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Arnoldt

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

POUCH C

JUNEAU, ALASKA 99811

Ph: 465-2200

June 2, 1981

Honorable Mike Miller
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Miller:

We have continued our review of CS HB 121 (SA). In the event the bill passes, we would like to suggest the enclosed technical amendments.

We have previously provided you with copies of all but the last five and amendment number seven, which have only recently come to light. The inclusion of EPORS benefit recipients (amendment number seven) completes the group of benefit recipients entitled to group insurance coverage. Increasing the amount of the contributions for service not actually performed within the system (amendments 11 through 13) is consistent with those sections of the bill which increase the amount of the contributions for service which is actually performed within the system. Amendments 14 and 15 would afford the benefits of the increased multiplier and higher salaries in later years to people receiving a conditional service benefit under TRS or PERS.

We appreciate your efforts on this matter. If you require additional information or assistance, please let me know.

Respectfully,

Frederick B. Sullivan
W.R. Hudson
Commissioner

WRH/el
Enclosure
cc: Representative Sam Cotten
w/enclosure
Paul B. Arnoldt ✓
Keith Specking
Judy Crondahl

Suggested Amendments To CSHB 121 (State Affairs)

1. Page 4, line 17: after "consumer price index", insert "for Urban Wage Earners and Clerical Workers".
2. Page 7, line 20: after "allocated", insert ", in proportion to the balances of assets,".
3. Page 8, line 3: replace "person" with "judge or justice".
4. Page 8, line 5: replace "person" with "judge or justice".
5. Page 8, line 16: replace "person" with "judge or justice".
6. Page 8, line 17: replace "person" with "judge or justice".
7. Page 9, line 28: after "AS 22.25.090", replace "or" with ", " ; after "AS 39.35.535", insert "or AS 39.37.145".
8. Page 14, line 20: after "AS", insert "39.35.420(b),"
9. Page 18, line 25: after "consumer price index", insert "for Urban Wage Earners and Clerical Workers".

10. Page 23, line 1: replace "1982" with "1981".

11. Add a new section to the bill as follows:

AS 14.20.345(d) is amended to read:

(d) The governing body of the district may agree to continue the teacher's retirement contributions if the teacher agrees to pay the required percentage required under AS 14.25.050 [REQUIRED SEVEN PERCENT] of the salary he would have received during his leave of absence and reimburse the district for the district's required retirement contribution. Each year of leave of absence then would count as a year of retirement service.

12. Add a new section to the bill as follows:

AS 14.25.060(a) is repealed and reenacted to read:

(a) If a member has military service or Alaska Bureau of Indian Affairs (BIA) service, or if a member joined the system before July 1, 1978, and has creditable outside service, the member is indebted to the retirement fund as follows:

1. For a member first hired before July 1, 1978, the arrearage indebtedness for creditable outside service is seven percent of the base salary multiplied by the

total number of years of creditable outside service. Compound interest at the rate prescribed by regulation shall be added to the arrearage indebtedness beginning July 1, 1963, or at the time of first becoming employed as a member, whichever is later, to the date of payment or the date of retirement, whichever occurs first.

2. For a member first hired before July 1, 1981, the arrearage indebtedness for creditable military and Alaska BIA service is seven percent of the base salary multiplied by the total number of years of military and Alaska BIA service. For a member first hired on or after July 1, 1981, the arrearage indebtedness for military and Alaska BIA service is nine percent of the base salary multiplied by the total number of years of creditable 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 at the time of first becoming employed as a member, whichever is later, to the date of payment or the date of retirement, whichever occurs first.
3. If a member terminates from the system and is subsequently reemployed as a member before July 1, 1981, the arrearage indebtedness to the retirement fund for outside, military, or Alaska BIA service accumulated in

the 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. If a member terminates from the system and is subsequently reemployed as a member on or after July 1, 1981, the arrearage indebtedness to the retirement fund for outside, military, or Alaska BIA service accumulated in the interim is nine 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.

13. Add a new section to the bill as follows:

AS 39.35.340(b) is amended to read:

(b) In order to obtain credited service under this section, an employee shall make an election to do so and shall verify his period of military service. When eligibility for credited service for military service has been established, an indebtedness shall be determined as follows:

(1) the employee's actual compensation, or the calculated

annual compensation for those employees working less than 12 months, during the calendar year 1976 or the year in which an employee first becomes vested under this chapter, whichever is later, multiplied by (2) [SIX PERCENT, THIS PRODUCT MULTIPLIED BY (3)] the number of years of military service credited under this section, this product multiplied by (3) six percent for members who are first eligible to claim this service before July 1, 1981, or eight percent for members who are first eligible to claim this service on or after July 1, 1981. Interest as prescribed by regulation accrues on this indebtedness commencing on July 1, 1977, or one year following the date a person first becomes vested, whichever is later. Any outstanding indebtedness which exists at the time a person is appointed to retirement will necessitate an actuarial adjustment to the benefits payable based upon that military service.

14. Change section 7 of the bill to read as follows:

AS 14.25.125(d) is repealed and reenacted to read:

(d) The monthly amount of a conditional service retirement benefit shall be calculated on the years of fully paid membership service only, in accordance with section 110(d) of this chapter, except that 1) the member may irrevocably elect to substitute "average monthly compensation" as defined in AS 39.35.680(4) in place of the member's average base

salary, divided by 12 and 2) in determining the percentage multiplier for each year of service under section 110(d) of this chapter, the years of credited service under AS 39.35 shall also be considered.

15. Change section 28 of the bill to read as follows:

Sec. 28. AS 39.35.395(d) is repealed and reenacted to Read:

(d) The monthly amount of a conditional service retirement benefit shall be calculated in accordance with section 370(c) of this chapter, except that 1) the member may irrevocably elect to substitute one twelfth of his "average base salary" as defined in AS 14.25.220(5) in place of average monthly compensation and 2) in determining the percentage multiplier for each year of service under section 370(c) of this chapter, the years of credited service under AS 14.25. shall also be considered.

6/C3/E1

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
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FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill 400

Title An Act relating to the Public Employees' Retirement System

Requested by Senator Fischer

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		6.2	6.2	6.2	6.2	6.2
TOTAL	-0-	6.2	6.2	6.2	6.2	6.2

FUNDING (Thousands of Dollars)

GENERAL FUND	5.0	5.0	5.0	5.0	5.0
FEDERAL FUNDS	.3	.3	.3	.3	.3
VETERAN'S FUND	.1	.1	.1	.1	.1
FISH & GAME FUND	.1	.1	.1	.1	.1
HIGHWAY FUND	.1	.1	.1	.1	.1
AIRPORT FUND	.1	.1	.1	.1	.1
CAPITAL FUND	.5	.5	.5	.5	.5
PERS					
TRS					

POSITIONS

NONE

FULL TIME					
PART TIME					
TEMPORARY					

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

1. The costs are predicated on the assumption that only one person would qualify under the bill.
2. The State will bear the full cost of increased benefits as a result of the service credit.
3. Approximately 7 years service would be credited in PERS for that person.

IV. DATE 4-14-81

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)

(Handwritten initials/signature)

The attached "Statement of Facts" covers the events that led up to the hiring into classified service of the present Port Captain of the Alaska Marine Highway system, Herbert Stetson. It appears that Mr. Stetson was given some assurance by the Director of the Division of Marine Transportation, now Commissioner of Administration, William Hudson, that his retirement credits in the Northwest Marine Retirement Trust would continue even though he was working in the classified service. This was determined at a later date to be unfeasible and, in fact, illegal.

The proposed legislation would permit and greatly enhance the possibilities and opportunity of vessel employees to move into shore-side management related positions in the classified service. It would do so by protecting the non-vested employees from loss of past service pension credits in their own private plans by offering past service credits in the public employees retirement system.

In short, the legislation corrects a great inequity in the present system with respect to vessel employees working in the classified service.

S Bier Ray

STATEMENT OF FACTS

On March 7, 1976 the M. V. TUSTUMENA called at Juneau, Alaska en route from Seward to Seattle for annual drydocking and overhaul. I was sailing as Second Mate at the time.

While vessel was lying at Juneau I was approached by Mr. William Hudson, Director, Alaska Marine Highway System and Captain Wm. Bendixen, Marine Superintendent, as to whether I could be interested in filling the vacant Port Captain position.

During the course of discussions of wages and benefits of the Port Captain's job I was advised that the State of Alaska would continue to make contributions, on my behalf, to the Northwest Marine Retirement Trust. I was told that this procedure had been established during the shoreside employment of Port Engineer Mr. Bert Bennet and was accomplished by a "paper transfer" of the individual back to the vessel to which last assigned. The person involved would not actually leave the Juneau Capital Office.

Although I suffered a reduction in wages and loss of other fringe benefits I agreed to take the job as Port Captain and reported to Juneau Central Office on July 15, 1976.

We purchased a home in Juneau, placed our Seward residence up for sale and in September, 1976, my family joined me here.

On December 15, 1976 pay period my vacation and "A" day account, which was being paid off bi-monthly, was exhausted.

In January, 1977 I enquired as to when the agreed "paper transfer" would be accomplished. Sometime later was informed that this procedure now determined to be illegal and no contributions would be made to my retirement account in the Northwest Marine Retirement Trust. As a result of this determination I was deprived of the employer contributions necessary to meet the ten year vesting required by NWMRT.

My family and I have suffered very serious financial damages and look to the State of Alaska for compensation or otherwise being made whole.

Muller Affect. on person only?

Introduced: 4/8/81
Referred: State Affairs and
Finance

1 IN THE SENATE

BY RAY

2 SENATE BILL NO. 400

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the public employees' retirement
7 system."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 39.35 is amended by adding a new section to read:

10 Sec. 39.35.305. CREDITED SERVICE FOR EMPLOYMENT WITH THE DIVISION
11 OF MARINE TRANSPORTATION. (a) Except as provided in (b) of this
12 section a person is entitled, at the time he becomes an active employee,
13 to credited service in the public employees' retirement system for
14 periods of employment with the division of marine transportation for
15 which he has been credited with service under a marine retirement trust

16 (b) If a person receives a refund of contributions he has made to
17 a marine retirement trust for employment with the division of marine
18 transportation, he is not entitled to credited service in the public
19 employees' retirement system for the period of employment for which the
20 refund is made unless the amount of the refund is paid to the public
21 employees' retirement system.

22 * Sec. 2. AS 39.35.370 is amended by adding a new subsection to read:

23 (g) A member may not receive retirement benefits under this
24 section based on a period of employ. t for which the member received
25 credited service under AS 39.35.305 if he is receiving retirement
26 benefits from a marine retirement trust based on the same period of
27 employment.
28
29

6-8-81

SENATE STATE AFFAIRS COMMITTEE SCHEDULE

June 8---June 12

TUESDAY June 9
 1:30 p.m.

RELOCATION OF THE CAPITAL SB 585, 586, etc.

CONSIDERATION OF CONFIRMATION

HEARINGS WILL BE CONDUCTED IN THE FIRST FLOOR OF THE BEHREND'S BUILDING. IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT SENATOR FISCHER'S OFFICE (465-4954). THANK YOU.



Official Business

Alaska State Legislature


Senate
Office of the Secretary

Pouch V
State Capitol
Juneau, Alaska 99811

M E M O R A N D U M

DATE: June 5, 1981

TO: Senator Fischer,
Chairman
State Affairs Committee

FROM:  Peggy Mulligan
Secretary of the Senate

The President has referred the following Governor's appointee to your committee for recommendation in accordance with AS 39.05.080:

STATE BOARD OF REGISTRATION FOR
ARCHITECTS, ENGINEERS AND LAND
SURVEYORS

*Gordon Unwin, Anchorage, term expiring 7/1/86

A resume is enclosed.

GORDON D. UNWIN, P.E.

23

BORN

Anchorage, Alaska; October 22, 1943.

EDUCATIONBachelor of Science in Civil Engineering, 1965, Lehigh University.
Graduate Studies at University of Alaska.REGISTRATIONProfessional Engineer, Alaska No. 1958-E; Washington No. 15955.
Registered Land Surveyor, Alaska No. 3192-S.PROFESSIONAL AFFILIATIONSNational Society of Professional Engineers.
Alaska Society of Professional Engineers.
American Society of Civil Engineers.
Alaska Professional Design Council, Director.
Professional Engineers in Private Practice, Past State Chairman.
Alaska Society of Professional Land Surveyors.EXPERIENCE

State of Alaska, Department of Highways, Construction Surveyor.

State of Alaska, Division of Aviation, Airport Engineer in charge of the design and construction of airport projects. Planning Engineer dealing with Airport Master Plans and economic feasibility studies.

Greater Anchorage Area Borough, Department of Public Works, Engineer in charge of the design and construction of sewer projects.

Dickinson-Oswald & Partners, Consulting Engineers, Design Engineer and Project Manager for the design and construction of subdivisions, utility systems, highways and airports.

UNWIN SCHEBEN KORYNTA HUETTL, Principal in charge of the design of public works and structural projects. Project Manager for Engineering studies and reports. Project Manager and Engineer on Airport Master Plans and facilities design.

ADDITIONAL FACTSMember Task Group for the assessment of flood damages to Fairbanks.
Aviation Assistant to the Commissioner, Alaska Department of Public Works.
Member Citizens Advisory Board for the Greater Anchorage Area Borough Comprehensive Plan.
Secretary of the Alaska Board of Registration for Architects, Engineers & Land Surveyors.
Member American Arbitration Association.
Member Municipality of Anchorage Geotechnical Commission.
Member General Services Administration Public Advisory Board, Region 10.
Member Aircraft Owner's & Pilots Association.PUBLICATIONS & SPEECHES1968 Annual Alaska Division of Aviation Report to the Governor.
4th Annual Environmental Quality Seminar, Lecture "Country Lane Concept for Subdivision Streets" 1973.

I. REQUEST

Bill/Resolution No. CS for Senate Bill No. 400 (State Affairs)

Title An Act Relating to PERS, TRS, JRS, and National Guard Benefits

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		23.6				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 STATE TRS MATCHING						
100 BENEFITS		180.7	54,230.6	59,653.4	65,618.5	72,180.1
TOTAL	0	204.3	54,230.6	59,653.4	65,618.5	72,180.1

FUNDING (Thousands of Dollars)

GENERAL FUND		148.0	44,414.9	48,856.1	53,741.6	59,115.5
FEDERAL FUNDS		8.3	2,494.6	2,744.1	3,018.5	3,320.3
VETERAN'S FUND		.4	108.4	119.3	131.2	144.4
FISH & GAME FUND		1.1	325.4	357.9	393.7	433.1
HIGHWAY FUND		2.3	705.0	775.5	853.0	938.3
AIRPORT FUND		5.2	1,572.7	1,729.9	1,902.9	2,093.2
CAPITAL FUND		15.4	4,609.6	5,070.6	5,577.6	6,135.3
PERS		23.6				
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 .06% of State PERS payroll in FY 82.
3. Increase in State contribution rate would be 16.62% of State PERS payroll in FY 83.
4. Estimate long term inflation rate of 7.5%.
5. The cost to political subdivisions is estimated to be \$152,800 in FY 82.
6. The cost to political subdivisions is estimated to be \$46.5 million in FY 83.

IV. DATE 6/11/81

PREPARED BY Paul E. 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)

J. K. Humphreys, for

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS for Senate Bill No. 400 (State Affairs)

Title An Act Relating to PERS, TRS, JRS and National Guard Benefits

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 02-96-3-01-01-02 (TRS) 02-11-S-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		23.6				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 STATE TRS MATCHING		143.9	32,351.8	35,587.0	39,145.7	43,060.3
100 BENEFITS		26.0	5,855.6	6,447.2	7,085.3	7,793.8
TOTAL	0	193.5	38,207.4	42,028.2	46,231.0	50,854.1

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
VETERAN'S FUND						
FISH & GAME FUND						
HIGHWAY FUND						
AIRPORT FUND						
CAPITAL FUND						
PERS						
TRS		23.6				

POSITIONS NONE

FULL TIME						
PART TIME						
TEMPORARY						

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

- To fund this bill, the TRS contribution rate must be increased by .11% of payroll in FY 82 and by 22.47% in FY 83 (the TRS contribution rate is split 50/50 between the State matching contribution and the District contribution).
- Estimate FY 82 TRS covered payroll at \$261,775,000.
- Estimate long-term inflation rate of 7.5%.

IV. DATE 06-11-81

PREPARED BY _____

J. K. Humphreys, for
Paul S. 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. CS SB400(SA)ASSUMPTIONS:

1. Estimated FY82 Payroll (Total System)	=	\$261,775,000
2. State Contribution Rate to Fund Bill	=	.055%
3. State TRS Matching Rate to Fund Bill	=	.055%
4. School District Rate to Fund Bill	=	.055%

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	.055%	\$ 2.6	To Their Budget
2. University of Alaska	\$ 42,617,000	X	.055%	\$ 23.4	To Their Budget
				<u>\$ 26.0</u>	
3. State TRS Matching	\$261,775,000	X	.055%	\$ 143.9	To TRS Match
4. State TRS Regular Budget:					
Personal Services				\$ -0-	To Personal
Travel				\$ -0-	To Travel
Contractual				\$ 23.6	To Contractual
Commodities				\$ -0-	To Commodities
Equipment				\$ -0-	To Equipment
				<u>\$193.5</u>	
5. All School Districts	\$214,446,000	X	.055%	<u>\$117.9</u>	
				<u>\$311.4</u>	

REMARKS:

SBS32/E8

SECTIONAL ANALYSIS OF CS HB 121 (State Affairs)

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 performs this task without any clear mandate that he consult the Board.

Section 4 would increase the mandatory contribution rate for TRS employees from seven to nine percent; the increase represents the employee's share of the cost of the automatic PRPA in Section 9 of this bill.

Section 5 makes the multiplier in the benefit formula dependent on the number of years of credited service and provides an incentive to remain in service in accordance with the purpose of the TRS (AS 14.25.012).

Section 6 merely corrects statutory references. These references should have been changed at the time the TRS statutes were amended by Chapter 13, SLA 1980.

Section 7 would bring AS 14.25.125 (d) into conformity with the changes in AS 14.25.110 (d) contained in Section 5 of this bill.

Section 8 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.

Section 9 would create a mechanism for granting automatic, funded annual PRPA's to benefit recipients in the TRS; the amount of the increases would depend on the cost of living and the benefit recipient's age.

Sections 10, 16 and 38 would conform the statutes to the current 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 judicial retirement systems.

Sections 11 and 40 would clarify what is and is not included in "compensation" for purposes of retirement in TRS and PERS. This language is consistent with longstanding practice and does not constitute a change.

Section 12 expands the definition of "credited service" to include "territorial employment" as provided under AS 14.25.105. This should have been done in 1980 when AS 14.25.105 was passed.

Section 13 defines "territorial employment" as it is used in Section 12.

Sections 14-15 and 17-18 would add new sections to AS 22.25 and AS 26.05. The sections set up accounting systems for the Judicial Retirement System and the Alaska National Guard Retirement System which are now on a 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.

Section 19 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 20 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 benefit 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.

Sections 21 and 22 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 derives from the reserve account.

Section 23 would increase the mandatory contribution rate for PERS peace officers/firemen from five to seven percent, and for all others from four and one-quarter to six and one-quarter percent; the increase represents the employee's share of the cost of the automatic PRPA in Section 34 of this bill.

Section 24 would amend AS 39.35.200 (b) to eliminate a "catch 22" situation. Currently, persons who terminate their employment having less than 5 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 25 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 26 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 27 makes the multiplier in the benefit formula dependent on the number of years of credited service and provides an incentive to remain in service in accordance with the purpose of the PERS (AS 39.35.010).

Section 28 would bring AS 39.35.385 (d) into conformity with the changes in AS 39.35.370 (c) under Section 27 of this bill.

Section 29 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 change in the law.

Section 30 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.

Sections 31 and 32 would clarify the entitlement to death benefits when there is no surviving spouse. It would provide that, in the event of the death of a vested member who has no surviving spouse, a benefit shall be paid to the deceased member's designated beneficiary.

Section 33 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 33 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 34 would create a mechanism for granting automatic, funded annual PRPA's to benefit recipients in the PERS; the amount of the increases would depend on the cost of living and the benefit recipient's age.

Section 35 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 36 would allow peace officers/firemen the option to relinquish their coverage as "peace officers/firemen" and instead receive coverage as "all other" members; this option was added in light of Section 27 which would increase the multiplier in the benefit formula for "all other" members.

Section 37 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 change in the law.

Section 39 would delete from AS 39.35.560 a definitional reference to "public organization". That term is now defined in Section 44 of this bill, AS 39.35.680 (39).

Section 41 clarifies the definition of "early retirement" and includes the appropriate statutory references.

Section 42 clarifies the definition of "normal retirement" and includes the appropriate statutory references.

Sections 43, 45 and 46 would amend AS 39.35.680 (27) to exclude "qualified employees of the Department of Fish and Game" from peace officer/fireman coverage; allows employees currently classified as "qualified employees of the Department of Fish and Game" to continue their peace officer/fireman coverage.

Section 44 defines "public organization."

Section 47 applies the automatic annual PRPA formula contained in Sections 9 and 34 of this bill to current benefit recipients, effective the date the benefit recipient first began receiving a benefit. However, the recalculated benefit would not take effect until July 1, 1981. There is an error in line 1 on page 23; the date should be July 1, 1981.

Sections 48 and 49 provide effective dates; the increases in benefit formulas do not take effect until July 1, 1982.

7/CII/S

M E M O R A N D U M

TO: File on CSSB 400 entitled "An Act relating to the public employees, teachers, judicial, and National Guard benefits; and providing for an effective date."

FROM: Laura Fleming
Staffperson, Senate State Affairs

DATE: June 15, 1981

Please note the following change to be made in CSSB 400. This change was "signed off" on by Senate State Affairs Committee members, as it was approved at the committee meeting of 6-9, when the bill was passed out of committee.

The change did not appear in the final version of the bill although it was intended to appear in the version reported out of committee. With any luck, the Senate Finance Committee will be able to clean this up when they take CSSB 400 under consideration.

Page 16, line 21 (Sec. 39.35.305 entitled "Credited Service for Employment with the Division of Marine Transportation") subsection (a): after "trust." add "The credited service allowed may not exceed an aggregate period of five years. Benefits are not payable on service credited under this section unless the employee makes retroactive contributions to the system for the period of time that service credit is claimed."