

COMMITTEE REPORT

2/6/76

SENATE

Mr. President:

Date 2/24/76

The Committee on FINANCE has had CS SS HB 64
relating to public employees retirement system
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 ^{Senate} CS FOR CS SSB64 AND THAT

Senate CS FOR CS SSB64 DO PASS

- () "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- () reports it back WITHOUT RECOMMENDATION
- () "other"

Members signing the Majority report:

Members NOT concurring in the Majority report:

Jim [unclear] recommends: do not pass

[unclear] recommends: do not pass

_____ recommends:

_____ recommends:

_____ recommends:

_____ Chairman

The Legislature of the State of Alaska
FISCAL NOTE
Second Session - Eighth Legislature

I. REQUEST

Bill Identification: SCS CSSSHB 64
 Title: An act relating to the Public Employees' Retirement System
 Requested by: Senate Finance Date: February 6, 1976
 Return Date Requested: February 9, 1976
 Agency: Administration - Retirement Program: PERS

II. FISCAL DETAIL

Budget Request Unit(s) Affected: All

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	5.0	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	2,322.0	2,600.6	2,912.7	3,262.2	3,653.7
TOTAL	0	2,327.0	2,600.6	2,912.7	3,262.2	3,653.7

B. FUNDING: (Thousands of dollars)

GENERAL FUND	80%	0	1,857.6	0	0	0	0
FEDERAL FUNDS	17%	0	394.7	Increased 12% per year			
OTHER	3%	0	69.7	0	0	0	0
PERS		0	5.0	0	0	0	0

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 State Payroll will increase at 12% per annum.
2. Estimated State Payroll for FY 77 is \$180,000,000.
3. Increased employer contribution rate is 1.29%.
4. The employer rate for each participating political subdivision will be increased by 1.29%.
5. The estimated cost of modifying the PERS data processing system will be \$5,000. (one time only)

IV. ATTACHMENTS

V. DATE: 02/09/76

PREPARED BY: Robert S. Gates

Robert S. Gates, Director
Division of Retirement & Benefits

Original: Legislative Finance 1
 cc: Budget and Management 2
 Prime Sponsor (First Legislator Named)
 SENATE FINANCE COMMITTEE (FINNELL)
 OFFICE OF THE COMMISSIONER 1
 REPRESENTATIVE GELLES 1

Original sponsors: Bowman and Kelley

Offered: 2/6/76
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 SENATE CS FOR CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 64

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 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 six [FOUR AND ONE-QUARTER] per cent of his compensation to
13 the public employees' retirement system.

14 * Sec. 2. AS 39.35.680(11) is amended to read:

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

22 * Sec. 3. This Act takes effect July 1, 1976.
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STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT & BENEFITS PUBLIC EMPLOYEES' &
TEACHERS' RETIREMENT SYSTEMS, HEALTH INSURANCE, DEFERRED
COMPENSATION, GOVERNMENT SOCIAL SECURITY PROGRAM

POUCH CR - JUNEAU 99611
PHONE (907) 465-4410

January 29, 1976

The Honorable John Huber
Chairman
Senate State Affairs Committee
Pouch V
Juneau, Alaska 99801

Dear Senator Huber:

During your committee hearing on January 27, 1976 you requested that I provide you with cost data relating to options of several major provisions contained in Senate Bill 197 and SCS CSSSIB 54. The provisions for which employer costs have been developed by our actuary are:

1. Normal retirement after 25 years of service without an age requirement.
2. Normal retirement after 20 years of service without an age requirement.
3. Increasing the benefit formula after 10 years of service from 2% to 2 1/2%.

The cost to the employer is expressed as a percentage to be applied to the covered payroll which is estimated to be \$180,000,000 for FY 1977. This estimated payroll is for the state only and the same percentage would be applied to the payrolls of other participating employers. Example - for every 1% increase in state contributions it will cost (1.00 x 180,000,000) or \$1,800,000 in additional contributions for FY77. In each succeeding year it will require state contributions of the percentage increase times the actual covered payroll in that year.

The following cost data shown in Tables I and II must be used if only one of the two major provisions are incorporated into a bill. If both major provisions are considered the data provided in Table III must be used.

TABLE I

This assumes that the present benefit formula remains unchanged at 2% for all years of service.

	<u>Employee Contribution Rates</u>				
	<u>4.25%</u>	<u>4.65%</u>	<u>5%</u>	<u>6%</u>	<u>7%</u>
25 years and out (Employer cost)	.70%	.43%	.19%	(.50)	(1.17)
20 years and out (Employers cost)	2.30%	2.06%	1.84%	1.23%	.61%

TABLE II

This assumes that the present normal retirement provisions remain in effect i.e., 5 or more years of service at age 55, or 30 years of service without an age requirement.

	<u>Employee Contribution Rate</u>				
	<u>4.25%</u>	<u>4.65%</u>	<u>5%</u>	<u>6%</u>	<u>7%</u>
Benefit formula is 2% for first 10 years of service and 2 1/2% for years thereafter (Employer cost)	2.30%	2.00%	1.74%	.99%	.24%

TABLE III

The employer costs shown are based on the assumption that both the earlier retirement and the increased benefit formula provisions are adopted.

	<u>Employee Contribution Rate</u>				
	<u>4.25%</u>	<u>4.65%</u>	<u>5%</u>	<u>6%</u>	<u>7%</u>
25 years and out (Employer cost)	3.00%	2.73%	2.49%	1.80%	1.13%
20 years and out (Employer cost)	4.40%	4.16%	3.94%	3.33%	2.71%

Senator Huber

-3-

January 29, 1976

I will be happy to discuss this information with you at your convenience. Please contact me if you desire any additional information.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert S. Gates".

Robert S. Gates, Director
Division of Retirement & Benefits

RSG/jal

Original sponsors: Bowman and Kelley

Offered: 2/6/76
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 SENATE CS FOR CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 64

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 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 six [FOUR AND ONE-QUARTER] per cent of his compensation to
13 the public employees' retirement system.

14 * Sec. 2. AS 39.35.680(11) is amended to read:

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

22 * Sec. 3. This Act takes effect July 1, 1976.
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Original sponsor: Bowman and Kelley

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

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

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

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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 A 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).

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

1 IN THE HOUSE

BY BOWMAN AND KELLEY

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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

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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 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.

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5 (11) "normal retirement date" for an employee [A PEACE OFFI-
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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).

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

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13 compensation to the public employees' retirement system.

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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].

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12 credited service, not including adjustments made under secs. 380, 410,
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28 determined shall be reduced by assuming that a joint and survivor option
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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
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13 070(c).
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Introduced: 1/24/75
Referred: State Affairs and
Finance

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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-
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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;