

COMMITTEE REPORT

HOUSE

4/9/76

Mr. Speaker:

Date April 9 1976

The Committee on FINANCE has had SB 551

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)
- recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ 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>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

[Signature] Chairman

Introduced: 1/20/76
Referred: Community and
Regional Affairs

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 551

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to participation by political sub-
7 divisions and public organizations in the Public
8 Employees' Retirement System; and providing for
9 an effective date."

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

11 * Section 1. AS 39.35.550 is amended to read:

12 Sec. 39.35.550. REQUEST BY POLITICAL SUBDIVISION TO PARTICIPATE
13 AND ADOPTION OF RESOLUTION. A municipality or other political sub-
14 division of the state [WHICH PROVIDES COVERAGE FOR ITS EMPLOYEES UNDER
15 TITLE II OF THE FEDERAL SOCIAL SECURITY ACT] may request to become a
16 participating employer in this system. The request shall be made
17 after adoption of a resolution by the legislative body of the political
18 subdivision and after approval of the resolution by the person required
19 by law to approve the resolution. A certified copy of the resolution
20 shall be filed with the Department of Administration. If the commis-
21 sioner of administration approves the request for participation, the
22 political subdivision is a participating employer.

23 * Sec. 2. AS 39.35.560 is amended to read:

24 Sec. 39.35.560. REQUEST BY PUBLIC ORGANIZATION TO PARTICIPATE
25 AND ADOPTION OF RESOLUTION. A public or quasi-public organization
26 created wholly or partly by, or deriving its powers from, the legislature
27 of the state [, WHICH PROVIDES COVERAGE FOR ITS EMPLOYEES UNDER TITLE
28 II OF THE FEDERAL SOCIAL SECURITY ACT,] may request to become a
29 participating employer in this system. The request shall be made

1 after adoption of a resolution by the governing body of the public
2 organization. A certified copy of the resolution shall be filed with
3 the Department of Administration. If the commissioner of administration
4 approves the request for participation, the public organization is a
5 participating employer.

6 * Sec. 3. This Act is retroactive to January 1, 1976.

7 * Sec. 4. This Act takes effect immediately in accordance with AS 01.-
8 10.070(c).

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JAN 19 1976

The Honorable Chancy Croft
President of the Senate
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. President:

In accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill relating to participation by political subdivisions and public organizations in the Public Employees' Retirement System. The bill deletes provisions in two sections (AS 39.35.550 and 39.35.560) of the Public Employees' Retirement System (PERS) which presently require political subdivisions or public organizations desiring to participate in PERS to provide coverage for their employees under Title II of the federal Social Security Act, the Act providing for contributions under the Federal Insurance Contributions Act (FICA). The requirement is no longer needed and serves no public interest.

The requirement which would be deleted by this bill was originally imposed upon political subdivisions and public organizations in order to coordinate employee contributions to both FICA and PERS. Prior to 1968, employees participating in PERS contributed a fixed percentage of their earnings which was split between FICA and PERS. Ch. 143, SLA 1960. FICA contributions were deducted first, and the remainder went to PERS. In 1968, section 2, ch. 235, SLA 1968 altered the PERS and required a specified contributions by employees to PERS in addition to appropriate FICA contributions. The 1968 amendments thus eliminated the need for coordination between FICA and PERS contributions.

The requirements which would be deleted by this bill are not only unnecessary, but they also complicate participation in PERS. For example, after unification of the Anchorage borough and city governments, the Anchorage municipality as a new entity and employer no longer needs to maintain a FICA-contribution program. However, AS 39.35.550 as presently constituted requires such a contribution for participation in PERS. The bill would eliminate this prerequisite to PERS participation, and permit the municipality to freely choose FICA-participation. To require FICA-participation by the municipality would require it to conduct

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referendum elections to determine whether FICA coverage was desired. 26 U.S.C. 3121. Voter disapproval of FICA participation would under present law prohibit the municipality from participating in PERS. This possibility is undesirable and would be eliminated by this bill.

Sincerely,

Jay S. Hammond
Governor

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST
 Bill No. SB 551
 Title: Participation by political subdivisions & public organizations
 Requested by: in P.E.R.S. - HFC Date: 16 April 1976
 Return Date Requested: _____
 Agency: Administration - Retirement Program P.E.R.S.

II. FISCAL DETAIL
 Budget Request Unit(s) Affected: -0-
 A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		-0-	-0-	-0-		

B. FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
		-0-	-0-	-0-		

C. POSITIONS: None

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

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

The aim of the bill is to permit Anchorage (or any other municipality) to remain in P.E.R.S. if they withdraw from Social Security coverage, a step which the State itself has under study.

IV. ATTACHMENTS

ROBERT GATES
 By: *J. B. Rhode*
 AA to the Chairman,
 House Finance Committee

V. DATE: 16 April 1976 PREPARED BY: _____

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