

HB

215

21

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HOUSE BILL NO. 215
 Title An Act Relating to Funding of the Judicial Retirement System
 Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement and Benefits
 Program Category Affected Retirement and Benefits
 BRU, Program, or Subprogram(s) Affected Judicial Retirement System
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 TRS STATE MATCH						
100 BENEFITS		1,920.5	2,016.5	2,117.3	2,223.2	2,334.4
TOTAL		1,920.5	2,016.5	2,117.3	2,223.2	2,334.4

FUNDING (Thousands of Dollars)

GENERAL FUND		*1,920.5	2,016.5	2,117.3	2,223.2	2,334.4
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

*\$389.5 is the FY 80 budget request for the court system, therefore only \$1,531.0 will need to be appropriated the first year.

POSITIONS NONE

FULL TIME						
PART TIME						
TEMPORARY						

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

1. It is assumed that the Judicial Retirement System will be funded in a similar manner to the PERS & TRS where the employer makes regular contributions. The level of contribution is expressed as a percentage of covered payroll for active members. The contribution rates indicated below have been determined by our actuary to be sufficient to fund current benefits as they accrue and to amortize past benefits that have not been funded to date (\$13,891,455).
2. Judicial Retirement System (AS 22.25) - 96.0246% of covered payroll.
3. Estimated payroll for FY 80 is \$2,000,000.
4. Assume salaries are increased at 5% per year.

IV. DATE 2/13/79 PREPARED BY Paul B. Arnoldt, Director
 AGENCY Division of Retirement & Benefits
 PHONE 465-4460

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 Office of the Governor (Keith Speckler)

PR 215

February 13, 1979

The Honorable Terry Gardiner
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec 18 of the Alaska Constitution, I am transmitting a bill relating to the funding of the judicial retirement system.

At present, state contribution to this retirement system is funded by an annual appropriation to meet the costs of the program. This measure would amend the source of funding by requiring that employer (State of Alaska) contributions be made in accordance with a rate based upon actuarial valuation in the same manner as the Public Employees' Retirement System and the Teachers' Retirement System. The director of the Division of Retirement and Benefits, as administrator of the program, under the commissioner of administration, will designate the actuarial methods and assumptions which produce the actuarial rate. The employer contribution would be expressed as a percentage figure which may be altered as required.

The bill clarifies the commissioner of administration's responsibilities, but does not reduce or increase employer liability.

Sincerely,



Jay S. Hammond
Governor

ALASKA STATE LEGISLATURE

ELEVENTH Legislature FIRST... Session

HOUSE BILL..... NO.215.....

By THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

"An Act relating to funding of the judicial retirement system; and providing for an effective date."

Funding of the judicial retirement system

Introduced in the House ...2-14..., 19.79.

HISTORY IN THE HOUSE

19 79	Feb. 14	Read first time and referred to Committee on Judiciary																												
		Reported back with recommendation that																												
		 Read second time and																												
		 Read third time and																												
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CHIEF CLERK OF THE HOUSE

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SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19		Received from Senate
		Concurred in Senate amendment thus adopting: VOTE
		Failed to concur in Senate amendment; asked Senate to recede VOTE
		Senate receded from amendment VOTE
		Senate failed to recede from amendment VOTE
		CC appointed by House
		 CC appointed by Senate
		 CC adopted by House VOTE
		 CC adopted by Senate VOTE
		 To enrolling Reported correctly enrolled Sent to Governor
	 by Governor
		Filed with Lt. Governor
		Chapter No.

(b) To be eligible for the survivors' benefits, the surviving spouse must have been married to the justice or judge for at least two years immediately preceding the death of the justice or judge. The benefits continue until the remarriage or death of the surviving spouse.

(c) If there is no surviving spouse, or if the surviving spouse does not meet the requirements of (b) of this section, or upon the remarriage or death of the surviving spouse, the surviving dependent child or children of the justice or judge are entitled to receive in equal shares 50 per cent of the amount of the survivors' benefits specified under (a) of this section.

(d) The surviving child or children are entitled to the survivors' benefits under (c) of this section during the period of their dependency. Dependency exists with respect to any child of a justice or judge who is either (1) a minor under the laws of Alaska, (2) under the age of 23 and is a student attending on a full-time basis an accredited educational or technical institution recognized by the state Department of Education, or (3) so mentally or physically incapacitated as to be unable to provide for self care.

(e) If there are both an eligible surviving spouse and surviving dependent children, but who reside in separate households, the surviving spouse and dependent children will share equally in the benefits payable under (a) of this section. (§ 1 ch 102 SLA 1963; am § 12 ch 83 SLA 1967; am § 2 ch 160 SLA 1972)

Effect of amendment.

The 1972 amendment rewrote this section.

Legislative committee report. — For report on ch. 83, SLA 1967 (HB 141), see 1967 House Journal, pp. 339-340.

Sec. 22.25.040. Refund of contributions.

Repealed by § 16 ch 83 SLA 1967.

Editor's note. — The repealed section derived from § 1, ch. 102, SLA 1963.

Legislative committee report. — For report on ch. 83, SLA 1967 (HB 141), see 1967 House Journal, pp. 339-340.

Sec. 22.25.045. Appropriations. An estimated amount sufficient to pay all benefits anticipated to be paid under this chapter in each fiscal year shall be included in the annual appropriation for the state court system. If the actual authorized benefits necessary to be paid in any fiscal year exceed the sum appropriated, the benefits due shall nevertheless be paid from general funds of the state not otherwise appropriated. (§ 13 ch. 83 SLA 1967)

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Sec. 2
Repeal

Editor's
derived from
Legislative
report on
1967 House

Sec. 2
Repeal

Editor's
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Sec. 22
Repeal

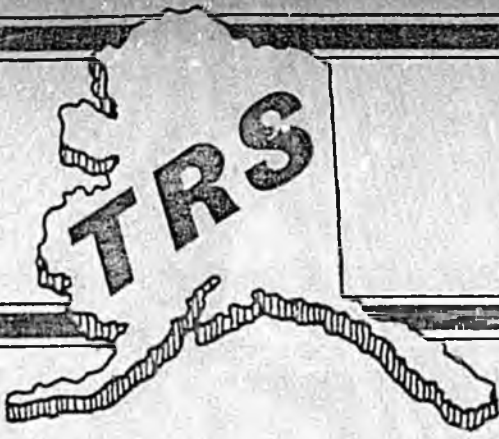
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- 20. Adminis
- 30. Regulati
- 40. Contribu
- 50. Retireme
- 60. Retireme
- 70. Survivor



newsbreak

NUMBER 2

NOVEMBER 1978

LEGISLATIVE BOARD PRIORITY

The Legislative Board of Retirement Benefits, at their November meeting in Juneau, passed a motion stating they would examine the Alaska Judicial Retirement System. The study to determine if benefits are excessive is already underway. In addition, the Board unanimously recommended that the legislature place the system on a funded basis.

As a result of information provided last year which said that the average TRS employer contributes approximately 14% of each employee's gross pay in order to fund benefits for all past and future service, the Legislative Board learned that in order to guarantee the Judicial Retirement System sufficient funds to cover all past and future liabilities, the State must immediately begin setting aside over 100% of the pay of each employee covered under the Judicial Retirement System.

At present, the Alaska Judicial Retirement System is an unfunded retirement system. This differs from the Alaska Public Employees' and Teachers' Retirement Systems which are funded. The difference between the two is a matter of preparation: a funded system can determine future costs and plan for tomorrow, but an unfunded system can't; a funded system sets aside money in readiness for any future eventuality, but an unfunded one doesn't.

Under the statutes governing the PERS and TRS, each employee contributes according to a fixed percentage, and each employer contributes according to a floating rate. The rate depends on many complicated factors, but the figure arrived at each year ensures that there will always be enough money on hand to pay the benefits which employees will have earned when they retire. The actuary for the PERS and TRS is able to state with considerable accuracy the contribution rates necessary every year in the future in order to fund lifetime benefits for all members in each system. Each of you can feel confident that sufficient funds will have been set aside to pay your benefits when you retire.

In contrast, the Judicial Retirement System only receives enough money to pay benefits due in the current year. For Fiscal Year 79, approximately \$370,000 was appropriated to pay retirement benefits. However, a current study indicates that in order to place the system on a funded basis, more than \$1,800,000 should be appropriated annually for benefits that will come due in the future. And as salaries and employees continue to increase, the annual budget request of \$1,800,000 will have to increase proportionately. The pay-as-you-go appropriation of \$370,000 means that an enormous payment will eventually be due at some time in the future.

PAGE 1 of 6

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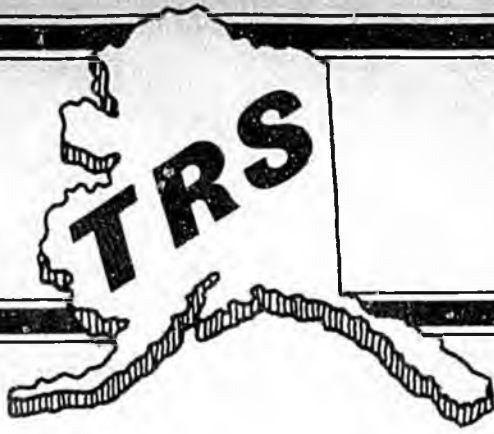
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AGENCY Division of Retirement & Benefits
PHONE 465-4460

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)
Office of the Governor (Keith Specking)
33-001 (Rev. 12/78)



newsbreak

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PAGE 1 of 6



TRS BOARD MEETING

The Teachers' Retirement Board conducted its semiannual fall meeting the week of October 23 in Nome. The meeting, held in the Governor's Conference Room on the 2nd floor of the State Office Building, was attended by Paul Arnoldt, Director of the Division of Retirement and Benefits; Carl Petersen, Field Representative for the Division of Retirement; Robert Richardson, the actuary for the Teachers' Retirement System; Board chairman Jerry Norum; and Board members Merritt Olson, Steve Kinney, Jane Gustafson and Harry Purdy. Recent appointees Mrs. Gustafson and Mr. Purdy had little difficulty in making the transition from newcomers to efficient, functioning Board members.

The Board scheduled its meeting in Nome as part of a continuing effort to make itself more accessible to people from all areas of the state. Continually impressed by the warm reception they received, Board members appreciated the opportunity to visit Nome and become acquainted with some of its residents.

The Board's agenda included contemplating future alternatives for the system as well as reevaluating current priorities in light of probable legislative proposals in the forthcoming session. In other business, the Board reduced the amortization period for funding past service liability from 40 to 30 years, and it disapproved a member's request for disability payments.

Robert Richardson presented a detailed financial analysis of the Teachers' Retirement System. The analysis covered the present condition of the fund, the status of investments made by the system, and projections for the future.

Paul Arnoldt advised the Board that the Commissioner of Administration had promulgated various regulations designed to improve daily operation of the retirement system. Paul also gave the Board a briefing on a conference he attended last August. At that conference, he was appointed Vice President of the National Association of State Retirement Administrators for the Western Region of the United States. The appointment, in addition to being a distinct honor for the Director, also ensures that Alaska will stay abreast of current national thinking about retirement programs.

Before concluding all business in preparation for adjournment, the Board considered possible methods of increasing public attendance at the meetings. One alternative suggested was to reschedule meeting times so as not to conflict with usual, daytime work hours. This alternative was discussed but not resolved. With a feeling of definite accomplishment, the Board adjourned and established March 13 as the date for the spring meeting in Juneau.



WHAT'S HAPPENING WITH THE RETIREMENT FUNDS

As you probably know, your retirement fund is made up of employee contributions, employer contributions, and all investment earnings on that capital. What you may not know is how the money is being invested.

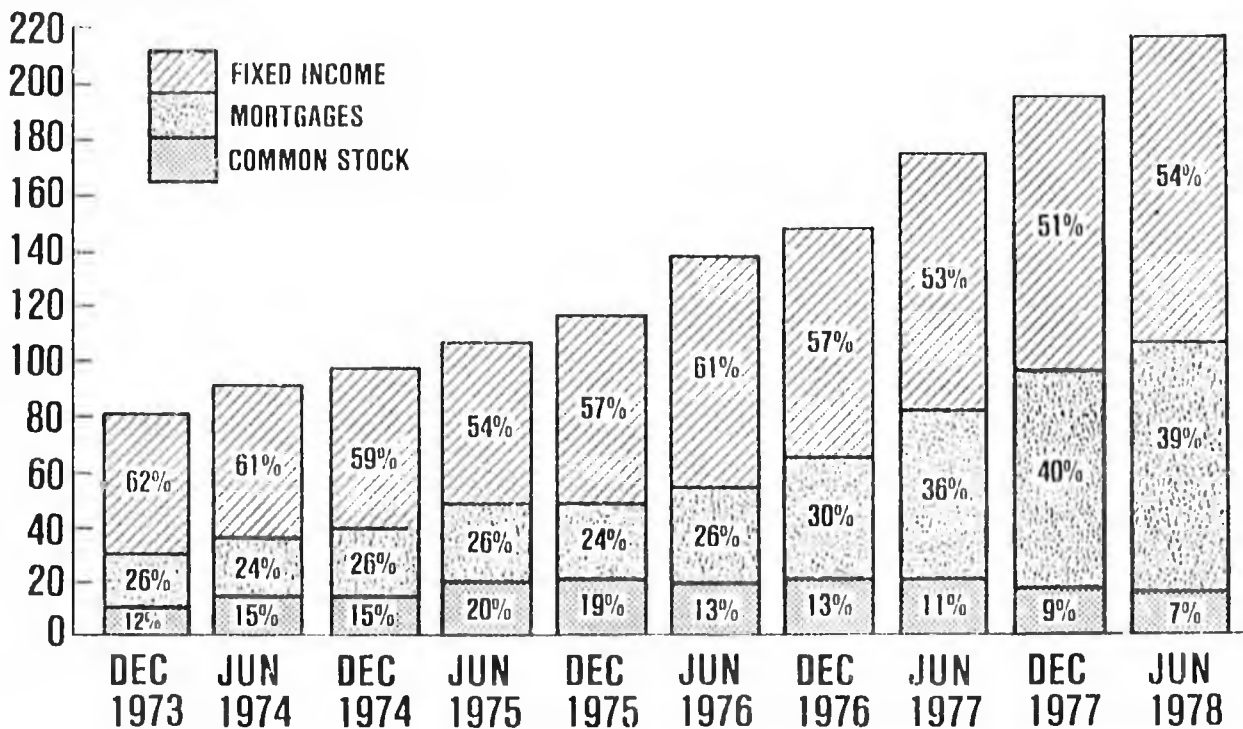
The Commissioner of Revenue is the treasurer of the retirement assets. When the fund has a surplus over and above what may reasonably be needed to pay benefits, the Commissioner has the responsibility to invest that surplus.

The graph below gives an idea how the assets are broken down and how they've increased over the last 5 years. As you can see, more than half of the total fund is invested in fixed income items such as Certificates of Deposit and U.S. Government Notes and Bonds. Most of the rest of the assets consist of conventional and residential mortgages in Alaska. In these cases, the fund is a source of money to banks and other lending institutions who in turn loan to individuals and businesses in the state.

The net investment income for your fund during Fiscal Year 1978 was more than \$16,000,000. Needless to say, investment earnings are an important source of revenue to the fund and yet another indication of the overall strength of the system.

TEACHERS' RETIREMENT SYSTEM

TOTAL ASSETS
(\$ in millions)



MEET YOUR NEW BOARD MEMBERS

Jane Gustafson, Juneau, and Harry Purdy, Dillingham, were recently appointed by Governor Hammond to the Alaska Teachers' Retirement Board. Mrs. Gustafson and Mr. Purdy, who both attended the TRS Board meeting in Nome, will serve 3 year terms to expire in June, 1981. When added to the current members from Anchorage, Fairbanks, and Ketchikan, the two new appointees give the Board a balanced statewide representation.

Mrs. Gustafson, retired since 1975, was born and raised in Denver, Colorado. After graduation from high school, she enrolled at the University of Denver and received her BA degree with a double major in education and religion. Subsequent to this, she completed a Master's degree in Special Education at Columbia University. Mrs. Gustafson's varied teaching career has included work with senior high school students in Colorado as well as involvement with a preschool class for retarded children in Juneau. She received a Teacher Foundation Award while in Denver, and she was named Juneau Teacher of the Year in 1968. Like so many others, she and her husband lived in Alaska on a trial basis before deciding to make it their home.

Prior to coming to Alaska, Harry Purdy spent eleven years as a school speech therapist in Michigan. For the last three years, he has been Assistant Superintendent in Dillingham, and his responsibilities include preparing the budget and investing various school funds.

In addition to his work as a speech therapist, Mr. Purdy has 12 years of experience as a chief negotiator for teachers and school boards. He feels that his ability to deal with opposing factions in pressure situations will be a valuable asset as a Board member.

THE STRANGE CASE OF THE UNIDENTIFIED MEMBER

No, the above is not the title of some Agatha Christie mystery you might find on the paperback book shelf, but it is a whodunnit in which you have the potential to be the victim or the hero. If you fail to include your Social Security number and the code letters TRS on your correspondence to us, you may be the "unidentified member."

One of the things that takes up time and keeps us from serving you better is having to track down Social Security numbers. Our office handles the retirement programs for all Teachers, Public Employees, Judges, Justices, Magistrates and National Guard Personnel, as well as Health Insurance and Life Insurance for employees and retirees, Death and Disability benefits, the Deferred Compensation program, and the contract for Social Security contributions for state and local governments. All told, we deal with several hundred employers and many thousands of employees and retirees.

Admittedly, playing amateur detective is fun if you have unlimited time and no pressing commitments, but because of our limited resources, we don't have a lot of extra time to spend checking through alphabetical cross-reference lists, squinting at signatures, and trying to figure out who you are.

So remember, please include the letters TRS and your Social Security number on all correspondence. In that way, it will be much easier for us to track you down, and you will be helping us to serve you better.



TRS newsbreak

is published by the State of Alaska, Department
of Administration, Division of Retirement and Benefits,
Pouch CR, Juneau, Alaska 99811.



Paul B. Arnoldt
Director



TRS Retirement Board

Jerome W. Norum
(Chairman)

Merritt C. Olson
Jane Gustafson

Steve Kinney
Harry Purdy



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DEPARTMENT OF ADMINISTRATION
RETIREMENT OFFICE
POUCH CR
Juneau, Alaska 99811