

COMMITTEE REPORT

SENATE

4/21/75

Mr. President:

Date 5/7/75

The Committee on FINANCE has had HB 296 relating to teachers' retirement benefits 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>	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

[Signature] Chairman

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF ADMINISTRATIVE SERVICES
PUBLIC EMPLOYEES' RETIREMENT & TEACHERS' RETIREMENT SYSTEMS,
HEALTH INSURANCE PROGRAM, GOVERNMENT SOCIAL SECURITY PROGRAM

JAY S. HAMMOND, Governor

POUCH CR - JUNEAU 99801

April 30, 1975

The Honorable Bill Ray
Chairman
Senate Finance Committee
Pouch V
State Capitol
Juneau, Alaska 99801


Dear Senator Ray:

I have been requested to review the provisions of House Bill #296 and provide a Fiscal Note. Enclosed is a copy of a letter dated April 7, 1975 in which I expressed my thoughts to Senator George Hohman on this bill. You will note that the passage of this legislation has no direct fiscal impact on the State; however, unless a definite agreement is entered into between the State and the National Education Association, the State could become responsible for providing the necessary funds.

From the information I have been able to obtain there will be two individuals affected and based on that information our actuary advises us that the cost of these benefits will be \$16,444. Payment of this amount should be agreed to by the National Education Association before I would recommend further action on this bill.

If I can provide you with any additional information on this matter I would appreciate hearing from you.

Sincerely,


Robert S. Gates, Director
Division of Retirement & Benefits

RSG/jb
Enclosure

April 7, 1975

The Honorable George H. Hohman
Chairman Senate NESS
Floor V
Seward, Alaska 99801

Dear Senator Hohman:

A member of your staff has recently asked me for information concerning the cost impact if legislation was introduced to provide retirement credit for former employees of the National Education Association retroactive to July 1, 1966. House Bill No. 296 was recently introduced which would provide such coverage.

We have several areas of concern with the impact of passing such legislation. Of primary concern is how the cost of such benefits will be funded. As you know under our present system each member is required to make contributions and the employer likewise makes contributions. When NEA employees were first permitted to join our system I advised Robert Van Houte that an administrative decision had been made requiring that NEA absorb the full employer contribution cost unlike the local school district where the State matches 50% of the cost. It seemed reasonable that the privilege of participating in the system was what the legislature had in mind and not to subsidize the retirement for non-public employees. This practice is being followed and the NEA is being required to pay the cost of the unfunded liabilities for current employees. If former employees of the NEA were granted service credit, it would seem to me that prior to the passage of any legislation, we should have a definite commitment from the NEA to make a lump sum payment for the anticipated actuarial cost which will be involved to pay benefits for those former employees. Under the statutes once a person goes on retirement he is guaranteed a benefit as long as he remains eligible. If we do not insist on advanced payments for those liabilities, the State could find itself in a position of paying benefits to former NEA members and also absorb partial costs for making such payments. In order for us to determine the prepayment amount required it will be necessary for the NEA to provide us with the periods of employment and other data for each individual who would be effected by the suggested changes in the statutes.

Senator Hofman

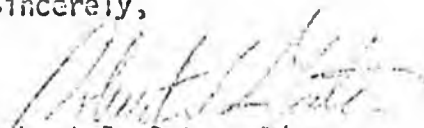
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April 7, 1975

I am also concerned about the use of the words "former employees" because we have no way of collecting contributions from a person who is no longer an active member of the system. This matter can be resolved if RRA guarantees the State that it will make a lump sum prepayment of all costs involved prior to passage of legislation.

If you need any additional information on this subject I would appreciate hearing from you.

Sincerely,



Robert S. Gates, Director
Division of Retirement & Benefits

RSG/jb

FILE WITH Bnr

March 16, 1975

TO: Members of the Senate HESS Committee
FROM: W. D. Overstreet
SUBJECT: House Bill 296

The last legislature enacted a change in the teacher retirement law that made it possible for employees of NEA-Alaska to join the system and receive credit for past service by making retro-active contributions to July 1, 1965 (14.25.045, 2-R). Perhaps it was only oversight that caused that date to be used rather than 1956. Actually, John Poling who just retired from a life-long career in education in Alaska and Frank Darnell who has been involved in education in our State since 1951 also served as Executive Secretary of NEA-Alaska. It seems to me that it would be only fair to amend the law so that they too could have the option of making retro-active contributions and subsequently receive credit for that service.

Two others (Lyman Allen and Haze Bergeron) served as Executive Secretary of NEA-Alaska but I don't believe either continue as members of the system.

Passage of HB 296 would correct this inequity.

Your favorable consideration of this bill would be appreciated.

Bill:
I don't know why this bill got a Finance referral - the beneficiaries would have to pay both the employees & employers share.
I would appreciate your support.
Bill

Introduced: 3/13/75
Referred: Health, Education &
Social Services

1 IN THE HOUSE

BY BRADNER

2 HOUSE BILL NO. 296

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 teachers' retirement benefits;
7 and providing for an effective date."

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

9 * Section 1. AS 14.25.045 is amended to read:

10 Sec. 14.25.045. PARTICIPATION BY NATIONAL EDUCATION ASSOCIATION
11 EMPLOYEES. (a) An employee or former employee of the National Educa-
12 tion Association of Alaska may participate in the retirement fund
13 under this chapter if

14 (1) the employee or former employee possesses or is eligible
15 to possess a teacher certificate under AS 14.20.020 and

16 (2) the employee or former employee or the National Education
17 Association of Alaska pays all retroactive contributions required to
18 be made under this chapter.

19 (b) For purposes of computing the period of time for which
20 retroactive contributions may be due, an employee or former employee
21 may count employment with the National Education Association of Alaska
22 since July 1, 1956 [1965].

23 * Sec. 2. This Act takes effect July 1, 1975
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