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ALASKA STATE SENATE

SENATOR TIM KELLY, CHAIRMAN
SENATOR ED DANKWORTH, VICE-CHAIRMAN
SENATOR JALMAR KERTTULA
SENATOR ROBERT ZIEGLER
SENATOR FRANK FERGUSON



POUCH V
JUNEAU, ALASKA 99811
(907) 485-3770
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RULES COMMITTEE

TO: All Senators

FROM: Senator Kelly *TK*
Senate Rules

DATE: May 6, 1981

RE: CSSB 121 (Rules)

[
Attached is a sectional analysis of CSSB 121 (Rules), which is on the Senate Calendar for tomorrow, May 7.

for normal retirement. Under present law, such an individual would be in a "Catch-22" situation -- disabled and unable to work, but needing to work to gain the necessary credit to qualify for normal retirement and being too old to qualify for disability.

- Sections 11 and 53 would correct drafting errors in AS 14.25.143(b) and AS 39.35.475(b) committed two years ago. In the ceiling formula for pension adjustments, it changes "greater" to "lesser." This is not a substantive change in the law since it has always been within the administrator's discretion to grant as small an increase as fiscal prudence dictates.
- Sections 12 and 25 would amend the refund provisions of the TRS to conform with current practice and allow for the refunding of interest paid on an indebtedness. "Member contribution account" is defined to include all of the other accounts.
- Section 15 would amend AS 14.25.160(b)(1) to agree with the changes in Sections 12 and 25 of this bill.
- Section 16 would eliminate an existing inequity by amending AS 14.25.162(b)(1) to allow a dependent child to interrupt his schooling without permanently losing his survivor's allowance payment.
- Sections 20, 30, and 58 would conform the statutes to the longstanding practice of providing major medical insurance coverage to spouses and dependent children of retirees, as well as retirees themselves in the TRS, the PERS and the contributory and noncontributory Judicial Retirement Systems.
- Section 21 adds the appropriate statutory references to AS 14.25.169 to be in agreement with the death/survivor benefit changes in Sections 4, 13-14 and 17-19 of this bill. In addition, Section 21 puts into law three previously unwritten principles of equity which have been at the heart of the TRS since its inception: a teacher may not receive 1) duplicate TRS credit for the same period of service; 2) more than one year of credit during a school year; or 3) benefits while accruing service credit except as provided in AS 14.25.169.
- Sections 22 and 56 amend AS 14.25.175(a) and AS 39.35.522(a), respectively, to eliminate arbitrary, potentially detrimental requirements which must be met by persons wishing to appeal before the TRS or PERS Board.
- Sections 23 and 64 would clarify what is and is not included in "compensation" for purposes of retirement in the TRS and PERS. This language is consistent with longstanding practice and does not constitute a change.
- Section 24 expands the definition of "credited service" to include "territorial employment" as provided under AS 14.25.105 which should have been done in 1980 when AS 14.25.105 was passed.

- Section 26 defines "territorial employment" as it is used in Section 24.
- Section 27 exempts insurance premiums paid by the State from the tax levied under AS 21.09.210. This does not have any ultimate fiscal impact since the premium taxes are passed on. It will serve to increase competition among insurance carriers.
- Sections 28, 29, 33 and 34 would add new sections to AS 22.25 and AS 26.05. The sections, which should have been added when the statutes were amended by Chapter 146, SLA 1980, set up accounting systems for the Judicial Retirement System and the Alaska National Guard Retirement System which are now on an actuarially funded basis. The sections are modeled after the one in place in the PERS, AS 39.35.100. The money in the funds may be invested in the same manner as money in the PERS, AS 39.35.110.
- Sections 31 and 32 would change the title of the Alaska National Guard Retirement System to the Alaska National Guard and Alaska Naval Militia Retirement System.
- Section 35 would clarify the direction in AS 39.30 to the Department of Administration to include retired persons in the group insurance program. Also clarifies AS 39.30.090(9) in two respects: first, it deletes the provision for major medical insurance coverage for retirees since such coverage is now provided elsewhere; second, it provides that retirees under age 65 may continue the life insurance they have in force at the time of termination of their employment.
- Section 36 would create a group insurance fund. It is included at the urging of the State's benefit consultants. The existence of a fund will provide the flexibility needed to negotiate for and procure more favorable terms from insurance companies. Our consultants inform us that such added flexibility has led to substantial savings in other systems. Any surplus in the fund may be invested by the Commissioner of Revenue under AS 39.35.110.
- Section 37 accomplishes a badly needed reform of disability evaluation procedures by creating an expert board to evaluate claims and the claimant's ability to perform other work.
- Section 38 removes outdated, irrelevant language from the PERS statutes.
- Sections 39 and 40 would make minor changes in AS 39.35.100. The first change recognizes that actuarial calculations and transfers from individual retirement accounts to the retirement reserve account can be accomplished more effectively on an aggregate, annual basis. This will not delay the actual payment of benefits to retirees. The second change allocates a portion of the investment income to the reserve account. This is considered appropriate since a substantial portion of the principal invested comes from the reserve account.

Sections 41, 62, 63 and 66 would amend the refund provisions of the PERS to allow for the refunding of interest paid on an indebtedness. In addition, Section 41 would also amend AS 39.35.200(b) to eliminate a "Catch-22" situation. Currently, persons who terminate their employment having less than five years credited service and less than \$1,000 in their employee account must be given a refund of retirement contributions even if they intend to retire later; when they do retire at a later date, they must repay the refunded contributions with interest. This proposed change would allow the employee the option of leaving the employee contributions in the individual account.

Section 42 would entitle an additional group of surviving spouses to an increased benefit based on the deceased spouse's military service. Currently, surviving spouses receiving a monthly benefit from the system under AS 39.35.440 or 39.35.450 are entitled to this additional benefit. However, surviving spouses of members who die as a proximate result of an injury sustained or a hazard undergone while on the job (AS 39.35.430) are not. This section would correct this oversight and extend the additional benefit to this group of surviving spouses.

Section 43 would amend AS 39.35.350(c) to bring it into conformity with the rest of the PERS statutes regarding the manner of discharging an indebtedness.

Section 44 allows vested PERS members to receive credit for their employment as a fireman with a participating political subdivision after January 1, 1961.

Section 45 clarifies AS 39.35.360(b) to ensure that pre-1961 service credit is granted free of charge only to those employees who qualify under AS 39.35.360(a). This is consistent with current practice.

Section 46 clarifies AS 39.35.385 to ensure that the provision allowing reinstatement without reemployment applies only to paragraphs (a) and (b) and not to, for example, paragraph (f) which was added after the fact. This is not viewed as a substantive change.

Section 47 would amend Conditional Service Retirement Benefits to allow a member to use his TRS salary if it is higher than his PERS salary.

Sections 48-50 would clarify the entitlement to death benefits when there is no surviving spouse or when a beneficiary other than the spouse has been designated. It would provide for the benefit to be paid to the deceased member's designated beneficiary. In addition, Section 48 would change the benefit reference in AS 39.35.420(b) because the description of the benefit is now found in subsection (c) of the section instead of in subsection (a). The amount of the benefit is not changed.

Section 51 would conform AS 39.35.440(b) to division practice. As the

current law reads, a surviving spouse of a deceased, disabled employee is entitled to a benefit equal to 40 percent of the decedent's monthly compensation. It was not anyone's intent that the surviving spouse receive 40 percent of the relatively low disability benefit; it was intended that the surviving spouse receive 40 percent of the decedent's compensation before the disability. The amendment clarifies this. Section 51 would also provide for the disposition of death benefits in the event that a deceased member has no surviving spouse or dependent children, in which case a death benefit is paid to the designated beneficiary.

- Section 52 would clarify the administration of the level income option under AS 39.35.460. In practice, it is not possible to predict exactly the amount of the eventual social security benefit or to make the income precisely level.
- Section 54 removes outdated statutory references from AS 39.35.485(a) and adds appropriate statutory references to bring the law into conformity with current practice. This is not viewed as a substantive change.
- Section 55 updates incomplete statutory references; the designation of a beneficiary or beneficiaries is applicable to all benefits throughout the chapter.
- Section 57 puts into law three previously unwritten principles of equity which have been at the heart of the PERS since its inception: an employee may not receive 1) duplicate PERS credit for the same period of service; 2) more than one year of credit during a calendar year; or 3) benefits while accruing service credit except as provided in AS 39.35.530.
- Section 60 would delete from AS 39.35.560 a definitional reference to "public organization." That term is now defined in Section 69 of this bill, AS 39.35.680(39).
- Section 61 amends AS 39.35.615(a) to codify the procedure for amendment of participation agreements with political subdivisions. Its terms are consistent with the opinion of the Attorney General that, since the original participation agreement must be endorsed by the governing body of the political subdivision, amendments to it must also be approved by that body.
- Section 65 clarifies the definition of "early retirement" and includes the appropriate statutory references.
- Section 67 excludes EPORS members from membership in the PERS.
- Section 68 clarifies the definition of "normal retirement" and includes the appropriate statutory references.
- Section 69 defines "public organization."

(Contents of HB 862)

Section 70 - would allow up to 10 people (the # who would qualify)

Section 71 repeals obsolete laws.

to draw their spouses benefits.

Section 72 provides an effective date.

SECTIONAL ANALYSIS OF CS FOR SENATE BILL 121 (RULES)

- Sections 1-3 would amend AS 14.25.020, 14.25.022, and 14.25.035 to state clearly the role of the Teachers' Retirement Board in the adoption and promulgation of regulations. The change makes the role of the TRS Board in this area identical to that of the Public Employees' Retirement Board. Under the existing language, the system administrator functions in this capacity without any clear mandate that he consult the Board.
- Sections 4, 13-14 and 17-19 would alter the death/survivor benefit provisions of the TRS. Specifically, the supplemental contributions provision would be eliminated for all teachers hired on or after July 1, 1982, open enrollment for the supplemental contributions provision would be eliminated, and equitable occupational and nonoccupational death benefits and joint and survivor options, such as currently exist in the PERS, would be created. The change works no impairment of accrued rights since it affects only those who first join the system on or after July 1, 1982. In addition, Section 19 creates a procedure for the designation of beneficiaries under the TRS which is identical to that in the PERS. This should substantially reduce uncertainty as to entitlement in the event of the death of a member.
- Section 5 would amend the manner of discharging indebtedness under the TRS to bring it into conformity with the PERS.
- Sections 6 and 59 would ensure that, in accordance with the Alaska Constitution, accrued benefits under the TRS and PERS may not be diminished by claiming service credit.
- Section 7 would bring the statutes into conformity with current practice. The sentence in question was inadvertently omitted when the TRS statutes were amended by Chapter 13, SLA 1980.
- Section 8 corrects statutory references. These references should have been changed at the time the TRS statutes were amended by Chapter 13, SLA 1980.
- Section 9 would amend the provisions for Conditional Service Retirement Benefits to allow a member (1) to use his PERS salary if it is higher than his TRS salary, and (2) to figure his conditional service benefit based on all credited service rather than just membership service.
- Section 10 would amend AS 14.25.130(a) to streamline the disability retirement application procedure. It provides a definite starting point in the procedure by setting as the first step the termination of employment due to the disability. Additionally, it resolves an existing inequity wherein a member has enough years of membership service to qualify for disability but is over 55 and does not

qualify for normal retirement. Under present law, such an individual would be in a "Catch-22" situation -- disabled and unable to work, but needing to work to gain the necessary credit to qualify for normal retirement and being too old to qualify for disability.

- Sections 11 and 53 would correct drafting errors in AS 14.25.143(b) and AS 39.35.475(b) committed two years ago. In the ceiling formula for pension adjustments, it changes "greater" to "lesser." This is not a substantive change in the law since it has always been within the administrator's discretion to grant as small an increase as fiscal prudence dictates.
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- Section 69 defines "public organization."

Section 70 makes the 1976 repeal of AS 39.35.545 retroactive to July 1, 1968, to allow members to draw a retirement benefit and a survivor benefit.

Section 71 repeals obsolete laws.

Section 72 provides an effective date.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. CS for Senate Bill 121 (Rules)
Title An Act Relating to Refunds, Retirement & Benefits in TRS, PERS, JRS and NGRS
Requested by _____ Date _____

II. FISCAL DETAIL
Agency Affected Administration - Division of Retirement & Benefits
Program Category Affected Centralized Administrative Services & Secondary Education
BRU, Program, or Subprogram(s) Affected Retirement & Benefits
(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 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
100 RETIREMENT BENEFITS		63.7	65.7	67.9	70.3	72.9
200 TRAVEL						
300 CONTRACTUAL		10.0	10.0	10.0	10.0	10.0
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		73.7	75.7	77.9	80.3	82.9

FUNDING (Thousands of Dollars)

GENERAL FUND	52.1	53.8	55.6	57.5	59.7
FEDERAL FUNDS	2.9	2.9	3.0	3.2	3.3
VETERAN'S FUND	.2	.2	.2	.2	.2
FISH & GAME FUND	.5	.5	.5	.5	.5
HIGHWAY FUND	.9	.9	.9	.9	.9
AIRPORT FUND	1.8	1.9	2.0	2.1	2.1
CAPITAL FUND	1.3	1.3	1.7	1.9	1.7
PERS	5.0	5.0	5.0	5.0	5.0
TRS	5.0	5.0	5.0	5.0	5.0

POSITIONS NONE

FULL TIME					
PART TIME					
TEMPORARY					

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

1. Estimate \$10,000 annually for compensation of physicians and travel and per diem for Disability Review Board members. These expenses are to be split equally between the PER and IRS.
2. Estimate that approximately 18 members could qualify for benefit under section 44 of this bill. Estimate that these members will receive an average of two years additional service credit under this bill. Estimate FY83 State covered payroll to be \$345,475,000 increasing 10% annually. Increase in State contribution rate would be .0057% of cover payroll.
3. It is estimated that 10 people will qualify under section 70 of this bill. The total present value for retroactive and future benefit payments is estimated to be \$510,000; or \$44,000 per year, amortized over 25 years.

IV. DATE May 12, 1982

PREPARED BY *Paul B. Arnold* 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 Specking)

ALASKA STATE SENATE

SENATOR TIM KELLY, CHAIRMAN
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RULES COMMITTEE

TO: All Senators

FROM: Senator Kelly *TK*
Senate Rules

DATE: May 6, 1981

RE: CSSB 121 (Rules)

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Attached is a sectional analysis of CSSB 121 (Rules), which is on the Senate Calendar for tomorrow, May 7.