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Synopsis Senate Bill No. 61

Section 1

This would increase the retirement benefit calculation formula from 2 percent to 2.5 percent in the Peace Officers Retirement system, for the first ten years of service. For service over ten years, it would increase from 2.5 percent to 3 percent. In the Public Employee Retirement System, the retirement benefit calculation formula would be increased from 2 percent to 2.5 percent.

Section 2

The retirement benefit formula is:

Percentage X years of service X average final salary for highest 3 years = retirement benefit.

This applies the increase percentages to the retirement benefit calculation formula.

Background Material

Cost-of-living in Alaska is the highest in the nation, yet some states, such as Colorado, Louisiana, Massachusetts and Nevada are using the 2.5 percent retirement benefit calculation formula in the public employment retirement systems. The 1/2 percent increase, will, of course, only partially negate the cost-of-living increase. However, it could prove to be an incentive for employees to view their

jobs as long-term careers and thus decrease the rapid employee turnover that has historically been a state administration problem. In addition, those retired employees who are forced to leave the state for economic reasons, could remain in Alaska after retirement. This would be in keeping with the state's consistent concern and provision for its Alaskan senior citizens.



# Alaska State Legislature

## Senate

### Committee on Labor & Commerce

Pouch V  
State Capitol  
Juneau, Alaska 99801

Official Business

#### SUMMARY SB 61 by Ray

SEC. 1: Increase in retirement benefit calculation for the Peace Officers Retirement System. Increase from 2 to 2½ percent for first 10 years service; Increase from 2½ to 3 percent for service over 10 years. In the PERS, benefit calculation would increase from 2 to 2½ percent.

SEC. 2: Retirement benefit formula: Percentage X years of service X average final salary for highest 3 years = benefit amount.

RESEARCH: SB 61 would require 3 additional staff for 6 months to re-calculate benefits for 2,650 persons who are receiving benefits under PERS.

The cost to the State will be \$15.8 million (FY82), and it will cost our political sub-divisions \$13.5 million. Dept of Administration projects the cost to increase by at least 10% per year thereafter.

#### FISCAL IMPACTS

FY 82: \$15,814,800.00  
FY 83: \$17,357,900.00  
FY 84: \$19,093,600.00  
FY85: \$21,003,000.00  
FY 86: \$23,103,300.00

#### FISCAL IMPACTS ON POLITICAL SUB-DIVISIONS:

FY 82: \$13,500,000.00  
FY 83: \$14,850,000.00  
FY 84: \$15,335,000.00  
FY 85: \$15,868,500.00  
FY 86: \$17,445,000.00

RETIREMENT BENEFIT CALCULATION FORMULA:

(%)X (years of service)X(Avg. final salary-3highest years)= Benefit Amount

PROPOSED INCREASES:

Peace Officer Retirement System:

First 10 Years Service: Presently 2%; Increase to 2½%

Service over 10 Years: Presently 2½%; Increase to 3%

Public Employees Retirement System:

Presently 2%; Increase to 2½%

Additional Fiscal Impact:

SB 61 Requires 3 additional Staff for 6 months to recalculate retirement benefits for the 2,650 people receiving benefits under PERS. Each of the 3 benefit technicians would be paid \$11,648.00 for their 6 month contract. Total of Labor \$34,941.00.

I. REQUEST  
 Bill/Resolution No. Senate Bill 61  
 Title An Act Adjusting Retirement Benefits For Public Employees  
 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		34.3				
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES		0.6				
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 STATE TRS MATCHING						
100 BENEFITS		15,779.9	17,357.9	19,093.6	21,003.0	23,103.7
TOTAL	-0-	15,914.8	17,357.9	19,093.6	21,003.0	23,103.7

FUNDING (Thousands of Dollars)

GENERAL FUND		12,923.7	14,216.1	15,637.6	17,201.5	18,921.9
FEDERAL FUNDS		725.9	798.5	878.3	966.1	1,062.3
VETERAN'S FUND		31.6	34.7	38.2	42.0	46.1
FISH & GAME FUND		94.7	104.1	114.6	126.0	138.1
HIGHWAY FUND		205.1	225.7	248.2	273.0	300.1
AIRPORT FUND		457.6	503.4	553.7	609.1	670.1
CAPITAL FUND		1,341.3	1,475.4	1,623.0	1,785.3	1,963.1
PERS		34.9				
TRS						

POSITIONS 3 employees for 6 months

FULL TIME						
PART TIME						
TEMPORARY		18 mos				

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

1. This bill provides increased benefits to active and retired PERS members. It does not provide increases for existing deferred (inactive) PERS members.
2. It is estimated that 70% of the existing deferred PERS members will return to covered PERS employment and qualify for the increased benefits.
3. The increased benefit formulas affect both future and past credited service.
4. The increase in State contribution rate would be 5.32% of covered State payroll (FY82 = \$296,614,000) increasing at 10% annually.
5. The cost to political subdivisions is estimated to be \$13.5 million in FY82 increasing at 10% each year thereafter.

IV. DATE 2/20/81 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

1	POSITION TITLE <b>Retirement &amp; Benefits Technician</b>			RANGE/STEP <b>12A</b>	BARG. UNIT. <b>6</b>	LOCATION <b>Juneau</b>	APPROV.
2	TYPE OF POSITION <b>Project</b>	STAFF MONTHS. <b>6</b>	PR No.	PCN No.	PRIORITY	FORM 12 PAGE/LINE	FILE

3	TYPE OF EXPENDITURE		AMOUNT
	1	2	3
4	PERSONAL SERVICES:		
	SALARY	\$1,761/Month	\$10,566
6	BENEFITS	2.21%	234
8	V&A SBS	6.13%	648
7	HEALTH INS.		
8	TOTAL PERSONAL SERVICES	01	\$11,448
9	TRAVEL	02	
10	CONTRACTUAL	03	
11	COMMODITIES	04	\$ 200
12	EQUIPMENT	05	
13	OTHER		
14	TOTAL COST		\$11,648

JUSTIFICATION:

Three (3) Project employees for six (6) months to recalculate the benefits for approximately 2,650 people who are receiving benefits from the PERS. (This estimate is based upon the actual time required to calculate the \$25 minimum benefit for approximately 1,016 individuals-- Chapter 146 SLA 1980.)

	CODE	FUNDING SOURCE	
16		FED RCPTS. 1002	
18		GF MATCH. 1003	
17		GEN. FUND 1004	
19		I-A RCPTS 1005	
		POM RCPTS 1020	
20		OTHER PERS	\$11,648
21	CONTINUATION		
22	ADDITION		

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4A KEY NUMBER: .....

AGENCY Administration PROGRAM Labor Services

ORU Retirement & Benefits

COMPONENT PERS

**13** REQUEST FOR NEW POSITION.

**FY 82**

1 POSITION TITLE  
**Retirement & Benefits Technician**

2 TYPE OF POSITION STAFF MONTHS. RP No. PCN No.  
**Project 6**

RANGE/STEP **12A** BARG. UNIT. **G** LOCATION **Juneau**

PRIORITY FORM 12 PAGE/LINE

3	TYPE OF EXPENDITURE		AMOUNT
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16		GF MATCH. 1003	
17		GEN. FUND 1004	
18		I-ARCPTS. 1005	
19		PGM RCPTS 1020	
20		OTHER PERS	\$11,648

21 CONTINUATION

22 ADDITION

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44 KEY NUMBER

COLUMN NO.

AGENCY Administration PROGRAM Labor Services

ORU Retirement & Benefits

**13 REQUEST FOR NEW POSITION.**

COMPONENT PERS

**FY 82**

1	POSITION TITLE <b>Retirement &amp; Benefits Technician</b>		
2	TYPE OF POSITION <b>Project</b>	STAFF MONTHS <b>6</b>	RP No. PCN No.

RANGE/STEP <b>12A</b>	BARG. UNIT. <b>G</b>	LOCATION <b>Jineau</b>	FORM 12	PAGE/LINE
PRIORITY				

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	1	2
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10	CONTRACTUAL 03	
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13	OTHER	
14	TOTAL COST	\$11,648

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	CODE	FUNDING SOURCE
16		FED RCPTS 1002
16		GF MATCH 1003
17		GEN. FUND 1004
19		I-A RCPTS 1005
J		PDM RCPTS 1028
20		OTHER PERS \$11,648
21	CONTINUATION	
22	ADDITION	

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1A KEY NUMBER \_\_\_\_\_ COLUMN NO. \_\_\_\_\_

AGENCY Administration PROGRAM Labor Services

BRU Retirement & Benefits

COMPONENT PERS

**13** REQUEST FOR NEW POSITION

FY 82

REVISED