMMITTEE REPORT

3/28/75

## HOUSE

Mr. Speaker:

Date March 28 1975

The Committee on FINANCE has had SSHB 64

under consideration. A Majority of the members of the Committee

( ) recommends it DO PASS

( ) recommends it DO NOT PASS

( ) recommends it DO PASS WITH ATTACHED AMENDMENT(S)

(X) recommends it BE REPLACED WITH CS FOR \_\_\_\_\_ AND THAT

CS FOR SSHB 64 DO PASS

( ) "and" recommends it BE REFERRED TO THE \_\_\_\_\_

COMMITTEE

( ) reports it back WITHOUT RECOMMENDATION

( ) "other"

Members signing the Majority report:

<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

<u>[Signature]</u>	recommends: <u>No Rec</u>
<u>[Signature]</u>	recommends: <u>No Rec</u>
_____	recommends:
_____	recommends:
_____	recommends:

[Signature] Chairman

The Legislature of the State of Alaska  
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. Sponsor Substitute for House Bill 64 and Senate Bill 197

Title: An act relating to the Public Employees' Retirement System

Requested by: Sponsor Date: 2/14/75

Return Date Requested: ASAP

Agency: Administration - Retirement Program: PERS

II. FISCAL DETAIL

Budget Request Unit(s) Affected: ALL

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES	-0-	8.3	-0-	-0-	-0-	-0-
200 TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL	-0-	12.0	-0-	-0-	-0-	-0-
400 COMMODITIES	-0-	-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS, ETC.	-0-	-0-	-0-	-0-	-0-	-0-
100 Benefits	-0-	7,448.0	7,895.0	8,369.0	8,871.0	9,403.0
TOTAL	-0-	7,468.3	7,895.0	8,369.0	8,871.0	9,403.0

B. FUNDING: (Thousands of dollars)

GENERAL FUND	80%	-0-	5,974.6	6,316.0	6,695.2	7,096.8	7,522.4
FEDERAL FUNDS	17%	-0-	1,269.6	1,342.0	1,422.7	1,508.1	1,593.5
OTHER	3%	-0-	224.1	237.0	251.1	266.1	282.1

C. POSITIONS:

PERMANENT/TEMPORARY	0/0	0/0	0/0	0/0	0/0	0/0
MAN MONTHS (P./T.)	0/0	0/0	0/0	0/0	0/0	0/0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. It is assumed that the State Payroll will increase at 6% per annum.
2. Estimated covered payroll for the State during FY 76 will be \$140,000,000.
3. Increase in contribution rate for the State = 5.32%.
4. The total contribution rate for the State will be 11.51%.
5. The additional costs to each participating political subdivision will be approximately 5.3% of their covered payroll.

IV. ATTACHMENTS

Appendix I

V. DATE: 3/24/75

PREPARED BY: Robert S. Gates

Robert S. Gates, Director  
Division of Retirement and Benefits  
Department of Administration

Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)

APPENDIX I

Sponsor Substitute for House Bill 64 and Senate Bill 197

The retroactive provisions would necessitate a recomputation of benefits for many persons already on retirement. In addition, adjustments would have to be made in the "retired reserve" accounts. To accomplish these tasks it would require the following additional personal services and computer modification costs.

1. One temporary position - Benefit Field Representative (Range 16) for a six month period:

Monthly Salary \$1,293 x 6 = \$7,758  
plus 7 1/4% benefits = 562

Total \$8,320

2. Modifications required to data processing systems = \$12,000

We would recommend that the effective dates of these bills be 7/1/75.

Introduced: 2/18/75  
Referred: State Affairs  
and Finance

1 IN THE HOUSE

BY BOWMAN AND KELLEY

2

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 64

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

NINTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the public employees' retirement system; and providing for an effective date."

7

8

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

9

\* Section 1. AS 39.35.160(a) is amended to read:

10

(a) While participating in the system ~~each employee~~ EACH PEACE OFFICER AND EACH FIREMAN shall contribute five PER CENT AND EVERY OTHER EMPLOYEE SHALL CONTRIBUTE <sup>7%</sup> ~~one quarter per cent of his compensation~~ <sup>of his compensation</sup> to the public employees' retirement system.

11

12

13

14

REMOVE SECTION 2. AND RENUMBER OTHER SECTIONS ACCORDINGLY  
\* Sec. 2. AS 39.35.370(c) is amended to read:

15

16

17

18

19

20

21

22

23

24

25

\* Sec. 3. AS 39.35.380(a) is amended to read:

26

27

28

29

(a) An employee [, OTHER THAN A PEACE OFFICER OR FIREMAN,] is eligible for an early retirement pension on or after his 50th [55TH] birthday and after he completes five or more years of credited service. [A PEACE OFFICER OR FIREMAN IS ELIGIBLE FOR AN EARLY RETIREMENT PENSION

1 employee's spouse as contingent beneficiary. If no spouse exists at  
2 the time of actual retirement, the pension shall be determined as if  
3 the spouse were the same age as the employee.

4 \* Sec. 7. AS 39.35.680(11) is amended to read:

5 (11) "normal retirement date" for an employee [A PEACE OFFI-  
6 CER OR A FIREMAN] means the first day of the month following either his  
7 55th birthday and five [EIGHT] years of credited service or his 20th  
8 year of credited service, whichever is earlier [, AND FOR ANY OTHER  
9 EMPLOYEE IT MEANS THE FIRST DAY OF THE MONTH FOLLOWING EITHER HIS 60TH  
10 BIRTHDAY AND EIGHT YEARS OF CREDITED SERVICE OR HIS 30TH YEAR OF  
11 CREDITED SERVICE, WHICHEVER IS EARLIER];

12 \* Sec. 8. This Act takes effect immediately in accordance with AS 01.10.-  
13 070(c).

ARTICLE XXXVI

JOINT SUPPORT OF LEGISLATION

The Administration will support reasonable improvement in the Public Employees Retirement System.

From the General Government contract negotiated by the Alaska Public Employees Association and the State of Alaska - April 3, 1975.

April 11, 1975

House Finance Committee  
Hugh Malone, Chairman

Reference SSHB64 amending the public employees' retirement system.

An analysis was made of those employees who are at age 55, or more, to determine the salary savings to the State, over a five year period, should these persons elect to retire. This was made in January, 1975.

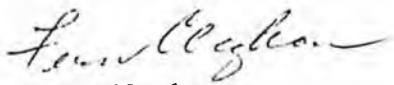
The Department of Highways, Central District, has 139 general government and 71 supervisors, and there are presently 27 people, or 12.9% who fall in the above category. Most of these are at Step E or beyond.

We find that the following salary savings would obtain, projected from 1975 through 1979:

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>Total</u>
Incumbent Salaries	523,740	529,092	541,248	545,184	564,540	2,703,804
New Hires - Step A (1975)	435,312	442,608	469,488	486,708	504,564	2,338,680
Salary Savings	88,428	86,484	71,760	58,476	59,976	365,124

Attached are sheets detailing the projected salaries and savings.

Respectfully,



Fern Cleghorn  
General Government Unit  
Anchorage

Attachments: 2

Analysis  
Central District Highways, Employees

Current  
Positions  
Grade &  
Step

	1975		1976		1977		1978		1979	Totals
16F	1555	F	1555	J	1613	J	1613	K	1673	8009
8D	834	E	860	F	888	F	888	J	921	4391
8J	921	J	921	K	956	K	956	K	956	4710
25F	3016	F	3016	J	3128	J	3128	K	3246	15534
11K	1158	K	1158	K	1158	K	1158	M	1246	5878
20J	2165	J	2165	K	2246	K	2246	K	2246	11068
18B	1555	C	1613	D	1673	E	1736	F	1801	8378
20K	2246	K	2246	K	2246	K	2246	M	2418	11402
16J	1613	J	1613	K	1673	K	1673	K	1673	8245
10J	1045	J	1045	K	1085	K	1085	K	1085	5345
16F	1555	F	1555	J	1616	J	1613	K	1673	8009
11E	1041	F	1075	F	1116	J	1116	J	1116	5423
11D	1008	E	1041	F	1075	F	1075	J	1116	5315
19F	1939	F	1939	J	2011	J	2011	K	2087	9987
22D	2246	E	2331	F	2418	F	2418	J	2508	11921
20C	1869	D	1939	E	2011	F	2087	F	2087	9993
19J	2011	J	2011	K	2087	K	2087	K	2087	10283
18K	1939	K	1939	K	1939	K	1939	M	2087	9843
18K	1939	K	1939	K	1939	K	1939	M	2087	9843
16K	1673	K	1673	K	1673	K	1673	M	1801	8493
14K	1445	K	1445	K	1445	K	1445	M	1555	7335
18K	1939	K	1939	K	1939	K	1939	M	2087	9843
16K	1673	K	1673	K	1673	K	1673	M	1801	8493
16E	1499	F	1555	F	1555	J	1613	J	1613	7835
16C	1392	D	1445	E	1499	F	1555	F	1555	7446
14S	1392	J	1392	K	1445	K	1445	K	1445	7119
11C	977	D	1008	E	1041	F	1075	F	1075	5176

43,645.

44,091.

45,104.

45,432.

47,045.

225,317.

2,703,804.

Projected Cost  
New Hires - 1975-79

Range & Step	1975	1976	1977	1978	1979	Total
16A	1293	1342	1392	1445	1499	6,970
8A	760	796	808	834	860	4,058
8A	760	796	808	834	860	4,058
25A	2508	2603	2700	2802	2907	13,520
11A	916	961	977	1008	1041	4,903
20A	1736	1801	1869	1939	2011	9,356
18A	1499	1555	1613	1673	1736	8,076
20A	1736	1801	1869	1939	2011	9,356
16A	1293	1342	1392	1445	1499	6,971
10A	860	902	916	945	977	4,600
16A	1293	1342	1392	1445	1499	6,971
11A	916	961	977	1008	1041	4,903
11A	916	961	977	1008	1041	4,903
19A	1613	1673	1736	1801	1869	8,692
22A	2011	2087	2165	2246	2331	10,840
20A	1736	1939	2011	2087	2165	9,938
19A	1613	1673	1736	1801	1869	8,692
18A	1499	1555	1613	1673	1736	8,076
16A	1293	1342	1392	1445	1499	6,971
14A	1116	1158	1201	1246	1293	6,014
18A	1499	1555	1613	1673	1736	8,076
16A	1293	1342	1392	1445	1499	6,971
16A	1293	1342	1392	1445	1499	6,971
16A	1293	1342	1392	1445	1499	6,971
14A	1116	1158	1201	1246	1293	6,014
18A	1499	1555	1613	1673	1736	8,076
16A	1293	1342	1392	1445	1499	6,971
16A	1293	1342	1392	1445	1499	6,971
16A	1293	1342	1392	1445	1499	6,971
14A	1116	1158	1201	1246	1293	6,014
11A	916	961	977	1008	1041	4,903

---

Monthly Cost	36,276	36,884	39,124	40,559	42,047	194,890
--------------	--------	--------	--------	--------	--------	---------

Total - 5 Years

2,338,680

OVERVIEW OF THE ESSENTIAL POINTS

of the

GENERAL GOVERNMENT UNIT CONTRACT

1. WAGES - 1st Year of Contract

A. Retroactive Payment

1. 19.92% of gross wages paid during pay period of 1/16/75 through 2/15/75
2. Plus - 9% of gross wages paid during pay period of 2/16/75 through 3/15/75
3. Plus - 9% of gross wages paid during pay period of 3/16/75 through 4/15/75

B. In addition, the basic salary schedule will be increased by 9% effective April 16, 1975.

C. Cost of Living - If the cost of living increases more than 9% during 1975, a retroactive adjustment will be made at the end of the first year to compensate for the cost-of-living rise in excess of 9%.

12/21  
2. WAGES - 2nd Year of Contract

A. There will be a maximum increase in the basic salary schedule of 9%.

B. If the cost-of-living index rises less than 9% during 1975, the percentage increase in the basic salary schedule for 1975 will be the same as the actual percentage rise in the cost-of-living index for 1975.

C. If the cost-of-living index for 1976 rises more than the percentage increase made to the basic salary schedule at the beginning of 1976, a retroactive adjustment will be made at the end of the second year to compensate for the rise in excess of the percentage increase made to the basic salary schedule at the beginning of 1976.

3. OTHER ESSENTIALS

A. \$40 per day for short or late pay checks

B. The right to honor APEA picket lines

C. A foolproof method of collecting dues and agency fees

D. Increased step for Valdez and Fairbanks

E. An improved grievance procedure

- F. Paid holidays for temporaries
- G. Administration's support of reasonable improvements in Public Employees Retirement System
- H. APEA can order reclassification studies
- I. Annual and sick leave improvements
- J. Legal assistance
- K. Improved travel and per diem allowances
- L. Improvements in probation rules
- M. Improvements in recall pay, and rules
- N. 100% of medical cost in excess of \$5,000 - up to \$50,000
- O. Study of Social Security system as it affects state employees
- P. Cost-of-living survey for Alaska

CONTRACT BARGAINING COMMITTEE RECOMMENDATION

In accordance with Section 3, part 14 (B) of the By-Laws of the Alaska Public Employees Association, the Contract Bargaining Committee does now offer its opinion of the tentative agreement between the State of Alaska and the General Government Bargaining Unit.

We, the duly authorized negotiators for the General Government Bargaining Unit of the Alaska Public Employees Association, do hereby recommend, without reservation, approval of the proposed General Government Unit contract.

Benny Jackson

William H. Hume

David Miles 4-1-75

March 17, 1975

The Honorable Willard L. Bowman  
 Pouch V  
 State Capitol  
 Juneau, Alaska 99811

Dear Representative Bowman:

The information contained in this letter will provide you with our analysis of the impact of the sponsor substitute for House Bill 64. Also you will find the incremental cost breakdown of the three major provisions in this piece of legislation.

Section 1. AS 39.35.160 (a) amendments in this section would increase the employee contribution rate to 5 1/4% for all participating employees including peace officers and firemen. An increase of 1/4% of 1% for peace officers and firemen and a 1% increase for all other employees will have the effect of reducing the overall cost of this bill by .80%.

Section 2. AS 39.35.370 (c) this amendment would provide a uniform benefit formula for all members of the Retirement System. This uniform formula (2% for the first 10 years and 2 1/2% for all years over 10) would also be applied to those persons already receiving retirement. In addition there would be an 80% maximum placed on the retirement benefit compared to the average monthly salary at the time of retirement. The cost of this provision would be 1.50% of an estimated \$140 million payroll for fiscal year 75. This cost assumes a 5 1/4% employee contribution rate and would be a total cost to the State of \$2,100,000 in FY 76.  
 2,122,000

Section 3. AS 39.35.380 (a) this section would provide for an early retirement for all employees at age 50 or regular retirement at age 55. The cost of this provision would be 1.00% of an estimated \$140 million payroll in FY 75. The dollar cost would be approximately \$1,512,000.

Section 4. AS 39.35.380 (d) this new subsection would specify that persons already receiving retirement benefits would have their benefits recalculated according to the provisions of this act. There would be no retroactive benefit payments made.

Section 5. AS 39.35.430 (a) this amendment would provide a minimum benefit for those terminating before July 1, 1975 next (b) this provision would provide for an employee to receive either the minimum benefit or the benefits calculated under Section 370 C whichever was greater.

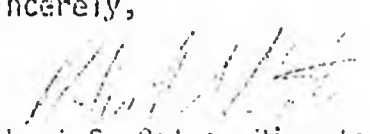
March 17, 1975

Section 6. AS 39.25.410 (d) this provision would take a person off of disability retirement at the new normal retirement age of 55 rather than age 60.

Section 7. AS 39.35.600 (11) this amendment would change the definition of normal retirement age for all employees to 55 with 5 years of creditable service. The reduction from 8 to 5 years is correcting a previous inconsistency in the statutes. Also this would provide that all employees could retire at any age with 20 years or more of service. The cost of the "20 years and out" provision would be 2.54% of an estimated \$140 million payroll FY 76. The dollar cost would be \$3,556,000 in FY 76.

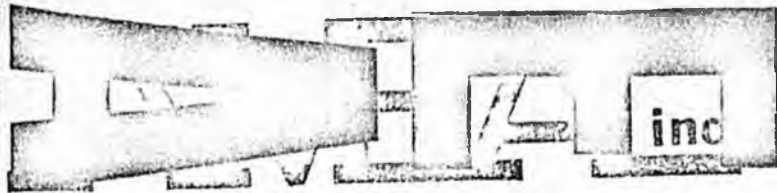
I hope that providing you with a cost breakdown for each major component will be the information you need. Please let me know if I can be of any further assistance.

Sincerely,

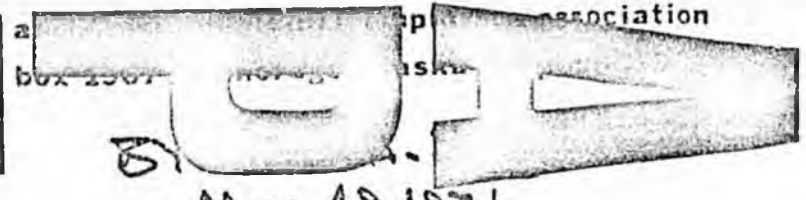


Robert S. Gates, Director  
Division of Retirement & Benefits

RSG/jb



SINCE 1971



MAY 19, 1975

### 1. 5 1/4% CONTRIBUTION:

20 YEAR — 2.54%	- \$ 3.556	} \$5.068
AGE 55 & 50 — 1.08%	- 1.512	
2 1/2% FACTOR — 1.50%	- 2.100	
TOTAL STATE — 5.12%	\$ 7.168	} \$3.612
+ 1% EMPLOYEE .80%	1.120	
5.72	\$ 8.288	

### 2. GOV.'S PROPOSAL

AGE 55 — 1.24%	- \$ 1.736
HEALTH.	620
	<u>2,356</u>

### 3. # 241 @ 7% CONTRIBUTION

TOTAL STATE SHARE — 3.54%	\$ 4,976.
w/o 2 1/2% — (1.50%)	(2,100)
2.04%	<u>\$ 2,876</u>

EMPLOYEES COST 7% (4.25)	
2.75% — 2.75%	\$ 4,850

NOTE: EMPLOYEES SHARE HAS A 80% EFFECT ON ACCURIES



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

April 28, 1975

The Honorable Hugh Malone  
Chairman, House Finance Committee  
Alaska State Legislature  
Pouch V - State Capitol  
Juneau, Alaska 99811

Dear Representative Malone:

Under the collective bargaining agreement negotiations recently completed between the APEA and the State, this Administration agreed to support reasonable improvements to the State Employees' retirement program. Expanded retirement benefits were not included in the Administration's budget due to the fact that introduction of the budget preceded those negotiations. However, had the reverse been the case, it is likely that the budget would not have included any specific recommendations for changes in retirement benefits. The reason is that there are numerous retirement benefit proposals, almost all of which are worthwhile and advisable if the State possessed infinite resources, but very few of which can be afforded when the State is in the severe financial crisis that, unfortunately, it is. Under these circumstances, I feel that the Legislature, which has the responsibility of appropriating funds, should balance the advantages of the various benefit packages with the limited funds available for that purpose.

You have inquired as to what I believe constitutes a reasonable improvement to the State Employees' retirement program. What is reasonable must be resolved primarily in light of the State's grave financial circumstances.

My concern is to benefit as broad a base of employees as possible and to provide some assistance to existing retirees within the limits of existing financial constraints.

The Honorable  
Hugh Malone

-2-

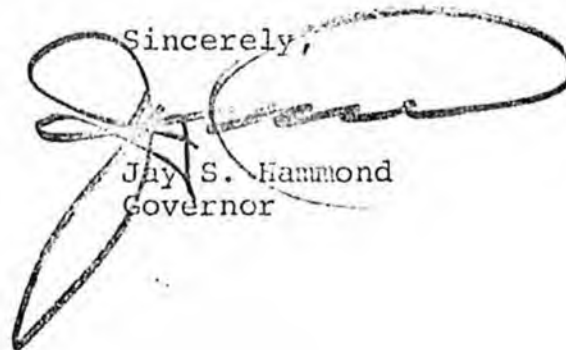
April 28, 1975

With these in mind, I would recommend that you consider the reasonableness of the following:

1. The normal retirement age be lowered to age 55. This provision would require a 1.24 per cent increase on the employer's contribution rate or \$1,736,000 for Fiscal Year 1976.
2. Legislation to provide major medical insurance to all persons retired under both the Public Employees and the Teachers' Retirement System. (H.B. 363). The cost of providing such coverage under the Public Employees' Retirement System for Fiscal Year 1976 would be \$620,000. The cost of providing the coverage in Fiscal Year 1976 for the Teachers' Retirement System would be \$454,000. In this case, retired persons in both systems have to be combined in order to develop a reasonable medical insurance rate. Passage of this coverage for either system by itself would require a different cost estimate.

The combined cost of lowering the normal retirement age to 55 and providing major medical insurance to existing retirees would cost approximately \$2,810,000 for Fiscal Year 1976. Should you desire any additional information concerning this subject, either I or my staff will be happy to respond.

Sincerely,



Jay S. Hammond  
Governor

Original sponsor: Bowman and Kelley

Offered: 6/1/75  
For today's calendar

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 64

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the public employees' retirement  
7 system; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 39.35.160(a) is amended to read:

10 (a) While participating in the system each peace officer and each  
11 fireman shall contribute five per cent and every other employee shall  
12 contribute seven [FOUR AND ONE-QUARTER] per cent of his compensation to  
13 the public employees' retirement system.

14 \* Sec. 2. AS 39.35.380(a) is amended to read:

15 (a) An employee [, OTHER THAN ^ PEACE OFFICER OR FIREMAN,] is  
16 eligible for an early retirement pension on or after his 50th [55TH]  
17 birthday and after he completes five or more years of credited service.  
18 [A PEACE OFFICER OR FIREMAN IS ELIGIBLE FOR AN EARLY RETIREMENT PENSION  
19 ON OR AFTER HIS 50TH BIRTHDAY AND AFTER HE COMPLETES FIVE OR MORE YEARS  
20 OF CREDITED SERVICE AS A PEACE OFFICER OR FIREMAN.]

21 \* Sec. 3. AS 39.35.380 is amended by adding a new subsection to read:

22 (d) An employee who previously retired under (a) of this section  
23 shall be paid benefits computed under sec. 370(c) of this chapter from  
24 the effective date of this Act.

25 \* Sec. 4. AS 39.35.485 is amended to read:

26 Sec. 39.35.485. MINIMUM BENEFIT. (a) An employee whose termina-  
27 tion occurred before July 1, 1975 [1972] and who is eligible for a  
28 benefit calculated in accordance with sec. 370(c) of this chapter is  
29 entitled to a benefit of at least \$13.25 a month for each year of

1 credited service, not including adjustments made under secs. 380, 410,  
2 450, 475 and 480 of this chapter.

3 (b) An employee who retired under this section before the  
4 effective date of this Act shall be paid a benefit amount computed  
5 under sec. 370(c) of this chapter or under this section, whichever is  
6 greater.

7 \* Sec. 5. AS 39.35.410(d) is amended to read:

8 (d) The monthly amount of an occupational disability pension for  
9 a peace officer or a fireman shall be two-thirds of his gross monthly  
10 compensation at the time of his disability. For any other employee  
11 it shall be determined in accordance with sec. 370(c) of this chapter,  
12 considering (1) the employee's compensation before his termination of  
13 employment, and (2) either the credited service that would have been  
14 accumulated if the employee's employment had continued until his 55th  
15 [60TH] birthday after his disability or his actual credited service  
16 before his disability, whichever is greater; except that the amount so  
17 determined shall be reduced by assuming that a joint and survivor option  
18 of 75 per cent became immediately effective upon retirement, with the  
19 employee's spouse as contingent beneficiary. If no spouse exists at  
20 the time of actual retirement, the pension shall be determined as if  
21 the spouse were the same age as the employee.

22 \* Sec. 6. AS 39.35.680(11) is amended to read:

23 (11) "normal retirement date" for an employee [A PEACE OFFI-  
24 CER OR A FIREMAN] means the first day of the month following either his  
25 55th birthday and five [EIGHT] years of credited service or his 20th  
26 year of credited service, whichever is earlier [, AND FOR ANY OTHER  
27 EMPLOYEE IT MEANS THE FIRST DAY OF THE MONTH FOLLOWING EITHER HIS 60TH  
28 BIRTHDAY AND EIGHT YEARS OF CREDITED SERVICE OR HIS 30TH YEAR OF  
29 CREDITED SERVICE, WHICHEVER IS EARLIER];

1 \* Sec 7. This Act takes effect immediately in accordance with AS 01.10.-  
2 070(c).

3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

#

Introduced: 1/24/75  
Referred: State Affairs and  
Finance

1 IN THE HOUSE

BY BOWMAN

2 HOUSE BILL NO. 64

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the public employees' retirement  
7 system."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 39.35.160(a) is amended to read:

10 (a) While participating in the system an employee [EACH PEACE  
11 OFFICER AND EACH FIREMAN] shall contribute five per cent [AND EVERY  
12 OTHER EMPLOYEE SHALL CONTRIBUTE FOUR AND ONE-QUARTER PER CENT] of  
13 his compensation to the public employees' retirement system.

14 \* Sec. 2. AS 39.35.370(c) is amended to read:

15 (c) The monthly amount of the normal retirement pension for an  
16 employee [A PEACE OFFICER OR A FIREMAN] is two per cent of his average  
17 monthly compensation at his highest earning rate times his years of  
18 credited service up through 10 years, plus two and one-half per cent of  
19 his average monthly compensation at his highest earning rate times his  
20 years of service over 10 years. [FOR EVERY OTHER EMPLOYEE AND RETIRED  
21 EMPLOYEE IT IS TWO PER CENT OF HIS AVERAGE MONTHLY COMPENSATION TIMES  
22 HIS YEARS OF SERVICE.] However, the monthly amount of the normal retire-  
23 ment pension may not exceed 80 per cent of the average monthly compensa-  
24 tion received by the employee at his highest earning rate.

25 \* Sec. 3. AS 39.35.380(a) is amended to read:

26 (a) An employee [, OTHER THAN A PEACE OFFICER OR FIREMAN,] is  
27 eligible for an early retirement pension on or after his 50th [55TH]  
28 birthday and after he completes five or more years of credited service.  
29 [A PEACE OFFICER OR FIREMAN IS ELIGIBLE FOR AN EARLY RETIREMENT PENSION ON OR

1 AFTER HIS 50TH BIRTHDAY AND AFTER HE COMPLETES FIVE OR MORE YEARS OF  
2 CREDITED SERVICE AS A PEACE OFFICER OR FIREMAN.]

3 \* Sec. 4. AS 39.35.680(11) is amended to read:

4 (11) "normal retirement date" for an employee [A PEACE OFFICER  
5 OR A FIREMAN] means the first day of the month following either his 55th  
6 birthday and eight years of credited services or his 20th year of  
7 credited service, [WHICHEVER IS EARLIER, AND FOR ANY OTHER EMPLOYEE IT  
8 MEANS THE FIRST DAY OF THE MONTH FOLLOWING EITHER HIS 60TH BIRTHDAY AND  
9 EIGHT YEARS OF CREDITED SERVICE OR HIS 30TH YEAR OF CREDITED SERVICE,]  
10 whichever is earlier;

Introduced: 2/18/75  
Referred: State Affairs  
and Finance

1 IN THE HOUSE

BY BOWMAN AND KELLEY

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 64

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the public employees' retirement  
7 system; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 39.35.160(a) is amended to read:

10 (a) While participating in the system an employee [EACH PEACE  
11 OFFICER AND EACH FIREMAN] shall contribute five [PER CENT AND EVERY  
12 OTHER EMPLOYEE SHALL CONTRIBUTE FOUR] and one-quarter per cent of his  
13 compensation to the public employees' retirement system.

14 \* Sec. 2. AS 39.35.370(c) is amended to read:

15 (c) The monthly amount of the normal retirement pension for an  
16 employee and a retired employee [A PEACE OFFICER OR A FIREMAN] is two  
17 per cent of his average monthly compensation times his years of  
18 credited service up through 10 years, plus two and one-half per cent of  
19 his average monthly compensation times his years of service over 10  
20 years. However, the monthly amount of the normal retirement pension  
21 may not exceed 80 per cent of the average monthly compensation upon  
22 which the benefit is calculated [FOR EVERY OTHER EMPLOYEE AND RETIRED  
23 EMPLOYEE IT IS TWO PER CENT OF HIS AVERAGE MONTHLY COMPENSATION TIMES  
24 HIS YEARS OF SERVICE].

25 \* Sec. 3. AS 39.35.380(a) is amended to read:

26 (a) An employee [, OTHER THAN A PEACE OFFICER OR FIREMAN,] is  
27 eligible for an early retirement pension on or after his 50th [55TH]  
28 birthday and after he completes five or more years of credited service.  
29 [A PEACE OFFICER OR FIREMAN IS ELIGIBLE FOR AN EARLY RETIREMENT PENSION

1 ON OR AFTER HIS 50TH BIRTHDAY AND AFTER HE COMPLETES FIVE OR MORE YEARS  
2 OF CREDITED SERVICE AS A PEACE OFFICER OR FIREMAN.]

3 \* Sec. 4. AS 39.35.380 is amended by adding a new subsection to read:

4 (d) An employee who previously retired under (a) of this section  
5 shall be paid benefits computed under sec. 370(c) of this chapter from  
6 the effective date of this Act.

7 \* Sec. 5. AS 39.35.485 is amended to read:

8 Sec. 39.35.485. MINIMUM BENEFIT. (a) An employee whose termina-  
9 tion occurred before July 1, 1975 [1972] and who is eligible for a  
10 benefit calculated in accordance with sec. 370(c) of this chapter is  
11 entitled to a benefit of at least \$13.25 a month for each year of  
12 credited service, not including adjustments made under secs. 380, 410,  
13 450, 475 and 480 of this chapter.

14 (b) An employee who retired under this section before the  
15 effective date of this Act shall be paid a benefit amount computed  
16 under sec. 370(c) of this chapter or under this section, whichever is  
17 greater.

18 \* Sec. 6. AS 39.35.410(d) is amended to read:

19 (d) The monthly amount of an occupational disability pension for  
20 a peace officer or a fireman shall be two-thirds of his gross monthly  
21 compensation at the time of his disability. For any other employee  
22 it shall be determined in accordance with sec. 370(c) of this chapter,  
23 considering (1) the employee's compensation before his termination of  
24 employment, and (2) either the credited service that would have been  
25 accumulated if the employee's employment had continued until his 55th  
26 [60TH] birthday after his disability or his actual credited service  
27 before his disability, whichever is greater; except that the amount so  
28 determined shall be reduced by assuming that a joint and survivor option  
29 of 75 per cent became immediately effective upon retirement, with the

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

employee's spouse as contingent beneficiary. If no spouse exists at the time of actual retirement, the pension shall be determined as if the spouse were the same age as the employee.

\* Sec. 7. AS 39.35.680(11) is amended to read:

(11) "normal retirement date" for an employee [A PEACE OFFICER OR A FIREMAN] means the first day of the month following either his 55th birthday and five [EIGHT] years of credited service or his 20th year of credited service, whichever is earlier [, AND FOR ANY OTHER EMPLOYEE IT MEANS THE FIRST DAY OF THE MONTH FOLLOWING EITHER HIS 60TH BIRTHDAY AND EIGHT YEARS OF CREDITED SERVICE OR HIS 30TH YEAR OF CREDITED SERVICE, WHICHEVER IS EARLIER];

\* Sec. 8. This Act takes effect immediately in accordance with AS 01.10.070(c).

#

The Legislature of the State of Alaska  
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. CS for Sponsor Substitute for HB 64  
 Title: An Act relating to the Public Employees' Retirement System  
 Requested by: House Finance Committee Date: May 31, 1976  
 Return Date Requested: ASAP  
 Agency: Administration-Retirement Program: PERS

II. FISCAL DETAIL

Budget Request Unit(s) Affected: ALL

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES	-0-	8.3				
200 TRAVEL	-0-	-0-				
300 CONTRACTUAL	-0-	12.0				
400 COMMODITIES	-0-	-0-				
500 EQUIPMENT	-0-	-0-				
600 LAND & STRUCTURES	-0-	-0-				
700 GRANTS, CLAIMS, ETC.	-0-	-0-				
BENEFITS	-0-	3,108.0				
TOTAL		3,128.3				

B. FUNDING: (Thousands of dollars)

GENERAL FUND	-0-	2,486.4				
FEDERAL FUNDS	-0-	528.4				
OTHER	-0-	93.2				
PERS		20.3				

C. POSITIONS:

PERMANENT/TEMPORARY	0/0	0/1	/	/	/	/
MAN MONTHS (P./T.)	0/0	0/6	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. It is assumed that the State Payroll will increase at 6% per annum.
2. Estimated covered payroll for the State during FY 76 will be \$140,000-000.
3. Increase in contribution rate for the State = 2.22%.
4. Employee contribution rate for non-peace officers and fireman will increase from 4.25% to 7.0%.
5. The additional costs to each participating political subdivision will be approximately 2.2% of their covered payroll.

IV. ATTACHMENTS APPENDIX I

V. DATE: 5/31/75

PREPARED BY: Robert S. Gages

Robert S. Gages, Director  
Division of Retirement  
Department of Administration

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

APPENDIX I

CS Sponsor Substitute for House Bill 64

The retroactive provisions would necessitate a recomputation of benefits for many persons already on retirement. In addition, adjustments would have to be made in the "retired reserve" accounts. To accomplish these tasks it would require the following additional personal services and computer modification costs.

1. One temporary position - Benefit Field Representative  
(Range 16) for a six month period:

Monthly Salary \$1,293 x 6 = \$7,758  
plus 7 1/4% benefits = 562

Total \$8,320

2. Modifications required to  
data processing systems = \$12,000

We would recommend that the effective date of these bill be 7/1/75.