

HB

820

Steve Cowper, Chairman  
House Finance Committee  
Alaska State Legislature

Dear Representative Cowper:

RE: HB 820 (as amended)

HB 820, recently reported by the House HESS Committee, with a 60 years age limitation, is sorely marginal because it neither adequately nor fairly applies to an optimum range of deserving TRS retirees.

Age alone is not a satisfactory criterion, as is illustrated by the following substandard circumstances--i.e., HB 820 as amended allows any 60 year old retiree with the following "minimum levels" of creditable service to be entitled to the pension adjustment provisions...

- (1) with 15 years of creditable service
- (2) " 8 years of membership service
- (3) " 5 years of membership service & 3 years of BIA Alaska service
- (4) " 20 years of membership service
- (5) " 20 years of membership service, including BIA Alaska service

...to repeat, any of the above minimum levels of service would entitle the 60 year old retiree to the pension adjustment provisions in HB 820.

Not one of the above 5 examples achieves an exemplary level of service! The 60 years-of-age criterion with those substandard levels of service does not compare satisfactorily with the examples of other deserving TRS retirees between 50 and 60 years of age whose teaching careers extended over 25, 30, or more years of service.

Noteworthy cases of retirees who would be disqualified by the 60 years/age-only limitation are too numerous to be exceptional. For example:

- Case #1: The retiree who at 56 with 27 years (23 in Alaska) of creditable service will not be eligible for pension adjustment for 4 years.
- Case #2: The retiree who at age 55 with 31 years (27 in Alaska) of creditable service will not be eligible for pension adjustment for 5 years.
- Case #3: The retiree who at age 54 with 30 years (23 in Alaska) of creditable service will not be eligible for pension adjustment for 6 years.
- \* Case #4: The retiree who at age 53 is now on "disability" due to heart problem and who meanwhile would be eligible for the pension adjustments under HB 820--but will be actually disqualified from such pension adjustments at the earlier event--upon (1) acquiring 25 years of creditable service or upon reaching age 55.

By contrast:

- Case "A" The 60 years-old retiree with only 8 years of membership (in Alaska) service who becomes eligible on 7/1/78 for any declared pension adjustment thereafter.
- Case "B" The 60 years-old retiree with only 15 years (5 in Alaska) of creditable service who is eligible on 7/1/78 for any declared pension adjustment.

\* Note: It seems especially unfortunate that these occasional disability cases, often coincidental with age and stress, will all be converted to "normal retirement" status no later than age 55--also disqualified thereafter for eligibility under HB 820's pension adjustment provisions.

We earnestly contend that to discriminate among deserving retirees under the pressure of limited funds requires a more adequate and fairer means of qualifying retirees for the benefits to be granted.

Therefore, at the point on page #2, line 9, of the House HESS Committee's amending insertion (for the word "teachers") we urge that the following language be substituted:

... "those persons receiving disability or survivor benefits and to any other member currently receiving retirement benefits whose age is 50 years or older or whose creditable years of service total at least 25 years, provided further that the total sum of each such member's combined age and number of creditable years of service shall be at least 75 years". . .

In applying the amending language which we request, the basic requirements will become: (for example)

- (1) retiree with 25 years' creditable service + 50 years age = 75
- (2) retiree with 20 years' " " + 55 " " = 75
- (3) retiree with 15 years' " " + 60 " " = 75

. . . all of which seems to be in harmony with the need to base eligibility for the benefits being granted on broader, wider criteria--i.e., (a) age and (b) service.

Younger retirees in their mid-40's who qualify for 20 years' membership service retirement may not be entitled to HB 820's provisions--noting, our (ASRTA) retired teachers organization has never supported the 20 years' retirement eligibility.

Also, a number of TRS members with prior 20 years' military service pensions (age 20 to 40 in military service) will become qualified after 20 years' TRS membership service at age 60 (age 40 to 60 in teaching service) for HB 820's pension adjustment provisions--allowable but paradoxical--while other, better qualified TRS retirees (whose retirement credentials are more impressive, whose fund contributions were greater) but whose ages are less than 60--thereby disqualifying them from the pension adjustment provisions of HB 820.

As a 2nd change, noting the extremes between lower and higher salaried persons, as well as the limited availability of funds, we further propose that there be a built-in ceiling for pension adjustment amounts, based on one of the two following options:

Option #1: . . . "that the maximum amount of any pension adjustment increase received by any retiree shall be limited to no more than 25 % greater than the median (average) amount of all such benefit increases being granted". . .

-or-

Option #2: . . . "that the declared percentage (up to 4 %) of such pension adjustment to be granted shall be applied only to a maximum limit not exceeding the initial \$20,000 amount of any retiree's retirement benefit per annum.

The more optimum "option" above should be chosen--noting that #1 above may be, over time, more flexible and responsive to inflation--whereas #2 above may be somewhat easier to implement.

Whether higher salaried administrative personnel (public school or U. of Alaska) have a right to expect a full 4 % pension adjustment to be applied to their entire annual retirement benefit amounts which may range upwards to comparatively high levels--may be a sensitive issue. Considering again the (1) limitation of funds and (2) the possible magnitude of some retirement benefit amounts--our consensus is--we think not!

Therefore, it is fitting to implement the seemingly sound idea of an interim ceiling level whereby the limited funds available can be distributed more widely and effectively so as to render relief against inflation-caused loss of purchasing power--particularly to that portion of the retirees' incomes more directly connected with basic economic needs.



While we appreciate any effort and intent to constructively refer HB 820 onward in the legislative process, the 60 year/age-only limitation seems ill-advised, as careful study of the applied circumstances will indicate. We view the age-only criterion as being dysfunctional in that it creates a disparity involving "age" and "service"

In summary, we respectfully contend that these circumstances warrant the two basic changes recommended herein--namely:

- (1) Inclusion of both age and service criteria in the eligibility requirements for HB 820's pension adjustment provisions
- (2) Inclusion of a built-in ceiling (%) limit or a limited portion (maximum) to which only the declared percentage of pension adjustment would be applied.

Respectfully,  
*Stanley M. Knedlik*

Stanley M. Knedlik, Chairman  
Legislative Committees  
Alaska State Retired Teachers Association  
Central Alaska Retired Teachers Association



cc: Chas. H. Parr, Chairman  
House HESS Committee  
Robt. Van Houte, NEA-Alaska  
Mary Carle, President - ASRTA  
Catherine Larson, President - CARTA

April 25, 1978

House HESS Committee Members  
Alaska State Legislature

RE: ASRTA Support  
of HB 820

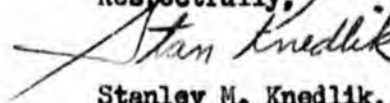
Dear Mr. Parr, Chairman:

I urge the HESS Committee Members to favorably report HB 820 as an immediate and viable means of providing a perennial system of funding post-retirement pension adjustments in step with increases in the cost-of-living for TRS retirees.

The potential of HB 820's proposal can be best illustrated by the funding that would have been provided in 1977, if it had been in operation, when the State's and the Employing School Districts' respective contribution levels were lowered to 6.43 % each. The two combined differentials (below 7 %) of .57 % each, totaling more than 1 %, applied (times) to the TRS Payroll of approximately \$215,000,000 would have provided more than \$2,000,000 for the bonus account fund to be established—an amount substantial enough, with the investment returns, to have paid a 4 % pension adjustment for all TRS retirees for 3 or 4 years.

That is a persuasive possibility, and our membership of the Alaska State Retired Teachers Association strongly supports and urges your favorable consideration of this measure, HB 820.

Respectfully,



Stanley M. Knedlik, Chairman - Legislative  
Committees  
Alaska State Retired Teachers Association  
Central Alaska Retired Teachers Association

To Yes

April 6, 1978

Legislative Board of Retirement Benefits analysis and recommendations  
on:

House Bill No. 820

The board endorses the attached fiscal note as its fiscal analysis  
of HB 820.

The board's previous recommendation, by a majority vote, that HB 820  
do pass remains unchanged.

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST  
Bill/Resolution No. HB 820  
Title An Act Relating to the Teachers Retirement System  
Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL  
Agency Affected Administration - Division of Retirement and Benefits  
Program Category Affected Retirement and Benefits (TRS)  
Budget Request Unit(s) Affected Teachers' Retirement System

EXPENDITURES (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES		10.2				
200 TRAVEL						
300 CONTRACTUAL		17.5				
400 COMMODITIES						
500 EQUIPMENT		0.8				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS ETC		192.6	211.9	233.1	256.4	282.0
100 BENEFITS		44.4	48.8	53.7	59.1	65.0
TOTAL	-0-	265.5	260.7	286.8	315.5	347.0

FUNDING (Thousands of Dollars)

GENERAL FUND		237.0	260.7	286.8	315.5	347.0
FEDERAL FUNDS						
OTHER (Specify)						
TRS		28.5				

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY		6 POS.				

- III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)
1. Estimate FY 79 covered TRS payroll to be \$214,000,000, with estimated annual increase of 10%.
  2. Combined employer contribution rate and State Match now at 13.5% of payroll based on new actuarial assumption adopted by TRS Board.
  3. Increase in combined TRS State Match and employer contribution rate would be .18%.
  4. Administrative costs as attached.

IV. DATE 4/04/78 PREPARED BY Paul B. Arnoldt  
AGENCY Division of Retirement & Benefits  
PHONE 465-4460  
Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named) Representative Cowper  
Office of the Governor (Keith Specking)

ATTACHMENT

Bill/Resolution No. HB 820

ASSUMPTIONS:

- |  |   |               |
|--|---|---------------|
| 1. Estimated FY79 Payroll (Total System) | = | \$214,000,000 |
| 2. State Contribution Rate to Fund Bill  | = | .09 %         |
| 3. State TRS Matching Rate to Fund Bill  | = | .09 %         |
| 4. School District Rate to Fund Bill     | = | .09 %         |

COST ANALYSIS:

<u>Employer</u>	<u>Payroll</u>		<u>Rate</u>	<u>Cost</u>	<u>Appropriation</u>
1. Department of Education	\$ 5,800,000	X	.09 %	\$ 5,220	To Their Budget
2. University of Alaska	\$ 43,500,000	X	.09 %	\$ 39,150	To Their Budget
				<u>\$ 44,370</u>	
3. State TRS Matching	\$214,000,000	X	.09 %	\$192,600	To TRS Match
4. State TRS Regular Budget:					
Personal Services				\$ 10,190	To Personal Services
Travel				\$	To Travel
Contractual				\$ 17,500	To Contractual
Commodities				\$	To Commodities
Equipment				\$ 800	To Equipment
				<u>\$265,460</u>	
5. All School Districts	\$164,700,000	X	.09 %	<u>\$148,230</u>	
				<u>\$413,690</u>	

REMARKS:

- Personal Services - one temporary Retirement & Benefits Specialist - 6 man months.  
 Monthly Salary - \$1,551 x 6 = \$ 9,306  
 Benefits at 9.5% = \$ 884  
\$10,190
- Contractual Services - \$17,500 for initial EDP systems design and development of PRPA analysis and calculation programs.
- Equipment - Desk, chair, calculator, etc. = \$ 800

# TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.

PHONE: 596-8440

JUNEAU, ALASKA 99801

# 02087 NL ANCHORAGE AK 50 04-25 1010P AST

PMS REP CHARLES PARR

CHAIRMAN HESS COMMITTEE

JUN

AS A RETIRED TEACHER I SUPPORT HB820. AS A REASONABLE AND AFFORDABLE ANSWER TO THE INCREASING COST OF LIVING HB866 IS LONG AND CUMBERSOME. I SUGGEST IT NOT BE PASSED OUT OF HESS COMMITTEE TILL FURTHER STUDY IS DONE AND PROPER REVISIONS ARE MADE.

CATHERINE LARSON

1978 APR 26 AM 12 13

# TELEGRAM

RCM ALASKA COMMUNICATIONS, INC.

PHONE: 306-5440

JUNEAU, ALASKA 99801

02058 NL ANCHORAGE ALASKA 126 04-10 341P AST

PMS THE HESS COMMITTEE REP CHARLIE PARR, CHAIRMAN

JUN

THE FOLLOWING MEMBERS OF THE ALASKA STATE AND CENTRAL ALASKA  
RETIRED TEACHERS ASSOCIATIONS IN WORKSHOP TODAY URGE YOUR  
SUPPORT HB822 TO ALLOW A METHOD FOR FUNDING A POST RETIREMENT  
PENSION ADJUSTMENT. WE BELIEVE HB866 NEEDS TO BE AMENDED  
BECAUSE OF OBJECTIONABLE FEATURES IN STATEMENT 13(4) AS TO  
ACCURAL AND PAYMENT OF TEACHER PENSIONS, AS WELL AS IN OTHER  
SECTIONS PAYMENT OF DISABILITY SURVIVORS AND SPOUSES BENEFITS.  
WE DO NOT SUPPORT THIS BILL AS IT STANDS NOW. WE SUPPORT BOTH  
HOUSE BILL 632B AND 636.

JO SULLICAN, CATHY LARSON, FRANCES RAY, ALICE THOMPSON  
BEATRICE McDONALD, MARY CARLE, THELMA KNOWLES, EVELYN VEACH,  
ROBERT VEACH, JOHN REMOLINSKI, HELEN ERICKSON,  
LEAH PETERSON STANBERY, MARCO BRITCH, JOSEPHINE LACHANCE,  
MAYBELLE GERMAN, HELEN NOBLEY, TYNE HAUKEBO, JOAN MCKINNON,  
CORR KENDALL, RUTH HUDSON, BETTY SUTHERLAND

Anchorage, Alaska 99507

#191

9499 Brayton Drive

April 15, 1978

Representative Steve Cowper, Chairman  
House Finance Committee

State Legislature

Porch V

Juneau, Alaska 99801

Dear Rep. Cowper:

Thanks much for introducing HB 820 -  
a high priority item in retired-teacher  
legislation.

Two things, I'm convinced, must be stressed:

1. All parties (the State, districts, and teachers) should pay the same rate - whatever it is, to make 820 work; adequate funding is, of course, essential.
2. "Bonus" COL payments should not be merely at the discretion of the TRS Administrator but should be based on very accurate calculations free of internal manipulation to allow for indications that the Fund won't allow a surplus 4% when it actually would.

Finally, I'm further convinced that your Committee holds the key to genuine success for carrying out HB 820's important intent.

Sincerely yours,  
Ivan M. Gilliam  
Ivan M. Gilliam