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

STATE	REMARKS
ILLINOIS	POST RETIREMENT INCREASES OF 3% GRANTED EACH JAN 1.
VIRGINIA	PROVISION FOR COL
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.

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

8.42% is contributed by the State

Total: 23.84%



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 TRS or 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 Anch CPI the following Fiscal Impacts would occur:

FISCAL IMPACTS:

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

<u>TRS</u> Increases:	FY 82:	\$75,452,300.00
	FY 83:	\$82,997,500.00
	FY 84:	\$91,297,200.00
	FY 85:	\$100,426,900.00
	FY 86:	\$110,469,600.00

TOTAL PERS Payroll: FY 82: \$296,614,000.00

TOTAL TRS Payroll : FY 82: \$261,775,000.00

The assumed 10% annual increase reflected in the Fiscal Note relates to salary increases through union negotiations, annual merit increases, and longevity and promotional increases.

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 Rate 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 TPS 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:

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.
TOTAL		89,340.1	98,274.2	108,101.6	118,911.7	130,802.

FUNDING (Thousands of Dollars)

GENERAL FUND	73,169.6	80,486.6	88,535.3	97,388.7	107,227.
FEDERAL FUNDS	4,109.6	4,520.6	4,972.7	5,469.9	6,016.
VETERAN'S FUND	178.7	196.5	216.2	237.8	261.
FISH & GAME FUND	536.0	589.6	648.6	713.5	734.
HIGHWAY FUND	1,161.4	1,277.6	1,405.3	1,545.9	1,700.
AIRPORT FUND	2,590.9	2,850.0	3,134.9	3,448.4	3,793.
CAPITAL FUND	7,593.9	8,353.3	9,188.6	10,107.5	11,118.
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)

Paul B. Arnoldt *J. J. [Signature]*

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

FISCAL NOTE

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	107,127.7
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	784.9
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 7.1%.
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)

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 & 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		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 9/81

IV. DATE 2/23/81

PREPARED BY _____

Paul B. Arnoldt, Director

AGENCY _____

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