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Official Business

Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

SUMMARY SB 60:

Upon determination by the administrator of the TRS and PERS that there has been an increase in the cost of living (Anch CPI), then the administrators shall increase retirement benefits. TRS and PERS retirement increase will be the same as the Anchorage CPI percentage increase.

By aligning TRS and PERS retirement systems with the Anchorage CPI, the following fiscal impacts would occur:

FISCAL IMPACTS:

<u>PERS</u> increases:	FY 82:	\$89,340,100.00
(State)	FY 83:	\$98,274,200.00
	FY 84:	\$108,101,600.00
	FY 85:	\$118,911,700.00
	FY 86:	\$130,802,900.00

PERS increased costs to political subdivisions:

	FY 82:	\$76,700,000.00
	FY 83:	\$84,370,000.00
	FY 84:	\$92,807,000.00
	FY 85:	\$102,087,700.00
	FY 86:	\$112,296,470.00

TOTAL PERS estimated Payroll: State

FY 82: \$296,614,000.00

Increase in State contribution rate: 30.12% of covered State PERS payroll.

Actuary estimates future State PERS payroll to increase 10% annually.

Actuary estimates long term inflation rate of 7.5%.

The assumed 10% annual increases are analytical projections related to salary increases through union negotiations, annual merit increases, and longevity and promotional increases.

FISCAL IMPACTS:

TRS INCREASES: FY 82: \$75,452,300.00
(State) FY 83: \$82,997,500.00
FY 84: \$91,297,200.00
FY 85: \$100,426,900.00
FY 86: \$110,469,600.00

TRS INCREASES:
(School Districts)

FY 82: \$52,346,300.00
FY 83: \$57,580,930.00
FY 84: \$63,339,023.00
FY 85: \$69,672,925.30
FY 86: \$76,640,217.83

Actuary Assumptions:

1. Estimated FY 82 Payroll (Total System): \$261,775,000.00
2. State contribution rate to fund bill: 24.41%
3. State TRS matching rate to fund bill: 24.41%
4. School district rate to fund bill: 24.41%

Cost to State in F 82 \$75,452,300.00
School district costs: \$52,346,300.00

TOTAL Cost in FY 82: \$127,798,600.00

FURTHER COSTS:

Dept. of Education	<u>Payroll</u>	<u>Rate</u>	<u>Cost</u>	<u>Appropriation</u>
	\$ 4,712,000 x	24.41%	\$1,150,200	To budget
Univ. of Alaska	\$ 42,617,000 x	24.41%	<u>\$10,402,800</u>	To Budget
			\$11,553,000	



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SB 60 Research:

Alaska retired teachers have the best retirement system (benefits) in the Nation. The problem originated because the retirement system when implemented was extremely comprehensive, and as the inflationary spiral accelerated, the benefits decreased in a relative sense. Retired teachers had become accustomed to excellent benefits and naturally would be quite dissatisfied with anything less. Paul Arnold, the Dir. of the Div. of Retirement states that these are the background influences to SB 60.

Cost of the Retirement system is represented by a percentage of pay; presently:

7% is contributed by employee from his pay

8.42% is contributed by the school district

8.42% is contributed by the State as a match with the School

Total 23.84%

By aligning TRS with Anchorage COLA, there would be a 48.82% addition totaling 72.66%

COST OF LIVING ALLOWANCE: A retired teacher, with a permanent residence in Alaska (temporary absence not to exceed 60 days) is entitled to receive a cost of living allowance of 10% of his retirement benefit. (in addition to his normal retirement benefits)

POST RETIREMENT ADJUSTMENT: Adjustment promulgated by regulation and payable to a retired teacher when the administrator determines that the cost of living has increased and the financial condition of the fund permits payment of the adjustment. The amount shall not exceed 4% compounded for each year on retirement.

PRESENTLY There are 2 Retirement Adjustment systems enacted by Statute.

1. COST OF LIVING ALLOWANCE A retired Teacher whose permanent residence is in Alaska subsequent to retirement, or whose absence does not exceed 60 days, is entitled to receive a cost of living allowance of 10 % of his retirement benefit. (in addition to this retirement)

A retired public employee who remains in Alaska is eligible for a cost of living allowance equal to 10% of his retirement benefit, or \$50 a month, whichever is greater.

2. POST RETIREMENT PENSION ADJUSTMENT The commissioner of Administration may recommend post-retirement increases, on account of increasing cost of living up to 4% per year. This Pension adjustment covers both TRS and PERS.

The commissioner of Administration recommended these increases for the years 1969-1977:

1969- 1½%	} 10%
1970- 1½%	
1971- 1½%	
1972- none	
1973- 2½%	
1974- 3%	
1975- none	
1976- none	
1977- none	

In 1978 the commissioner retroactively granted a 4% increase for each year since 1969. This was off-set by any previously granted pension adjustments. 4% increases were also granted for 1979 and 1980. The increase in benefits over this 12 year period was 48% while the total increase in the Anchorage CPI was 131.20%

PRESENT CONTRIBUTION RATES TO THE TRS:

The cost of the retirement system TRS is represented by a percentage of pay; presently

7% is contributed by employee from his pay

8.42% is contributed by the school district

8.4% is contributed by the State

Total: 23.84%

PRESENT CONTRIBUTION RATES TO PERS

PEACE OFFICERS RET. SYS: Members contribute 5% of their pay
PERS Members contribute 4 1/2% of their pay
The employer contributes the balance.

CONTRIBUTION INCREASES proposed by SE60 Fiscal implications:

TRS 48.82% increases
PERS 30.12% increases

TEACHERS RETIREMENT SYSTEM:

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
(1) Number of Retirees:	793	891	1,072	1,136	1,245
(2) Average Age:	63.55	63.39	62.71	62.95	63.0
(3) Average Monthly Benefit	\$720	\$749	\$787	\$807	\$849
A. COLA	\$40	\$42	\$46	\$46	\$50
B. PRPA	\$20	\$70	\$141	\$129	\$145
(4) <u>TOTAL:</u>	\$780	\$861	\$974	\$982	\$1,044

PUBLIC EMPLOYEES RETIREMENT SYSTEM:

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
(1) Number of Retirees	1,339	1,683	2,019	2,314
(2) Average Age	63.38	62.82	62.94	63.03
(3) Average Monthly Benefit:	\$378.00	\$427.00	\$454.00	\$471.00
A. COLA	\$34	\$37	\$37	\$39
B. PRPA	\$3	\$34	\$28	\$36
(3) <u>Total:</u>	\$416	\$498	\$519	\$546

SAMPLE MONTHLY RETIREMENT BENEFITS

MONTHLY COMPENSATION	YEARS OF SERVICE		X 2%	X 2.5%
\$ 1000	5		\$ 100.00	\$ 125.00
\$ 1500	✓		\$ 150.00	\$ 187.50
\$ 2000	✓		\$ 200.00	\$ 250.00
\$ 2000	✓		\$ 300.00	\$ 375.00
\$ 2000	✓		\$ 400.00	\$ 500.00
\$ 2000	✓		\$ 500.00	\$ 625.00
\$ 1000	15		\$ 300.00	\$ 375.00
\$ 1500	✓		\$ 450.00	\$ 562.50
\$ 2000	✓		\$ 600.00	\$ 750.00
\$ 3000	✓		\$ 900.00	\$ 1125.00
\$ 4000	✓		\$ 1200.00	\$ 1500.00
\$ 5000	✓		\$ 1500.00	\$ 1875.00
\$ 1000	25		\$ 500.00	\$ 625.00
\$ 1500	✓		\$ 750.00	\$ 937.50
\$ 2000	✓		\$ 1000.00	\$ 1250.00
\$ 3000	✓		\$ 1500.00	\$ 1875.00
\$ 4000	✓		\$ 2000.00	\$ 2500.00
\$ 5000	✓		\$ 2500.00	\$ 3125.00
\$ 2000	30		\$ 1200.00	\$ 1500.00
\$ 3000	✓		\$ 1800.00	\$ 2250.00
\$ 4000	✓		\$ 2400.00	\$ 3000.00
\$ 5000	✓		\$ 3000.00	\$ 3750.00

Bill

SURVEY OF OTHER STATES PROVISIONS FOR COST OF LIVING ADJUSTMENTS.
(PRPA)

STATE	REMARKS
ILLINOIS	POST RETIREMENT INCREASES OF 3% GRANTED EACH JAN 1.
KANSAS	PROVISION FOR COLA
UTAH	COST OF LIVING IS 4% OF ORIGINAL RETIREMENT ALLOWANCE ANNUALLY.
CALIFORNIA	3% COMPOUNDED ANNUALLY.
NEW YORK STATE	4.1% POST RETIREMENT SUPPLEMENT WAS PAID IN FISCAL 79.

QUICK REVIEW OF OTHER STATES BENEFIT FORMULAS.

STATE	PERCENTAGE OR OTHER	SALARY BASIS	YEARS OF SERVICE
CALIFORNIA	2% X	FINAL COMPENSATION X	YEARS CREDITED SERVICE
OREGON	1% X	✓ ✓ X	FIRST 10 YRS
✓	1.1% X	✓ ✓ X	SECOND 10 YRS
✓	1.3% X	✓ ✓ X	THIRD 10 YRS.
ALABAMA	2.0125% X	✓ ✓ X	YEARS OF SERVICE
KANSAS	2.0% X	✓ ✓ X	YEARS OF SERVICE
NEW YORK STATE	EITHER 50% X ↓ OR 1/50 (2%) X	✓ ✓ ✓ ✓	BASED ON 30 YRS SERVICE YEARS OF SERVICE.
UTAH	2.0% X	✓ ✓	YEARS OF SERVICE.

PROBLEMS: If this bill becomes Law, the State's contributions to PERS and TRS will more than triple. The necessity of further enhancing retirement benefits which are already the best in the nation places a monetary burden on the State for the distribution of Public funds to a disproportionately small group of people. The Dept. of Admin suggests that the large benefits our retirees receive are in actuality a form of hedge against inflation.

The Governor has indicated that he will veto such large increases in the retirement system, and on the House Side, with HB 121 in State Affairs Committee, Mike Miller set up a sub committee to arrive at a compromise.

Governors Response:

1. The Governor says that a compromise increase for both PERS and TRS would be acceptable. 15 to 20 million dollars
2. The Governor feels that Public employees and teachers should participate thru contributions of 1½ to 2%. The union, public employees, and teachers can accept that rate.
3. Increases should be only to persons on fixed incomes; age 65 or older.

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

POUCH C

JUNEAU, ALASKA 99811

465-2200

March 12, 1981

Honorable Bob Mulcahy
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Mulcahy:

Re: SB 60, 61, 62, 63, 114

As requested by your office, the following information is provided pertaining to the bills listed above.

SENATE BILL 60: If this bill becomes law, the State's contributions to PERS and TRS will more than triple. Those systems are the most lucrative in the nation. The necessity of further enhancing retirement benefits that are already the highest in the nation by placing a monetary burden on the State for distribution of public funds to a disproportionately small group of its population is highly questionable. It is suggested that the large benefits that our retirees now enjoy or our existing employees can look forward to are in actuality a form of hedge against inflation.

SENATE BILL 61: If this bill passes, the cost to the State in FY 82 will be \$15.8 million, and it will cost our political subdivisions \$13.5 million. We project this cost to increase by at least 10 percent for each year thereafter. We question the need to increase benefits that are already the highest in the nation and the disproportionate distribution of public funds.

SENATE BILL 62: The minimal increase in retirement benefits that a small number of employees will receive as a result of credit for unused medical leave is outweighed by the cost to implement and maintain such a program. Only 30 percent of PERS employees will actually retire; and of that number, a small percentage will actually take advantage of such a provision. In most cases, their actual increase in benefits would be minuscule. Cost aside, as a matter of public policy we object to any proposal to credit unused sick leave for retirement purposes. Such a provision will not realistically serve as an inducement to not take sick leave. It would serve to "reward" those employees who are already quite properly not using sick leave unless it is actually necessary. We do not believe it will resolve any problem that may now exist with unwarranted absences.

March 12, 1981

SENATE BILL 63: The stated purpose of the Public Employees' Retirement System per AS 39.35.010 is ". . . to encourage qualified personnel to enter and remain in the service of the State or a political subdivision or public organization of the State. . . ." This bill would offer a means for employees to retire earlier than what is now allowed under the law, which certainly is contrary to the stated purpose of the system. Therefore, we are opposed.

SENATE BILL 114: This bill creates a level of management personnel within the merit system but outside collective bargaining. The result is to lessen the opportunity for conflicts of interest resulting from managers and subordinates belonging to the same bargaining unit. Another advantage is to remove the potential for strikes against the State by managers. The Department supports this bill.

I hope this provides the information you need. If you have further questions, please call me or Judy Crondahl at 465-2277.

Respectfully,



W. R. Hudson
Commissioner

WRH/mjc

cc: Judy Crondahl, Director
Division of Administrative
Services

Paul B. Arnoldt, Director
Division of Retirement and
Benefits

Sandra Withers, Director
Division of Labor Relations

1.1 BRIEF OUTLINE OF THE
ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

(1) Effective Date

January 1, 1961, with amendments through July 1980.

(2) Administration of Plan

The Commissioner of Administration is responsible for administration of the System, Public Employees' Retirement Board adopts rules and regulations to carry out provisions of the Act, and Commissioner of Revenue invests the Fund. The Attorney General is the attorney for the System and represents it in legal proceedings.

(3) Employers Included

State of Alaska and any political subdivisions and public or quasi-public organizations thereof. As of January 1, 1980, there were 83 participating employer groups in addition to the State for which separate contribution rates are determined.

(4) Employees Included

All permanent full-time or part-time employees of the State and participating political subdivisions, exclusive of those covered by the Alaska Teachers' Retirement System, the Alaska Judges' System, or any employee on whose behalf the State is making contributions to another Retirement System. Elected officials may elect to participate at their option.

(5) Service Considered

Future:

The later of hire, 1/1/61, or date of employers' participation in the System, to date of termination, death, or retirement. Up to 5 years of military service may be recognized if claimed, verified, and appropriate employee contribution paid. Permanent part-time employees receive service credit on a pro-rata basis.

Past:

Service credit for all service with State and Territory prior to January 1, 1961, if the employee completed three years of service after January 1, 1961. Elected official has past service credit only if he pays contributions for all of his service after January 1, 1961. Service with political subdivision prior to its participation in the System is included at the option of the political subdivision.

Break in Future Service:

Any termination. But if employee returns and makes contribution equal to refund paid plus interest, the service before the break is reinstated.

(6) Average Monthly Compensation

Total compensation during three consecutive calendar years of credited service which yield the highest average monthly compensation (total compensation during period divided by number of months included).

Type:

Life only with optional joint and survivor benefit
(actuarially reduced).

Amount:

2% of Average Monthly Compensation for each year of
service - Other.

2% of Average Monthly Compensation for the first 10
years of service plus 2 1/2% for years of service in
excess of 10 - Police & Fire.

(10) Early Retirement Benefit

Eligibility:

Age 50 and 5 or more years Credited Service - all employees.

Type:

Life only.

Amount:

Actuarial equivalent of Normal Retirement Benefit based on
service and compensation to Early Retirement Date.

(11) Deferred Vested Benefit

Eligibility:

Five or more years of Credited Service, withdrawal of
employee contributions voids vested rights.

Type:

Life only or joint and survivor benefit (actuarially
reduced).

Amount:

Monthly benefit begins on employee's Normal Retirement Date.
Amount determined the same as Normal Retirement Benefit taking into account compensation and service prior to termination.

(12) Disability Benefit

Occupational Disability:

Eligibility:

No age or service requirements.

Type:

Monthly benefit payable until death, recovery, or normal retirement.

Amount:

40% of gross monthly compensation at date of disability.
The benefit terminates at Normal Retirement Date with full Normal Retirement Benefit commencing at that point.

Non-Occupational Disability:

Eligibility:

Five or more years of Credited Service.

Type:

Monthly benefit payable until death, recovery, or normal retirement.

Amount:

Same as vested benefit except payments commence immediately.

(13) Death Benefit Before Retirement

Occupational:

No age or service requirements.

Benefit: 40% of gross monthly compensation at date of death or disability, if earlier. At participant's Normal Retirement Date, benefit converts to Normal Retirement benefit based on pay at date of disability or death and credited service, including period from date of disability or death to Normal Retirement Date.

Non-Occupational: .

If no widow's benefit is payable, lump-sum death benefit of \$1,000 plus \$100 per each completed year of Credited Service and the participant's contributions with interest. Alternatively, an income benefit is available at death after five years of Credited Service based on 50% Joint and Survivor equivalent of accrued Normal Retirement Benefit.

(14) Death Benefits After Retirement

The employee's beneficiary receives a lump sum equal to the excess of his contribution account immediately prior to retirement over the sum of the pension payments previously received by the employee.

(15) Post-Retirement Pension Adjustment

Commissioner of Administration may recommend post-retirement increases on account of increasing cost of living up to 4% each year.

(16) Cost-of-Living Allowance

A retired employee who remains in Alaska is eligible for an additional allowance, equal to 10% of his basic retirement benefit, or \$50 per month, whichever is greater.

(17) Optional Employee Savings Account

An employee can voluntarily contribute up to 5% of his compensation. This amount is recorded in a separate account and is payable:

- (a) In the event of termination before retirement for any reason other than death, as a lump sum to the employee,
- (b) In the event of termination on account of death, as a lump sum to the employee's beneficiary,
- (c) On retirement, as a lump sum, life annuity on cash refund basis or installments over limited period.

1.2 MISCELLANEOUS INFORMATION

AS OF JANUARY 1

Active Members

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
(1) Number	14,804	16,623	17,807	18,341
(2) Average Age	37.29	37.11	37.15	37.54
(3) Average Service	4.48	4.48	4.65	4.88
(4) Average Annual Salary	\$18,232	\$20,559	\$21,753	\$23,657

Retirees and Beneficiaries

(1) Number	1,339	1,683	2,019	2,314
(2) Average Age	63.38	62.82	62.94	63.03
(3) Average Monthly Benefit				
Base	\$ 378	\$ 427	\$ 454	\$ 471
COLA	34	37	37	39
PRPA	3	34	28	36
TOTAL	416	498	519	546

1.1 BRIEF OUTLINE OF THE
ALASKA TEACHERS' RETIREMENT SYSTEM

(1) Plan

The Teachers' Retirement System of Alaska is a joint contributory retirement system to provide benefits for teachers of the State.

(2) Effective Date

June 30, 1955, as amended through July 1980.

(3) Administration of Plan

The Commissioner of Administration is the administrator of the System; the Alaska Teachers' Retirement Board makes recommendations to the Commissioner of Administration; and the Commissioner of Revenue invests the funds.

(4) Membership

Membership in the Alaska Teachers' Retirement System is compulsory for all eligible certified teachers, certified school nurses, principals, supervisors, superintendents employed on a full-time or part-time basis in public schools in Alaska, the Commissioner of Education, supervisors with the Department of Education, and all full-time resident professional and administrative personnel of the University of Alaska.

(5) Credited Service

A year of membership service is defined to be the same as a school term which is currently a minimum of 172 days, and fractional service credit is on a daily rate basis. Credit is granted for all Alaskan public school service. Credit is granted for all accumulated, unused sick leave days.

(6) Contributions by Teachers

Effective July 1, 1970, each teacher shall contribute 7% of base salary accrued from July 1 to the following June 30.

(7) Voluntary Supplemental Contributions

If a teacher wishes to make his spouse or minor children eligible for a spouse's pension and/or survivor's pension allowance, he may elect to make supplemental contributions of an additional 1% of his base salary commencing not later than 90 days after entry in the System, marriage, or the birth or adoption of a child, or during any open enrollment period authorized by the Board.

(8) Arrearage Contributions

Up to 10 years of public or non-public teaching service, or service by a certificated person in a position requiring certification, in an accredited school not covered under the Teachers' Retirement System, or service in an institution of higher learning not under the control of the Board of Regents of the University of Alaska, is credited for retirement purposes.

After July 1, 1978, the full actuarial cost of providing benefits for this service will be born by the teacher. In addition, teaching services in Alaska B.I.A. schools may be used to increase total outside and Alaska B.I.A. service to 15 years before July 1, 1978. After this date, Alaska B.I.A. service is limited to 5 years.

A maximum of 5 years of military service after December 31, 1939 may be included as outside service. No fractional credit is

granted for outside service. Fractional credit is granted for Alaska B.I.A. service.

(9) Retroactive Contributions

If a teacher was not subject to the provisions of the Retirement Act and, at a later date became subject to them due to legislative changes of the eligibility requirements, the teacher may elect to receive credit for his creditable service prior to membership by submitting to the Retirement Fund an amount equal to the contributions that would have been made if the teacher had been a member of the System for any year's service after June 30, 1955, plus interest thereon. Retroactive contributions are not required for creditable membership service before June 30, 1955.

(10) Employers' and State's Contributions

The employer and the State each contribute an amount equal to one-half of the amount required in addition to member contributions to finance the benefits of the System.

(11) Rate of Interest

The amount deposited in a member account will be credited with interest at the rate established for a school year at the end of such school year. Effective July 1, 1973, the interest rate was increased to 4 1/2%.

(12) Withdrawal of Mandatory Contributions

If a member terminates teaching services in Alaska, mandatory contributions may be withdrawn. A withdrawing teacher will receive total mandatory contributions plus the interest credited.

(13) Reinstatement of Contributions

If Mandatory Contributions are withdrawn and a member subsequently resumes teaching in Alaska, the member will be indebted to the Teachers' Retirement Fund in the amount of the previous contributions to the System including any interest paid. The reinstatement indebtedness bears compound interest at the rate prescribed by regulation to the date of repayment or the date of retirement, whichever occurs first.

(14) Minimum Service Requirements

- (1) 8 years of membership service, or
- (2) 15 years of creditable service, the last five of which have been membership service; (after July 1, 1975 a new member needs 8 years of membership service); or
- (3) 5 years of membership service and 3 years of Alaska B.I.A. service; or
- (4) 25 years of creditable service, the last 5 of which are membership service; or
- (5) 20 years of membership service; or
- (6) 20 years of combined membership service and Alaska B.I.A. service, the last 5 of which are membership service.

(15) Normal Retirement Eligibility

A teacher may retire and receive full benefits

- (1) Upon attaining age 55 and meeting the minimum service requirements; or
- (2) At any age after 25 years of creditable service, the last 5 of which are membership service; or

- (3) At any age after 20 years of membership service; or
- (4) At any age after 20 years of combined membership service and Alaska B.I.A. service, the last 5 of which are membership service.

A retired teacher who has been receiving a disability retirement salary shall be eligible for a service retirement salary upon or after attaining age 55.

(16) Computation of Average Base Salary

A teacher's average base salary is determined by averaging the teacher's highest base salary which he received for any three out of the last 10 years of membership service.

(17) Normal Retirement Benefit

The normal retirement benefit is 2% of the teacher's Average Base Salary multiplied by the total number of years of creditable service.

(18) Early Retirement Benefit

A teacher is eligible for early retirement benefits if he has completed the minimum service requirements and has attained the age of 50. If the teacher does not apply for retirement benefits to start prior to his 55th birthday, he is eligible to receive the normal retirement benefit. If the retiring teacher elects to have payments of the benefit begin prior to his 55th birthday, the annual annuity is equal to his normal retirement benefit based on his average base salary and creditable service to his

retirement date, reduced by one-half of 1% per month for each month by which his age at retirement is less than 55 years.

(19) Deferred Vested Benefit

A teacher is eligible for a deferred vested benefit if he (1) terminates his membership after completing eight years of membership service, and (2) he does not withdraw his retirement contributions. Payment of this benefit is deferred until the first of the month following the teacher's 55th birthday or the first of the month in which the application for benefit is filed, whichever is later.

(20) Indebtedness Owing At Retirement

If on the date of making application for retirement, a teacher has not paid the full amount of his indebtedness including interest to the Retirement Fund, one of the following options may be chosen:

Option 1: The retirement benefit can be withheld until the amount withheld is equal to the outstanding indebtedness.

Option 2: A reduced annuity, completed by deducting 10% of the outstanding indebtedness at the time of retirement from the annual retirement benefit, can be paid to the teacher.

(21) Re-employment of a Retired Teacher

If a retired teacher is re-employed as a full-time teacher, his retirement salary will be suspended during the period of employment.

Retirement Contributions are made at the option of such teacher and an additional retirement benefit may be accrued.

(22) Disability Retirement Benefits

A disability retirement annuity may be paid if a teacher has become permanently disabled before 55 and has at least five years of membership service.

The benefit will be equal to 50% of the disabled teacher's base salary immediately prior to becoming disabled. This benefit will be increased by 10% of the teacher's base salary for each minor child up to a maximum of four minor children until the child ceases to be a minor.

When the disabled teacher attains age 55, the disability salary will automatically terminate. A normal retirement salary will be computed as if the teacher had been in membership service during the period of disability, and a service retirement will be granted.

(23) Cost-of-Living Allowance

A retired teacher whose permanent residence is in Alaska subsequent to retirement and/or whose absence is of a temporary nature, not to exceed 60 days, for travel or vacation purposes is entitled to receive a cost-of-living allowance of 10% of his retirement benefit in addition to his retirement benefit.

(24) Post-Retirement Adjustment

This adjustment is promulgated by regulation and payable to a retired teacher when the administrator determines that the cost of living has increased and the financial condition of the fund

permits payment of the adjustment. The amount of increase shall not exceed 4% compounded for each year on retirement.

(25) Exemption from Taxation and Process

Teachers' retirement benefits are exempt from Alaska state and municipal taxes, are not subject to execution, attachment, garnishment or other process, but must be reported to the Internal Revenue Service for federal tax purposes.

(26) Lump Sum Death Benefit

Upon death of a member who has made no supplemental contributions or who made supplemental contributions for less than one year, a lump-sum benefit shall be paid to the designated beneficiary. The lump-sum benefit is the teacher's accumulated mandatory contributions with interest thereon. If the teacher is in active service at the time of death, an additional death benefit equal to \$1,000 plus \$100 for each year of the first 20 years of completed service plus \$500 if the teacher is survived by one or more minor children is also payable.

If the teacher had received a retirement benefit prior to his death, payment shall be his accumulated contributions, plus interest, minus all benefits paid.

If a member failed to designate a beneficiary, or if no designated beneficiary survives the member, payment shall be made:

- (1) to his surviving spouse or if there is no surviving spouse,

- (2) to his surviving children in equal parts, or if there are none surviving,
- (3) to his surviving parents in equal parts, or, if there are none surviving,
- (4) to his estate.

(27) Survivor's Allowance

If a teacher dies while in service or while receiving a service or disability retirement benefit, is survived by one or more minor children and has made supplemental contributions for at least one year before his death, his surviving spouse is entitled to the survivor's allowance. The amount of the benefit is 35% of the teacher's base salary immediately prior to his death or becoming disabled for his spouse and 10% for each minor child up to a maximum of four.

(28) Spouse's Pension

If a teacher has made supplemental contributions for at least one year and dies while in membership service, or while receiving a disability benefit, or if a teacher has made supplemental contributions for at least 5 years and dies while on retirement or in deferred retirement status, the surviving spouse is entitled to receive the spouse's pension. The amount of the benefit is 50% of the service retirement salary that the deceased teacher was receiving or would have received. The spouse's pension commences the month following the member's death. The payment ceases when the spouse dies or remarries.

1.2 MISCELLANEOUS INFORMATION

AS OF JUNE 30

	<u>Active Members</u>				
	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
(1) Number of Active Members	6,209	7,024	7,255	7,170	7,288
(2) Average Age	37.42	37.20	37.33	37.69	38.10
(3) Average Service to Date	8.95	8.70	8.84	8.97	9.09
(4) Average Annual Salary	\$21,267	\$22,887	\$25,193	\$26,807	\$29,685

	<u>Retirees and Beneficiaries</u>				
(1) Number of Retirees and Beneficiaries	793	891	1,072	1,136	1,245
(2) Average Age	63.55	63.39	62.71	62.95	63.00
(3) Average Monthly Benefit Base	\$ 720	\$ 749	\$ 787	\$ 807	\$ 849
C.O.L.A.	\$ 40	\$ 42	\$ 46	\$ 46	\$ 50
P.R.P.A.	\$ 20	\$ 70	\$ 141	\$ 129	\$ 145
Total	\$ 780	\$ 861	\$ 974	\$ 982	\$1,044

1.3 RETIREMENT STATISTICS

	----- Retirements in Year Ending June 30 -----					
	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
<u>Normal:</u>						
Number	90	106	110	77	108	85
Average Age	60.13	60.61	59.24	55.92	57.06	59.98
Average Benefit	\$794.71	\$917.85	\$931.55	\$1,072.87	\$1,110.18	\$1,263.17
<u>Early:</u>						
Number	6	40	54	20	31	68
Average Age	51.64	51.87	51.71	50.55	50.48	51.48
Average Benefit	\$943.82	\$987.35	\$937.83	\$1,171.76	\$1,268.30	\$1,238.22
<u>Disability:</u>						
Number	5	10	9	8	9	3
Average Age	49.64	46.33	47.41	46.56	48.03	48.76
Average Benefit	\$1,006.97	\$1,012.53	\$1,674.55	\$1,289.71	\$1,546.41	\$1,798.73
<u>Survivor:</u>						
Number	3	1	5	5	12	8
Average Age	57.49	35.71	55.59	48.45	49.85	58.25
Average Benefit	\$625.89	\$1,172.44	\$577.78	\$1,110.36	\$549.63	\$601.75
<u>Total:</u>						
Number	104	157	178	110	160	164
Average Age	59.06	57.31	56.26	53.92	54.74	56.16
Average Benefit	\$811.54	\$943.21	\$961.09	\$1,108.32	\$1,123.32	\$1,230.36

SYNOPSIS OF SENATE BILL NO. 60

SECTIONS 1 and 3

Upon determination by either the administrator of the Teachers Retirement System or the Public Employees Retirement System, that there has been an increase in the cost-of-living, based upon the Anchorage CPI, then the administrators shall accordingly increase retirement benefit payments.

SECTIONS 2 and 4

The TRS and PERS retirement benefit increase will be the same as the Anchorage CPI percentage increase.

Background Information

Under the current Alaska Statute, when the Commissioner of Administration determines that the cost-of-living has increased and he also determines that there is adequate money in the retirement fund - then he may recommend an increase in the pension payments to the Retirement Board. That increase, if recommended, cannot exceed 4 percent per year and would be effective on the first of January.

Obviously, the methodology to obtain cost-of-living retirement benefit increases for public employees is discretionary and ill-defined. The proposed legislation would tie retirement benefit increases to the Anchorage

CPI increases. These increases would be mandatory and predictable, rather than permissive and desultory.

The following information clearly underscores the need for mandatory increases:

The Commissioner of Administration recommended these increases for the years 1969-1977.

1969 - 1½ percent

1970 - 1½ percent

1971 - 1½ percent

1972 - none

1973 - 2½ percent

1974 - 3 percent

1975 - none

1976 - none

1977 - none

Total increase from 1969 - 1977 was only 10 percent.

In the 1978 election year, the Commissioner retroactively granted a 4 percent increase, for each year since 1969. This was offset by any previously granted pension adjustment. 4 percent adjustments were also granted in 1979 and 1980. Although it would appear benevolent and that the forgotten years were remembered and recompensed - the facts belie the inference because:

The total increase in benefits over this 12-year period was 46 percent. The total increase in the Anchorage CPI over this 12-year period was 131.20 percent.

applied for disability retirement salary shall receive from the retirement fund, during each year subsequent to the date of application and certification by the administrator under § 130 of this chapter, a disability retirement salary payable on the first day of each month, beginning the month following the disability.

(b) The payment made on the first day of the month in which the disabled teacher recovers from his disability, dies or attains age 65 constitutes the last payment.

(c) The amount of the disability retirement shall be equal to 50 per cent of the teacher's base salary immediately before his becoming disabled. The disability retirement salary shall be increased by 10 per cent of the teacher's base salary at the date of disability for each minor child, up to a maximum of four minor children, until the first day of the month in which the child ceases to be a minor child or the disability retirement salary terminates, whichever occurs first. (§ 15 ch 145 SLA 1955; am § 5 ch 142 SLA 1957; am § 2 ch 57 SLA 1955; am § 9 ch 151 SLA 1966; am §§ 16, 17 ch 66 SLA 1973; am § 10 ch 173 SLA 1975)

Revisor's note. — See Revisor's note to AS 14.25.120.

Effect of amendments. — The 1973 amendment substituted "during each year" for "for each school year" in subsection (a), inserted "and certification by the administrator under § 130 of this chapter" in that subsection, substituted "the

teacher's" for "his" in the first sentence of subsection (c), and inserted "of the teacher's base salary at the date of disability" in the second sentence of that subsection.

The 1975 amendment, effective June 30, 1975, substituted "age 55" for "age 60" in subsection (b).

Sec. 14.25.142. Cost of living allowance. (a) A teacher who resides in the state after his retirement shall receive a cost of living allowance in addition to his retirement salary. The amount of this allowance is determined by multiplying the teacher's retirement salary by a percentage determined by the administrator not to exceed 10 per cent of the retirement salary. The administrator shall implement this section by regulations.

(b) Repealed by § 18 ch 66 SLA 1973. (§ 10 ch 151 SLA 1966; am § 15 ch 66 SLA 1973)

Effect of amendment. — The 1973 amendment repealed subsection (b).

(a)-amended

Sec. 14.25.143. Post retirement pension adjustment. (a) When the administrator determines that the cost of living has increased and that the financial condition of the retirement fund permits, he may increase all service retirement and survivor's benefits salaries to reflect this cost of living increase.

repealed & reenacted

(b) The amount of the increase shall be not more than four per cent compounded for each year of retirement. Increases accrue from the first

Following the eff...
the first of July o...
Administrator is...
§ 15 ch 151 SLA...
§ 3 ch 99 S...

of amendments. — The...
"compounded"...
of subsection (b).
1973 amendment substitut...
and survivor's i...
for "the pension payme...
total.

§ 14.25.145. Interest (...
to each teacher's ac...
prescribed by regulatio...
142 SLA 1957; am § -...
20 ch 66 SLA 1973)

Effect of amendment. — T...
deleted the forme...
and substituted "inter...
after, interest" and "each"...
present first sentence.

Sec. 14.25.150. Payment...
membership service...
of his supplement...
allows:

(1) A teacher leaving r...
accumulated contributions...
contribution account less...
because of previous withd...

(2) Repealed by § 22 ch...

(3) If a teacher who ha...
employed in membership...
contributed to the retirement...
interest paid him. This inc...
compound interest at the r...
following the date of re...
date of retirement of the

(4) A teacher who has r...
15 is not entitled to any...
of his contribution.

(5) A teacher who has...
provisions of the Retirem...
timely application is not...
contributions made under

§ 14.25.143

the retirement application and after, a disability, beginning the

in which the attains age 55

qual to 50 per his becoming used by 10 per for each minor first day of the the disability 15 ch 145 SLA am § 9 ch 151 SLA 1975)

first sentence of inserted "of the at the date of sentence of that

effective June 30, " for "age 60" in

r who resides ing allowance allowance is salary by a d 10 per cent nt this section

1966; am § 18

(a) When the used and that may increase flect this cost

four per cent from the first

§ 14.25.145

EDUCATION

§ 14.25.150

of July next following the effective date of retirement and shall be paid beginning the first of July of each year.

(c) The administrator is authorized to implement this section by regulation. (§ 11 ch 151 SLA 1966; am § 5 ch 86 SLA 1971; am § 19 ch 66 SLA 1973; am § 3 ch 99 SLA 1974)

Effect of amendments. — The 1971 amendment inserted "compounded" in the first sentence of subsection (b).

The 1973 amendment substituted "all service retirement and survivor's benefits salaries" for "the pension payments" in subsection (a).

The 1974 amendment substituted "not more than four per cent" for "equal to not more than one and one-half per cent" in the first sentence of subsection (b).

Sec. 14.25.145. Interest on individual accounts. Interest shall be credited to each teacher's account at the end of each school year at the rate prescribed by regulation for that year. (§ 16 ch 145 SLA 1955; am § 6 ch 142 SLA 1957; am § 4 ch 78 SLA 1962; am § 7 ch 138 SLA 1970; am § 20 ch 66 SLA 1973)

Effect of amendment. — The 1973 amendment deleted the former first sentence and substituted "Interest" for "Thereafter, interest" and "each" for "a" in the present first sentence.

Editor's note. — Section 8, ch. 138, SLA 1970, effective July 1, 1970, provides: "Sec. 7 of this Act is retrospective in nature."

Sec. 14.25.150. Payment on withdrawal from system. A teacher leaving membership service is entitled to a refund of his contributions exclusive of his supplemental contributions to the retirement fund as follows:

(1) A teacher leaving membership service shall receive his total accumulated contributions plus interest credited to his individual contribution account, less any amounts owing to the retirement fund because of previous withdrawals.

(2) Repealed by § 22 ch 66 SLA 1973.

(3) If a teacher who has received a refund of contributions is re-employed in membership service, he is, upon his re-employment, indebted to the retirement fund in the amount of the refund, including interest paid him. This indebtedness to the retirement fund shall bear compound interest at the rate prescribed by regulation beginning July 1 following the date of re-employment to the date of repayment or the date of retirement of the teacher, whichever occurs first.

(4) A teacher who has received a refund under the Retirement Act of 1945 is not entitled to any further refunds of the nonrevertible portion of his contribution.

(5) A teacher who has forfeited his claim to any refund under the provisions of the Retirement Act of 1945 because of failure to file a timely application is not entitled to a refund of any portion of those contributions made under that act.

Revisor's note. — Section 39.35.455 as amended provides that after January 1, 1981 each employee eligible for a benefit under AS 39.35.370 is entitled to at least \$25 a month. Consequently, this section apparently has no legal effect.

Sec. 39.35.475. Post-retirement pension adjustment. (a) When the administrator determines that the cost of living has increased and the financial condition of the retirement fund permits, he shall increase benefit payments to persons receiving benefits under this system.

Repealed & reinserted

(b) The amount of the increase in benefit payments may not exceed the greater of

- (1) the increase in the cost of living since the date of retirement; or
- (2) four percent of the retirement benefit compounded for each year of retirement.

(c) If at the time of first receiving a retirement benefit a member was receiving a disability benefit under this system, the administrator shall include the time during which the member received the disability benefit in determining the number of years of retirement under this section.

(d) An increase in benefit payments under this section is effective July 1 of the year for which the increase is granted.

(e) The administrator shall implement this section by regulation (§ 9 ch 235 SLA 1968; am § 14 ch 159 SLA 1972; am § 34 ch 146 SLA 1980)

Effect of amendment. — The 1980 amendment rewrote the section.

Editor's note. — Section 49, ch 146, SLA 1980 provides: "The retirement benefit payable to a member of the public employees' retirement system who is receiving a normal retirement benefit under AS 39.35.370, July 1, 1980, and who

at the time of his retirement was receiving a disability pension under the public employees' retirement system, shall be increased by a percentage equal to the percentage of all post-retirement pension adjustments payable under AS 39.35.475 during the period that the member was receiving a disability benefit."

Sec. 39.35.480. Cost-of-living allowance. (a) While residing in the state, a person receiving a benefit under this chapter is entitled to receive a monthly cost-of-living allowance in addition to his basic benefit. The amount of this allowance shall be \$50 or 10 per cent of the basic benefit, whichever is greater.

(b) A person receiving a cost-of-living allowance under this section shall notify the administrator when he expects to be absent from the state for a continuous period that exceeds 90 days. After that notification, the person is no longer entitled to receive the monthly cost-of-living allowance, except that a person may be absent from the state for not more than six months without loss of the cost-of-living allowance if the absence is the result of illness and required by order of a licensed physician. Upon his return to the state, and upon notification to the administrator, the person is again entitled to receive

monthly cost-of-living allowance in addition to his basic benefit. The amount of this allowance shall be \$50 or 10 per cent of the basic benefit, whichever is greater. (b) A person receiving a cost-of-living allowance under this section shall notify the administrator when he expects to be absent from the state for a continuous period that exceeds 90 days. After that notification, the person is no longer entitled to receive the monthly cost-of-living allowance, except that a person may be absent from the state for not more than six months without loss of the cost-of-living allowance if the absence is the result of illness and required by order of a licensed physician. Upon his return to the state, and upon notification to the administrator, the person is again entitled to receive

Effect of amendments. — The 1972 amendment substituted "60 days" at the end of subsection (b) and beginning "except

Sec. 39.35.485. Minimum benefit. An employee receiving a benefit under AS 39.35.480 is entitled to receive a monthly cost-of-living allowance in addition to his basic benefit. The amount of this allowance shall be \$50 or 10 per cent of the basic benefit, whichever is greater. (b) A person receiving a cost-of-living allowance under this section shall notify the administrator when he expects to be absent from the state for a continuous period that exceeds 90 days. After that notification, the person is no longer entitled to receive the monthly cost-of-living allowance, except that a person may be absent from the state for not more than six months without loss of the cost-of-living allowance if the absence is the result of illness and required by order of a licensed physician. Upon his return to the state, and upon notification to the administrator, the person is again entitled to receive

Effective January 1, 1977, the benefit calculated in accordance with AS 39.35.480 shall be increased by a percentage equal to the percentage of all post-retirement pension adjustments payable under AS 39.35.475 and 39.35.480. Repealed by § 55 ch 47 SLA 1974; am § 55 ch 128 S

Effect of amendments. — The 1977 amendment substituted "10 per cent" for "10 per cent" in subsection (a) and "60 days" for "90 days" in subsection (b). The 1977 amendment substituted "10 per cent" for "10 per cent" in subsection (a) and "60 days" for "90 days" in subsection (b). The 1977 amendment substituted "10 per cent" for "10 per cent" in subsection (a) and "60 days" for "90 days" in subsection (b).

I. REQUEST
 Bill/Resolution No. Senate Bill No. 60
 Title An Act Requiring Annual Adjustments Under The TRS And PERS
 Requested by _____ Date _____

II. FISCAL DETAIL
 Agency Affected Administration - Division of Retirement and Benefits
 Program Category Affected Labor Services
 BRU, Program, or Subprogram(s) Affected 02-96-8-01-01 (PERS)
 (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						
100 BENEFITS		89,340.1	98,274.2	108,101.6	118,911.7	130,802.9
TOTAL		89,340.1	98,274.2	108,101.6	118,911.7	130,802.9

FUNDING (Thousands of Dollars)

GENERAL FUND	73,169.6	80,486.6	88,535.3	97,388.7	107,427.7
FEDERAL FUNDS	4,109.6	4,520.6	4,972.7	5,469.9	6,016.9
VETERAN'S FUND	178.7	196.5	216.2	237.8	261.6
FISH & GAME FUND	536.0	589.6	648.6	713.5	784.8
HIGHWAY FUND	1,161.4	1,277.6	1,405.3	1,545.9	1,700.4
AIRPORT FUND	2,590.9	2,850.0	3,134.9	3,448.4	3,793.3
CAPITAL FUND	7,593.9	8,353.3	9,188.6	10,107.5	11,118.2
PERS					
TRS					

POSITIONS NONE

FULL TIME					
PART TIME					
TEMPORARY					

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

1. Estimate FY 82 covered State PERS payroll to be \$296,614,000.
2. Increase in State contribution rate would be 30.12% of covered State PERS payroll.
3. Estimate future State PERS payroll to increase 10% annually.
4. Estimate long-term inflation rate of 7.5%.
5. The cost to political subdivision is estimated to be \$76.7 million in FY 82 increasing at 10% each year thereafter.

IV. DATE 2/23/81 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) Senator Ray
 Office of the Governor (Keith Specking)

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement & Benefits
 Program Category Affected Labor Services and Elementary & Secondary Education
 EPRU, 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		63,899.3	70,289.2	77,318.1	85,049.9	93,554.9
100 BENEFITS		11,553.0	12,708.3	13,979.1	15,377.0	16,914.7
TOTAL		75,452.3	82,997.5	91,297.2	100,426.9	110,469.6

FUNDING (Thousands of Dollars)

GENERAL FUND		75,452.3	82,997.5	91,297.2	100,426.9	110,469.6
FEDERAL FUNDS						
VETERAN'S FUND						
FISH & GAME FUND						
HIGHWAY FUND						
AIRPORT FUND						
CAPITAL FUND						
PERS						
TRS						

POSITIONS NONE

FULL TIME						
PART TIME						
TEMPORARY						

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

1. Estimate long-term inflation rate of 7.5%.
2. An automatic PRPA with no ceiling will increase the contribution rate by 48.82% of covered TRS payroll (the TRS contribution rate is split 50/50 between the State matching contribution and the district contribution).
3. Estimate FY 82 TRS covered payroll @ \$261,775,000.
4. Estimate the TRS covered payroll will increase at 10% annually.

Paul B. Arnoldt 9/8/81

IV. DATE 2/23/81 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) Senator Ray
 Office of the Governor (Keith Specking)

ATTACHMENT

Bill/Resolution No. SB 60ASSUMPTIONS:

1. Estimated FY 82 Payroll (Total System)	=	\$261,775,000
2. State Contribution Rate to Fund Bill	=	24.41%
3. State TRS Matching Pate to Fund Bill	=	24.41%
4. School District Rate to Fund Bill	=	24.41%

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	24.41%	\$ 1,150.2	To Their Budget
2. University of Alaska	\$ 42,617,000	X	24.41%	\$10,402.8	To Their Budget
				<u>\$11,553.0</u>	
3. State TRS Matching	\$261,775,000	X	24.41%	\$63,899.3	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				\$ -0-	To Equipment
				<u>\$75,452.3</u>	
5. All School Districts	\$214,446,000	X	24.41%	\$ 52,346.3	
				<u>\$127,798.6</u>	

REMARKS:

CJH