

S

B

/

g

g

SB 199 file

P.O. Box 635  
Kotzebue, AK 99752  
April 13, 1981

Senator Charles Parr  
Alaska State Legislature  
Pouch V (MS 3100)  
Juneau, AK 99811

Reference: Senate Bill 199

Dear Senator Parr:

As you suggested at our meeting on April 3, I am writing this letter in regards to Senate Bill 199.

Prior to July 1, 1978, when a B.I.A. teacher or administrator was absorbed out of a B.I.A. school and into an Alaskan REAA school, he or she was allowed to transfer in up to 15 years of their Alaska B.I.A. service into TRS at the 7% rate. Under this procedure it was possible for a teacher or administrator to retire under both federal and state systems using the same service years (double dipping).

On or after July 1, 1978 the law was changed to allow a person to bring in only 5 years of Alaska BIA service (at the 7% rate) losing any Alaskan service beyond 5 years. This has created an inequitable situation for some people that were caught between the state and federal system. If, for example, a person had between 5 and 8 years of Alaska BIA service (like my wife and I), and joined TRS after July 1, 1978, that person totally lost credit for Alaskan BIA service beyond 5 years. In our case, as with a few others that this bill affected, we have no intentions of ever receiving retirement from the federal government. Our only retirement will be the Alaska TRS.

There now exists two sets of regulations on your books. One set allows ex-BIA teachers to bring in up to 15 years service at 7% and "double dip" (those who joined prior to July 1978). The other set allows other ex-BIA teachers to bring in only 5 years and no "double dipping" privilege (those who joined after July 1978).

I believe a more equitable bill such as 199 needs to be passed. It is a bill that would enable teachers to bring into TRS all of their Alaskan service at the 7% rate. As teachers in the "bush" since 1971 we have felt a commitment to respect the community's self-determination regarding the school system they elected to have for their children. We feel it's unfair to ask teachers who have settled into a particular place to move

Page 2

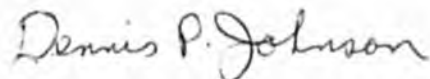
Senator Charles Parr

April 13, 1981

after 5 years in order to get their years of service counted towards TRS. We are not asking to receive a double retirement, but as these communities are absorbed by RFAA's we believe teachers there should be allowed to bring in all of their Alaska service (when they relinquish those years under the Civil Service System).

Thank you for your time and consideration.

Sincerely,

A handwritten signature in cursive script that reads "Dennis P. Johnson".

Dennis P. Johnson

interim is seven percent of the base salary upon reentering membership service, multiplied by the number of years of interim outside, military, and Alaska BIA service. Compound interest at the rate prescribed by regulation shall be added to the arrearage indebtedness beginning July 1, 1963, or the date of reemployment as a member, whichever is later, to the date of payment or the date of retirement, whichever occurs first.

(b) If a member joins the system on or after July 1, 1978, and has creditable outside service, the member may claim this service. If claimed, the member is indebted to the retirement fund as follows:

(1) The arrearage indebtedness is the full actuarial cost of providing benefits for the service being claimed. Compound interest at the rate prescribed by regulation shall be added to the arrearage indebtedness beginning the date the actuarial cost is established to the date of payment or the date of retirement, whichever occurs first.

(2) If a member terminates from the system and is subsequently reemployed as a member, the arrearage indebtedness for outside service during the interim is the full actuarial cost of providing benefits for the interim service being claimed. Compound interest at the rate prescribed by regulation shall be added to the arrearage indebtedness beginning the date the actuarial cost is established to the date of payment or the date of retirement, whichever occurs first.

(3) A member who joins the system on or after July 1, 1978, may claim no more than five years Alaska BIA service. A member who has, at the time he claims Alaska BIA service, a vested military or federal retirement benefit, or a member who acquires a vested military or federal retirement benefit after claiming Alaska BIA service shall have his arrearage indebtedness for that service recalculated under (1) or (2) of this subsection, as appropriate, retroactive to the date he claimed the service.

(c) The total military service claimed may not exceed five years. The combined total of outside and military service may not exceed 10 years, except that, if entry into the armed forces is immediately preceded by membership service and within one year after discharge is continued by membership service, that service will not be counted for purposes of determining the applicability of the 10-year limitation on the combined total of outside and military service. The combined total of outside, military, and Alaska BIA service may not exceed 15 years. (§ 7 ch 145 SLA 1955; am § 3 ch 142 SLA 1957; am § 5 ch 89 SLA 1960; am § 2 ch 86 SLA 1963; am § 11 ch 70 SLA 1964; am §§ 3, 4 ch 151 SLA 1966; am § 2 ch 76 SLA 1968; am §§ 3, 4 ch 138 SLA 1970; am § 3 ch 66 SLA 1973; am § 3 ch 128 SLA 1977; am § 14 ch 136 SLA 1978; am §§ 6, 7 ch 13 SLA 1980)

Effect of amendm  
The 1977 amend  
section.

The 1978 amendm  
(3) to subsection (b).

The 1980 amendm  
1980, substituted the  
paragraph of subsec  
which read: "If a  
system before Jul  
creditable outside se  
has military service  
Indian Affairs (BIA  
is indebted to the  
follows", inserted a  
1, 1978" in the first  
(b), and substituted  
(3) in subsection (b)  
read: "A member wh

Sec. 14.25.06  
was not subject  
subject to them  
credit for retr  
retirement fun  
would have ma  
chapter for th  
Retroactive cor  
service before  
by regulation  
1, 1966, or th  
whichever is l  
whichever occ

(b) If retro  
retroactive se  
refund of thos

(c) A refund  
service before  
AS 14.25.062.

Effect of am  
amendment, eff  
subsection (a), f  
for "creditable"  
the middle of  
substituted "it  
preceding "woul  
subject to" near  
sentences, subst  
"creditable" pre  
end of the fir

retirement fund. Amounts due from the University of Alaska and interest as prescribed in this section may be deducted by the commissioner of administration from any state funds due the University of Alaska and the amount deducted transmitted to the administrator for deposit in the retirement fund.

(am § 12 ch 13 SLA 1980)

**Effect of amendment.**

The 1980 amendment, effective July 1, 1980, rewrote subsection (b).

As the rest of the section was not affected by the amendment, it is not set out.

**Sec. 14.25.100. Credit for service in the armed forces.** (a) A member who served as an active member of the armed forces of the United States may receive creditable service under this system up to a maximum of five years. Each 12 months of military service equals one school year, and lesser military periods will be determined for credit purposes in a proportionate ratio to a year. To receive creditable service under this section, the member must have received a discharge other than dishonorable. Credit for service in the armed forces shall be granted only if the member makes contributions for the service in the same manner as required for outside service under AS 14.25.060. The military service credited under this section shall be included in the 10-year limitation of outside service as specified in AS 14.25.060, except if entry into the armed forces is immediately preceded by Alaska membership service and following discharge is continued by Alaska membership service within one year thereafter, service may not be counted for purposes of determining the applicability of the 10-year limitation on outside service.

(b) Where a member is unable to resume teaching in a public school within one year following discharge because of hospitalization, rehabilitation training, a disability derived while in the armed forces, or other like circumstances, the administrator shall determine the allowance or disallowance of any service in the armed forces.

(c) Repealed by § 7 ch 155 SLA 1976.

(d) Repealed by § 7 ch 155 SLA 1976.

(e) A member may not be credited with the same period of service in the armed forces under this section if credit for that military service was granted under the public employees' retirement system (AS 39.35). The combined period of military service claimed under this section and AS 39.35 may not exceed five years. (§ 11 ch 145 SLA 1955; am § 8 ch 89 SLA 1960; am § 1 ch 57 SLA 1974; am §§ 5, 7 ch 155 SLA 1976; am § 5 ch 128 SLA 1977; am § 13 ch 13 SLA 1980)

**Effect of amendments.**

The 1976 amendment rewrote subsection (a) and repealed subsections (c) and (d), which required a teacher to make certain contributions for service in the

armed forces in order to obtain credit for such service and which related to credit for service where a teacher's entrance into the teaching profession was delayed due to military service, respectively.

Department of Education; the age limits set out in this paragraph do not apply to a child who is totally and permanently disabled;

(13) "disabled member" means a member who is terminated, who has not received a refund from the system, and who is receiving a disability benefit from the system;

(14) "early retirement" means retirement under AS 14.25.110(b);

(15) "employer" means a public school district, the Board of Regents of the University of Alaska, the Department of Education, the National Education Association of Alaska, the Regional Resource Centers or the state legislature with respect to a state legislator who elects membership under AS 14.25.040(b);

(16) "former member" means a member who is terminated and who received a total refund of the balance of the mandatory contribution account, or who has requested in writing a refund of the balance of the mandatory contribution account;

(17) "full-time teacher" means a teacher occupying a position requiring teaching on a regular basis for the normal work period per day or week at a teaching assignment, excluding teaching as an assistant or graduate assistant or teaching on a substitute, temporary, or per diem basis;

(18) "inactive teacher or member" means a member who is terminated and who has not received a refund from the system or a member who is on leave of absence and who is not making contributions under AS 14.20.345;

(19) "mandatory contribution account" means the account maintained by the system to record the mandatory contributions of each member, including interest and adjustments to the account in accordance with AS 14.25.170;

(20) "membership service" means

(A) full or part-time service as a teacher in a public school in the Territory or State of Alaska, or both, under the supervision and control of the Territorial Board of Education or the Department of Education or the school board of a city, regional educational attendance area, or borough school district;

(B) full-time or part-time teaching at the University of Alaska or a full-time administrative position at the University of Alaska which requires academic standing and which has been approved for inclusion in the system by the administrator;

(C) any period during which the teacher receives a disability benefit under this system or is on an approved sabbatical leave granted in accordance with AS 14.20.310; or

(D) continuous service as a state legislator when performed by a state legislator who elects membership under AS 14.25.040(b), subject to the requirements of AS 14.25.040(c);

(21) "military service" means active duty in the armed forces of the United States;

# STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

## DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

POUCH C

JUNEAU, ALASKA 99811

Ph: 465-2200

May 13, 1981

Honorable Charles Parr  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Senator Parr:

Following is the information you requested from Mr. Logan on May 11, 1981, during his testimony before your committee on Senate Bill 199.

BIA teachers are eligible to retire from federal service once they attain five years service and reach age 62 or they may retire as early as age 50 if they have at least 30 years service.

The federal benefit formula is 1 1/2% for the first five years, 1 3/4% for the second five years, and 2% for all remaining years, times the average of the three highest annual salaries.

As you can see by the enclosed chart, if a teacher pays the full actuarial cost of BIA service, that cost would range from a low of 10.240% to a high of 16.186% of entrance salary for each year of service claimed.

I am enclosing a draft bill which would require a teacher, who joined the system on or after July 1, 1978, to pay the full actuarial cost of providing benefits for the claimed BIA service in the event that he is eligible to receive a retirement benefit from the federal government.

These changes to the bill notwithstanding, we are still opposed to the bill as it is contrary to the statutory purpose of the TRS which is to recruit and retain qualified teachers. This bill would enable teachers

Honorable Charles Parr

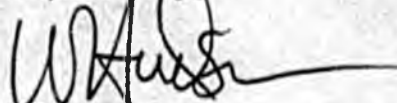
-2-

May 13, 1981

to retire with a smaller number of years of membership service, thus encouraging them to leave rather than remain in service.

If I can provide you with any additional information, please let me know.

Respectfully,

A handwritten signature in black ink, appearing to read "W.R. Hudson", with a long horizontal flourish extending to the right.

W.R. Hudson  
Commissioner

WPH/rw

Enclosures

cc: Keith Specking  
Judy Crondahl  
Paul Arnoldt

STATE OF ALASKA - T. H. S.

COST TO CREDIT ONE YEAR OUTSIDE SERVICE

AGE	RATE	SALARY (IN THOUSANDS)																		
		20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38
26	10.240%	2048	2150	2253	2355	2458	2560	2662	2765	2867	2970	3072	3174	3277	3379	3482	3584	3686	3789	3891
27	10.240%	2048	2150	2253	2355	2458	2560	2662	2765	2867	2970	3072	3174	3277	3379	3482	3584	3686	3789	3891
28	10.240%	2048	2150	2253	2355	2458	2560	2662	2765	2867	2970	3072	3174	3277	3379	3482	3584	3686	3789	3891
29	10.475%	2095	2200	2305	2409	2514	2619	2724	2828	2933	3038	3143	3247	3352	3457	3562	3666	3771	3876	3981
30	10.780%	2156	2264	2372	2479	2587	2695	2803	2911	3018	3126	3234	3342	3450	3557	3665	3773	3881	3989	4096
31	11.129%	2226	2337	2448	2560	2671	2782	2894	3005	3116	3227	3339	3450	3561	3673	3784	3895	4006	4118	4229
32	11.526%	2305	2420	2536	2651	2766	2882	2997	3112	3227	3343	3458	3573	3688	3804	3919	4034	4149	4265	4380
33	11.975%	2395	2515	2635	2754	2874	2994	3114	3233	3353	3473	3593	3712	3832	3952	4072	4191	4311	4431	4551
34	12.483%	2497	2621	2746	2871	2996	3121	3246	3370	3495	3620	3745	3870	3995	4119	4244	4369	4494	4619	4744
35	13.065%	2613	2744	2874	3005	3136	3266	3397	3528	3658	3789	3920	4050	4181	4311	4442	4573	4703	4834	4965
36	13.743%	2779	2918	3056	3195	3334	3473	3612	3751	3890	4029	4168	4307	4446	4585	4724	4863	5001	5140	5279
37	14.531%	2919	3065	3210	3356	3502	3648	3794	3940	4086	4232	4378	4524	4670	4816	4962	5108	5253	5399	5545
38	15.074%	3015	3166	3316	3467	3618	3769	3919	4070	4221	4371	4522	4673	4824	4974	5125	5276	5427	5577	5728
39	15.561%	3112	3268	3423	3579	3735	3890	4046	4201	4357	4513	4668	4824	4980	5135	5291	5446	5602	5758	5913
40	16.078%	3216	3376	3537	3698	3859	4019	4180	4341	4502	4663	4823	4984	5145	5306	5467	5627	5788	5949	6110
41	16.631%	3326	3493	3659	3825	3991	4158	4324	4490	4657	4823	4989	5156	5322	5488	5655	5821	5987	6153	6320
42	17.222%	3444	3617	3789	3961	4133	4306	4478	4650	4822	4994	5167	5339	5511	5683	5855	6028	6200	6372	6544
43	17.833%	3567	3745	3923	4102	4280	4458	4637	4815	4993	5172	5350	5528	5707	5885	6063	6242	6420	6598	6777
44	18.438%	3688	3872	4056	4241	4425	4610	4794	4978	5163	5347	5531	5716	5900	6085	6269	6453	6638	6822	7006
45	19.029%	3806	3996	4186	4377	4567	4757	4948	5138	5328	5518	5709	5899	6089	6280	6470	6660	6850	7041	7231
46	19.549%	3910	4105	4301	4496	4692	4887	5083	5278	5474	5669	5865	6060	6256	6451	6647	6842	7038	7233	7429
47	19.881%	3976	4175	4374	4573	4771	4970	5169	5368	5567	5765	5964	6163	6362	6561	6760	6958	7157	7356	7555
48	20.034%	4007	4207	4407	4608	4808	5009	5209	5409	5610	5810	6010	6211	6411	6611	6812	7012	7212	7413	7613
49	20.010%	4002	4202	4402	4602	4802	5003	5203	5403	5603	5803	6003	6203	6403	6603	6803	7004	7204	7404	7604
50	19.871%	3974	4173	4372	4570	4769	4968	5168	5365	5564	5763	5961	6160	6359	6557	6756	6955	7154	7352	7551
51	19.716%	3947	4145	4342	4539	4737	4934	5131	5329	5526	5723	5921	6118	6316	6513	6710	6908	7105	7302	7500
52	19.518%	3904	4099	4294	4489	4684	4880	5075	5270	5465	5660	5855	6051	6246	6441	6636	6831	7026	7222	7417
53	19.218%	3844	4036	4228	4420	4612	4805	4997	5189	5381	5573	5765	5958	6150	6342	6534	6726	6918	7111	7303
54	18.826%	3765	3953	4142	4330	4518	4707	4895	5083	5271	5460	5648	5836	6024	6213	6401	6589	6777	6966	7154
55	18.343%	3669	3852	4035	4219	4402	4586	4769	4953	5136	5319	5503	5686	5870	6053	6237	6420	6603	6787	6970
56	17.855%	3571	3750	3928	4107	4285	4464	4642	4821	4999	5178	5357	5535	5714	5892	6071	6249	6428	6606	6785
57	17.374%	3475	3649	3822	3996	4170	4344	4517	4691	4865	5038	5212	5386	5560	5733	5907	6081	6255	6428	6602
58	16.898%	3380	3549	3718	3887	4056	4225	4393	4562	4731	4900	5069	5238	5407	5576	5745	5914	6083	6252	6421
59	16.424%	3285	3449	3613	3778	3942	4106	4270	4434	4599	4763	4927	5091	5256	5420	5584	5748	5913	6077	6241
60	16.146%	3217	3379	3541	3703	3865	4027	4189	4350	4512	4674	4836	4998	5160	5321	5483	5645	5807	5969	6131

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SENATE BILL NO. 199

Title An Act Relating to Retirement Benefits Under the TRS

Requested by Senator Parr

Date 5/11/81

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		83.8	92.2	101.4	111.5	122.7
100 BENEFITS		15.1	16.6	18.3	20.1	22.1
<b>TOTAL</b>		<b>98.9</b>	<b>108.8</b>	<b>119.7</b>	<b>131.6</b>	<b>144.8</b>

FUNDING (Thousands of Dollars)

GENERAL FUND		98.9	108.8	119.7	131.6	144.8
FEDERAL FUNDS						
VETERAN'S FUND						
FISH & GAME FUND						
HIGHWAY FUND						
AIRPORT FUND						
CAPITAL FUND						
PERS						
TRS						

POSITIONS NONE

<u>FULL TIME</u>						
<u>PART TIME</u>						
<u>TEMPORARY</u>						

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

1. Estimate that approximately 100 teachers will qualify for additional service credit.
2. Estimate that those 100 teachers will receive credit for an additional 5 years.
3. Increase in contribution rate will be .0641% of covered TRS payroll (the TRS contribution is split 50/50 between the State matching contribution and the school district contribution).
4. Estimate FY 82 TRS covered payroll @\$261,775,000.

IV. DATE 5-13-81

PREPARED BY  
AGENCY  
PHONE

*John A. Logan*  
Paul B. Arnoldt, Director  
Division of Retirement & Benefits  
465-4460

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named) Senator Ferguson

Office of the Governor (Keith Specking)



