

H P
118

COMMITTEE REPORT

HOUSE

FURTHER: FINANCE

(5)

Date: March 12, 1981

Mr. Speaker:

The Committee on HEALTH, EDUCATION & SOCIAL SERVICES has had HB 118

"An Act relating to the teachers' retirement system; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 118 same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING

DO PASS

[Signature]

MEMBERS HAVING

OTHER RECOMMENDATIONS:

[Signature]

[Signature]
CHAIRMAN

8292 Garnet Street
Juneau, Alaska 99801
March 7, 1981

Gianna

Representative Donald Clocksin
Chairman
Health, Education & Social Services
Committee
Alaska House of Representatives
Pouch V, State Capital
Juneau, Alaska 99811

Dear Representative Clocksin:

I am writing to urge you to take committee action on House Bill No. 118, introduced on 2/5/81 by Representatives Buchholdt, Cato and Zharoff.

As a long time school teacher and administrator I recognize both personal and monetary advantages to school districts and educators personally through this legislation. The bill amends AS 14.25.110(a)(4) in a clean and straightforward way so that retirement may occur for teachers after 20 years of credited service the last 10 of which having to be membership service.

Among the advantages of this is the significant probability that more young teachers will have a chance to enter the field, and that persons "burning out" as long time teachers will be able to plan for a bit earlier retirement. This seems to offer strong advantage for children ultimately, and costs differences would appear to likely be offsetting.

I hope that you will support this piece of legislation, Representative Clocksin, and cause action to be taken concerning it this session.

Sincerely,

Robert M. Barnack

MSG 01-00004632 PRTY 1 02/13/81 13.29.55 ORIG LA00 IN= 0009 OUT= 0036
FROM: LOU TO: JKV INFO PAGE 0001
TARGET: LJM2 SUBJ: POM

TO: ALL MEMBERS OF THE HOUSE HEED COMMITTEE

FROM: MAYBELLE GERMAN, BOX 4-420, ANCHORAGE, 99509 279-2381

I OPPOSE HB-115 AND URGE YOU NOT TO SUPPORT IT.

15)

MSG 81-00007338 PRTY 1 03/09/81 11:15:04 ORIG: LA00 IN= 0006 OUT= 0027
FROM: MARCIE, ANC TO: BEV, JUNEAU INFO PAGE 0003
TARGET: LJH2 SUBJ: POM'S

TG: SENATE HEALTH & SOCIAL SERVICES COMMITTEE, ALL MEMBERS

FROM: CATHERINE J. LARSON, SRA BOX 2096 R, ANC 99507 (344-6333)
PRESIDENT, ALASKA STATE RETIRED TEACHER'S ASSOCIATION

AT IT'S ANNUAL MEETING OF MARCH 7, 1981, THE ALASKA STATE RETIRED
TEACHER'S ASSOCIATION UNANIMOUSLY ENDORSED SB 101 WHICH WOULD GIVE THE
TEACHER'S RETIREMENT SYSTEM BOARD REGULATORY APPROVAL AND THE RIGHT TO
PROMULGATE REGULATIONS. THE PERS BOARD ALREADY HAS THESE RIGHTS.

(5)

MSG 81-00007359 PRTY 1 03/09/81 12:54:03 ORIG: LA00 IN= 0012 OUT= 0034
FROM: MARCIE, ANC INFO TO: BEV, JUNEAU INFO
TARGET: LJH2 SUBJ: POM'S PAGE 0002

TO: ALL MEMBERS, HOUSE HESS COMMITTEE

FROM: CATHERINE J. LARSON, SR BOX 2096 R, ANC 99507 (344-6333)
PRESIDENT, ALASKA STATE RETIRED TEACHER'S ASSOC.

AT IT'S ANNUAL MEETING ON MARCH 7, 1981 THE ALASKA STATE RETIRED TEACHERS ASSOCIATION ENDORSED HB 163. WE SUPPORT THE NEA ALASKA IN IT'S REQUEST FOR BINDING ARBITRATION. THIS WILL ENABLE TEACHER.- SCHOOL DISTRICT NEGOTIATIONS TO BE SETTLED IN A TIMELY MANNER AND WITHOUT DESTRUCTIVE STRIKES.

EOM

TELEGRAM

ALASKA
ANCHORAGE
JUNE 10 1983

02209 N ANCHORAGE ALASKA 83 03-10 245P AST

PMS REP DONALD CLOCKSIN

JUNEAU 982

THE ACCFT WHICH REPRESENTS 276 COMMUNITY COLLEGE TEACHERS WHO ARE COVERED UNDER THE TEACHER RETIREMENT SYSTEM, VOTED AT ITS GENERAL MEMBERSHIP AND EXECUTIVE BOARD MEETINGS TO ENDORSE THE LEGISLATION OUTLINED IN HB118 QUOTE AN ACT RELATING TO THE TEACHERS RETIREMENT SYSTEM;AND PROVIDING FOR AN EFFECTIVE DATE. UNQUOTE. WE BELIEVE THAT THE REFORM LEGISLATION IS EQUITABLE IN CREDITING TEACHER EXPERIENCE AND MAINTAINS THE INTEGRITY OF ALASKA MEMBERSHIP SERVICE FOR ELIGIBILITY. WE URGE YOUR COMMITTEE(S) SUPPORT FOR THIS BILL. THANK YOU.

ACCFT RALPH MCGRATH PRESIDENT LOCAL 2404

MSG 81-00004483 PRTY 1 02/12/81 14:16.03 ORIG: LA00 IN= 0017 OUT= 0054
FROM: LOU TO: JNU INFO
TARGET: LJH2 SUBJ: POM

PAGE 0001

REPRESENTATIVES BYLSMA, METCALFE AND MEMBERS OF HOUSE HESS COMMITTEE

FROM: ANNE BABSKI, SRA BOX 1525, ANC.99507 345-0580
AS A MEMBER OF THE TEACHERS RETIREMENT SYSTEM, I AM UNALTERABLY OPPOSED TO
HB 118 SPONSORED BY REPRESENTATIVES BUCHHOLDT, CATO, AND ZHAROFF. FULL
RETIREMENT AFTER ONLY 20 YEARS WITH ONLY 10 OF THOSE IN ALASKA, WOULD BE A
TOTALLY IRRESPONSIBLE ACTION AND WOULD JEOPARDIZE THE TRS FUND.

Members of the House HESS Committee

House bill #118 is designed to eliminate the inequities now inherent in the present teacher retirement law. a case in point:

Teacher A began teaching in Alaska in 1961 for a starting salary of \$8,000. She paid into the fund at the mandatory employee contribution rate each year until she retired in 1981. She retired with 20 years of service and began receiving full benefits according to retirement fund law at this time.

Teacher B began teaching in Minnesota in 1961. Five years later, she moved to Alaska, bought into the Alaska Teacher Retirement System and paid all reinstatement and arrearage fees plus interest for the years of service in Minnesota. (Payment for outside service is mandatory) However, Teacher B must teach twenty-five years before being eligible for retirement with full benefits.

Obviously, there is an inequity here and the law is not just as presently written.

Some persons have expressed fear that a 20 year retirement bill would not be actuarially sound. According to our figures, however this fear is unfounded. In fact, it can be noted that a 20 year retirement would actually save the system money. Ultimately, a teacher being able to retire with 20 years service will be less costly to the fund, as opposed to a teacher who must teach for 25 years.

In further consideration for passage of HB 118, another actuary condition should be contemplated. For example, the average life span (according to Metropolitan Life Insurance actuary table for men and women) is seventy-five years. Because of this long life expectancy, it is more reasonable from a fiscal viewpoint to allow a 20 year retiree to draw upon the fund for a period of 30 years at 40% (based upon the current formula for determining pension benefits) than to have a 25 year retiree draw for 25 years at 50%.

The following illustration bears out this point:

20 Year Retiree

25 Year Retiree

\$37,000	estimated average salary	\$31,900
.40%	% rate	.50%
\$14,800	Annual benefit paid	\$25,950
X 30 yrs	Life expectancy	X 25 yrs
\$444,000	Pay-out to age 75	\$63,750
X 540	# persons affected	X 540
\$239,760,000	Total cost to fund	\$357,325,000

The estimated difference of \$110,565,000 is, by far, more than the fund would receive into the system in five years of additional service.

In other areas, there are cases where employers find it financially sound to encourage employees to retire early.

An employer could hire two beginning teachers for what is now being paid one teacher with twenty plus years of service.

In reality, many teachers will not use the option of becoming twenty year retirees. Some cannot afford to retire; others are very comfortable and wish to teach far beyond the minimum years of service required for retirement. They have reached the top of the salary scale and greatly enhance their benefits by remaining within the system.

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill No. 118

Title An Act Relating to the Teachers' Retirement System

Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement & Benefits

Program Category Affected Labor Services and Elementary & Secondary Education

BRU, Program, or Subprogram(s) Affected 02-96-8-01-01-02 (TRS) 02-11-8-02-01-00 (TRS MATCH)

(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 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 STATE TRS MATCHING		1,727.7	1,900.5	2,090.6	2,249.7	2,529.7
100 BENEFITS		312.4	343.6	378.0	415.8	457.4
TOTAL	-0-	2,040.1	2,244.1	2,468.6	2,715.5	2,987.1

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	2,040.1	2,244.1	2,468.6	2,715.5	2,987.1
FEDERAL FUNDS						
VETERAN'S FUND						
FISH & GAME FUND						
HIGHWAY FUND						
AIRPORT FUND						
CAPITAL FUND						
FERS						
TRS						

POSITIONS None

FULL TIME						
PART TIME						
TEMPORARY						

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

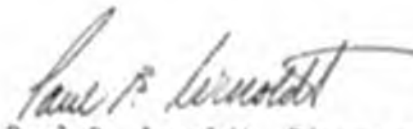
1. This bill does not affect deferred vested teachers.
2. Of the 7,300 active teachers, 2,916 teachers have outside service. Of these with outside service, 2,376 will qualify for retirement under existing provisions and will not be affected by this bill. The remaining 540 teachers will be affected by this bill.
3. The total present value of the benefits being granted under this bill is \$27,837,558.
4. To fund this bill, the TRS contribution rate must be increased by 1.32% of covered payroll (the TRS contribution rate is split 50/50 between the State matching contribution and the school district contribution).
5. Estimate FY 82 TRS covered payroll to be \$61,775,000, increasing 10% annually.

IV. DATE 3/11/81

PREPARED BY _____

AGENCY _____

PHONE _____


 Paul B. Arnoldt, Director
 Division of Retirement & Benefits
 465-4460

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named) Representative Buchholdt

Office of the Governor (Keith Specking)

ATTACHMENT

Bill/Resolution No. HB 118

ASSUMPTIONS:

- 1. Estimated FY82 Payroll (Total System) = \$261,775,000
- 2. State Contribution Rate to Fund B111 = .66%
- 3. State TRS Matching Rate to Fund B111 = .66%
- 4. School District Rate to Fund B111 = .66%

COST ANALYSIS:

<u>Employer</u>	<u>Payroll</u>		<u>Rate</u>	<u>Cost</u>	<u>Appropriation</u>
1. Department of Education	\$ 4,712,000	X	.66%	\$ 31.1	To Their Budget
2. University of Alaska	\$ 42,617,000	X	.66%	281.3	To Their Budget
				<u>\$ 312.4</u>	
3. State TRS Matching	\$261,775.000	X	.66%	\$1,727.7	To TRS Match
4. State TRS Regular Budget:					
Personal Services				\$ -0-	To Personal
Travel				\$ -0-	To Travel
Contractual				\$ -0-	To Contractual
Commodities				\$ -0-	To Commodities
Equipment				<u>\$ -0-</u>	To Equipment
				<u>\$2,040.1</u>	
5. All School Districts	\$\$214,446,000	X	.66%	<u>\$1,415.3</u>	
				<u><u>\$3,455.4</u></u>	

REMARKS: