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THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. Attached Draft CS SB 813 (State Affairs)  
 Title \_\_\_\_\_  
 Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL  
 Agency Affected Administration - Division of Retirement & Benefits  
 Program Category Affected Centralized Administrative Services  
 BRU, Program, or Subprogram(s) Affected Retirement & Benefits  
 (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 82 | FY 83    | FY 84    | FY 85    | FY 86    | FY 87    |
|--------------------------|-------|----------|----------|----------|----------|----------|
| 100 PERSONAL SERVICES    |       |          |          |          |          |          |
| 100 RETIREMENT BENEFITS  |       | 24,148.7 | 43,170.5 | 60,279.1 | 66,307.0 | 72,937.0 |
| 200 TRAVEL               |       |          |          |          |          |          |
| 300 CONTRACTUAL          |       | 25.0     |          |          |          |          |
| 400 COMMODITIES          |       |          |          |          |          |          |
| 500 EQUIPMENT            |       |          |          |          |          |          |
| 600 LAND & STRUCTURES    |       |          |          |          |          |          |
| 700 GRANTS, CLAIMS, ETC. |       |          |          |          |          |          |
| TOTAL                    |       | 24,173.7 | 43,170.5 | 60,279.1 | 66,307.0 | 72,937.0 |

FUNDING (Thousands of Dollars) *#50m #80m #110m #120m #133m*

|                  |  |  |  |  |  |  |
|------------------|--|--|--|--|--|--|
| GENERAL FUND     |  |  |  |  |  |  |
| FEDERAL FUNDS    |  |  |  |  |  |  |
| VETERAN'S FUND   |  |  |  |  |  |  |
| FISH & GAME FUND |  |  |  |  |  |  |
| HIGHWAY FUND     |  |  |  |  |  |  |
| AIRPORT FUND     |  |  |  |  |  |  |
| CAPITAL FUND     |  |  |  |  |  |  |
| PERS             |  |  |  |  |  |  |

**DRAFT**

POSITIONS NONE

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL TIME |  |  |  |  |  |  |
| PART TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

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

- The State PERS payroll contribution rate must be increased by 6.99% in FY83; 11.36% in FY84; and 14.42% in FY85.
- Estimate the FY83 covered State PERS payroll to be \$345,475,000, increasing 10% annually.
- Estimate long term inflation rate of 7.5%.
- The cost to political subdivisions is estimated to be \$18,360,800 in FY83; \$32,833,600 in FY84; and \$45,831,700 in FY85.

*if found 4% in FY83:*  
 39 T  
 51 P  
90.3

*for 1978 4%  
 79 4%  
 80 4%*

IV. DATE March 11, 1982 PREPARED BY Paul B. Arnoldt, Director  
 AGENCY Division of Retirement & Benefits

Original: Legislative Finance PHONE 465-4460

cc: Budget and Management  
 Prime Sponsor (First Legislator Named) Governor Hammond  
 Office of the Governor (Keith Specking)

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Attached Draft CS SB 813 (State Affairs)  
Title \_\_\_\_\_  
Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement & Benefits  
Program Category Affected Centralized Administrative Services & Secondary Education  
BRU, Program, or Subprogram(s) Affected Retirement & Benefits

(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 82 | FY 83    | FY 84    | FY 85    | FY 86    | FY 87    |
|--------------------------|-------|----------|----------|----------|----------|----------|
| 100 PERSONAL SERVICES    |       |          |          |          |          |          |
| 100 RETIREMENT BENEFITS  |       | 25,574.1 | 37,070.1 | 49,630.6 | 54,593.6 | 60,052.9 |
| 200 TRAVEL               |       |          |          |          |          |          |
| 300 CONTRACTUAL          |       | 25.0     |          |          |          |          |
| 400 COMMODITIES          |       |          |          |          |          |          |
| 500 EQUIPMENT            |       |          |          |          |          |          |
| 600 LAND & STRUCTURES    |       |          |          |          |          |          |
| 700 GRANTS, CLAIMS, ETC. |       |          |          |          |          |          |
| 700 STATE TRS MATCHING   |       |          |          |          |          |          |
| TOTAL                    |       | 25,599.1 | 37,070.1 | 49,630.6 | 54,593.6 | 60,052.9 |

FUNDING (Thousands of Dollars)

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

**DRAFT**

POSITIONS NONE

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL TIME |  |  |  |  |  |  |
| PART TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

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

1. The TRS contribution rate must be increased by 14.54% in FY83; 19.16% in FY84; and 23.32% in FY85 (the TRS contribution rate is split 50/50 between the State and employers in the system).
2. Estimate FY83 covered payroll at \$296,962,000, and increasing 10% annually.
3. Estimate long term inflation rate of 7.5%.
4. The cost to school districts is estimated to be \$17,604,100 in FY83; \$25,517,500 in FY84; and \$34,163,600 in FY85.

IV. DATE March 11, 1982 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) Governor Hammond  
Office of the Governor (Keith Specking)

SB 811 (cont'd)

that the lists include: the person's first name, last name and middle initial; his residence address as well as mailing address, including zip codes; his birth date; and the number of years and months the person has been a resident of the state. Bill would add the person's social security number to this list. Does not provide for an effective date.

Introduced February 18 and referred to Judiciary.

Nelchina  
Public Use  
Area

SENATE BILL NO. 812, by the Rules Committee by request of the Governor. Would establish the Nelchina Public Use Area near Glennallen. States that the primary purpose of the Area would be to maintain the fish and wildlife resources and to perpetuate multiple use of the area, including but not limited to fishing, hunting, trapping, mineral entry, and other forms of public use of public land. Includes legal description of lands to be included in the Area, all of which is included in the Seward and Copper River Meridians. Does not provide for an effective date.

Introduced February 18 and referred to Resources.

In his message transmitting the bill to the Senate for consideration, Governor Hammond stated:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill creating the Nelchina Public Use Area.

This bill would create an area reserved for multiple use by the public encompassing approximately 1.2 million acres of state land in Game Management Unit 13. The area is within the range of the Nelchina caribou herd, and, in the opinion of the Department of Fish and Game, is the most important caribou hunting area in the state for urban residents. Other characteristics of the area which make it worthy of special consideration include: its proximity to Anchorage and Fairbanks; access to the area from the Denali highway; the presence of the most important off-road vehicle trail system for hunting in Alaska; the variety of big game animals available; and the number of lodges, air taxis, and guide services available to the public.

The bill puts management of the area in the Department of Natural Resources, with a requirement of consultation with the Department of Fish and Game. It also requires that fish and wildlife habitat be managed so as to sustain those resources perpetually.

It is important to protect this area as a resource for fishing, hunting, trapping, and other forms of recreation, at a time when large areas of land within the state are becoming off-limits for many of these activities.

Retirement &  
PRPA/public  
employees

SENATE BILL NO. 813, by the Rules Committee by request of the Governor. Rewrites statutes governing post-retirement pension adjustments for teachers and public employees (AS 14.25.143 and AS 39.35.475). New version provides that when the administrator determines that the cost of living has increased and the financial condition of the fund permits, he "may" increase retirement benefits to eligible disabled members and those 55 or over (currently reads he "shall" increase benefits).

Sets up a sliding scale for increases in benefits based on the age

INTRODUCTION OF BILLS (Senate)

SB 813 (cont'd)

and condition of the recipient. For those who are at least 65, the increase would be the lesser of 75% of the increase in the cost of living or 9%. For those who are at least 60, but under 65, or who are receiving disability benefits and are under 65, the increase would be the lesser of 50% of the increase in the cost of living or 6%. For those who are at least 55, but less than 60 years old, the increase would be the lesser of 25% of the increase in the cost of living or 3%.

Amends AS 39.35 by adding a new section which allows credited service in the Public Employees' Retirement System for employment with the state ferry system (Div. of Marine Transportation). Amends 39.35.370 (PERS retirement benefits) to prohibit a member who is receiving benefits from the Marine Highways retirement system from receiving PERS benefits based on the same period of employment.

Deletes from the definition of "peace officer" or "fireman" for the purposes of Public Employees' Retirement a "qualified employee of the Department of Fish and Game." Repeals from definitions section of AS 39.35 the definition of "qualified employee of the Department of Fish and Game." (See Governor's letter) Provides Act effective on July 1, 1982.

Introduced February 18 and referred to State Affairs and Finance.

In his message transmitting the bill to the Senate for consideration, Governor Hammond stated:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to pension adjustments and retirement benefits for peace officers, marine highway employees and fish and game employees.

The first and fourth sections of the bill relate to post-retirement pension adjustments for teachers and public employees. In place of the old one-tier system, it creates a three-tier system which allows the administrator to grant a higher cost-of-living increase for older retirees who are often more severely impacted by inflation.

The second and third sections provide for the limited transfer of credit from the Northwest Marine Retirement Trust, under which many ferry system employees are provided for, to the Public Employees' Retirement System.

Sections 5 and 6 settle a problem that has existed in recent years whereby selected fish and game employees were entitled to peace officer status and 20-year retirement. The present system is flawed because many persons whose desk jobs did not approach the hazards of peace officer service were nevertheless treated like peace officers. Recent study has indicated little difference between the hazards of fish and game employment and the hazards of other non-peace officer employment. This bill, therefore, eliminates peace officer coverage for fish and game employees. To avoid a constitutional problem, the bill preserves peace officer status for those fish and game employees who have already qualified for such status under the existing law.

Spending  
Limit  
(implementa-  
tion of)

SENATE BILL NO. 814, by the Rules Committee by request or the Governor. Establishes procedures to implement the proposed constitutional spending limit to be voted on in November.

Adds new sections to the Executive Budget Act (AS 37.07) relating to the adjustment of the appropriation limit base of \$2.5 billion, and

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 813  
Title An Act Relating to Retirement Benefits...(PERS)...and Providing for an Effective Date  
Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement & Benefits  
Program Category Affected Centralized Administrative Services  
BRU, Program, or Subprogram(s) Affected Retirement & Benefits  
(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 82 | FY 83   | FY 84   | FY 85   | FY 86     | FY 87     |
|--------------------------|-------|---------|---------|---------|-----------|-----------|
| 100 PERSONAL SERVICES    |       |         |         |         |           |           |
| 100 RETIREMENT BENEFITS  |       | (228.0) | (506.5) | (838.3) | (1,231.4) | (1,694.7) |
| 200 TRAVEL               |       |         |         |         |           |           |
| 300 CONTRACTUAL          |       |         |         |         |           |           |
| 400 COMMODITIES          |       |         |         |         |           |           |
| 500 EQUIPMENT            |       |         |         |         |           |           |
| 600 LAND & STRUCTURES    |       |         |         |         |           |           |
| 700 GRANTS, CLAIMS, ETC. |       |         |         |         |           |           |
| TOTAL                    |       | (228.0) | (506.5) | (838.3) | (1,231.4) | (1,694.7) |

FUNDING (Thousands of Dollars)

|                  |         |         |         |           |           |
|------------------|---------|---------|---------|-----------|-----------|
| GENERAL FUND     | (186.7) | (414.8) | (686.6) | (1,008.5) | (1,388.0) |
| FEDERAL FUNDS    | (10.5)  | (23.3)  | (38.6)  | (56.6)    | (78.0)    |
| VETERAN'S FUND   | (.5)    | (1.0)   | (1.7)   | (2.5)     | (3.4)     |
| FISH & GAME FUND | (1.4)   | (3.0)   | (5.0)   | (7.4)     | (10.1)    |
| HIGHWAY FUND     | (3.0)   | (6.6)   | (10.9)  | (16.0)    | (22.0)    |
| AIRPORT FUND     | (6.6)   | (14.7)  | (24.3)  | (35.7)    | (49.1)    |
| CAPITAL FUND     | (19.3)  | (43.1)  | (71.2)  | (104.7)   | (144.1)   |
| PERS             |         |         |         |           |           |

POSITIONS NONE

|           |  |  |  |  |  |
|-----------|--|--|--|--|--|
| FULL TIME |  |  |  |  |  |
| PART TIME |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |

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

- Provision to provide PERS service credit for certain Marine transportation service is estimated to cost \$4,000 per year.
- Cost savings as a result of curtailing peace officer coverage within the Department of Fish and Game are estimated at \$232,000 in FY 83 and increasing in subsequent years.

IV. DATE February 23, 1982 PREPARED BY Paul B. Arnoldt  
AGENCY Division of Retirement & Benefits  
PHONE 465-4460  
Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named) Subcommittee of Finance  
Office of the Governor (Keith Specking)

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT

\*Section 1. 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 percentage required under AS 14.25.050 [REQUIRED SEVEN PERCENT] of the salary the teacher [HE] would have received during the [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.

\*Sec. 2. AS 14.25.050(a) is amended to read:

(a) Each [BEGINNING JULY 1, 1970, EACH] teacher shall contribute to the retirement fund an amount equal to nine [SEVEN] percent of his base salary accrued from July 1 to the following June 30. The contribution shall be deducted by the employer at the end of each payroll period.

\*Sec. 3. 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, 1982, 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, 1982, 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.

\*Sec. 4. AS 14.25.110(d) is repealed and reenacted to read:

(c) The monthly retirement benefit for a member is calculated as follows:

(1) for a member with credited service earned before July 1, 1982, the monthly retirement benefit is calculated by multiplying two percent of the member's average base salary, divided by 12, by the years of credited service.

(2) for a member with less than three years of membership service rendered after June 30, 1982:

(A) if the member has a total of at least 10 but less than 20 years of credited service, the member is entitled to the benefit calculated under (1) of this subsection for the credited service rendered before July 1, 1982, plus two and one-quarter percent of the member's average base salary, divided by 12, times the years of credited service earned after June 30, 1982;

(B) if the member has a total of at least 20 years of credited service, the member is entitled to the benefit calculated under (1) of this subsection for the credited service rendered before July 1,

1982, plus two and one-half percent of the member's average base salary, divided by 12, times the years of credited service earned after June 30, 1982;

(3) for a member with three or more years of membership service rendered after June 30, 1982:

(A) if the member has a total of at least 10 but less than 20 years of credited service, the member is entitled to a monthly retirement benefit equal to two and one-quarter percent of the member's average base salary, divided by 12, times the member's total years of credited service;

(B) if the member has a total of at least 20 years of credited service, the member is entitled to a monthly retirement benefit equal to two and one-half percent of the member's average base salary, divided by 12, times the member's total years of credited service;

(4) for a member who elects to receive an early retirement benefit, an actuarial adjustment must be made; and

(5) any indebtedness that exists at the time of retirement must be discharged in accordance with AS 14.25.063(b).

\*Sec. 5. 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 credited service only, in accordance with AS 14.25.110(d), except that

(1) a 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 AS 14.25.110(d) the years of credited service under AS 39.35 shall also be considered.

\*Sec. 6. AS 14.25.143 is repealed and reenacted to read:

Sec. 14.25.143. POST-RETIREMENT PENSION ADJUSTMENT. (a) Once each year the administrator shall increase benefit payments to eligible persons age 65 or older receiving benefits under this system in the preceding calendar year.

(b) The increase in benefit payments applies to total benefit payments except for the cost-of-living allowance under AS 14.25.142. The amount of the increase is a percentage of the current benefit equal to the lesser of 75 percent of the increase in the cost of living in the preceding calendar year or nine percent, for recipients who on July 1 are at least 65 years old.

(c) If a recipient was not receiving benefits during the entire preceding calendar year, the increase in benefits under this section shall be adjusted by multiplying it by the fraction whose numerator is the number of months for which benefits were received in the preceding calendar year and whose denominator is 12.

(d) If at the time of first receiving a retirement benefit a member was receiving a disability benefit under this system, the administrator shall, at the time the member is appointed to retirement, increase the retirement benefit by a percentage equal to the total cumulative percentage increase which has been applied to the member's disability benefit under this section.

(e) When computing a spouse's pension under AS 14.25.164, adjustments granted to the deceased member under this section shall be included.

(f) An increase in benefit payments under this section is effective July 1 of each year and is based on the percentage increase in the consumer

price index for urban wage earners and clerical workers for Anchorage, Alaska during the previous calendar year as determined by the United States Department of Labor, Bureau of Labor Statistics.

\*Sec. 7. AS 14.25.143(a) is repealed and reenacted to read:

Sec. 14.25.143. POST-RETIREMENT PENSION ADJUSTMENT. (a) Once each year the administrator shall increase benefit payments to eligible disabled members and persons age 60 or older receiving benefits under this system in the preceding calendar year.

\*Sec. 8. AS 14.25.143(b) is repealed and reenacted to read:

(b) The increase in benefit payments applies to total benefit payments except for the cost-of-living allowance under AS 14.25.142. The amount of the increase is a percentage of the current benefit equal to

(1) the lesser of 75 percent of the increase in the cost of living in the preceding calendar year or nine percent, for recipients who on July 1 are at least 65 years old; and

(2) the lesser of 50 percent of the increase in the cost of living in the preceding calendar year or six percent, for recipients who on July 1 are at least 60 but less than 65 years old and for members receiving disability benefits who are less than 65 years old.

\*Sec. 9. AS 14.25.143(a) is repealed and reenacted to read:

Sec. 14.25.143. POST-RETIREMENT PENSION ADJUSTMENT. (a) Once each year the administrator shall increase benefit payments to eligible disabled members and persons age 55 or older receiving benefits under this system in the preceding calendar year.

\*Sec. 10. AS 14.25.143(b) is repealed and reenacted to read:

(b) The increase in benefit payments applies to total benefit

payments except for the cost-of-living allowance under AS 14.25.142. The amount of the increase is a percentage of the current benefit equal to

(1) the lesser of 75 percent of the increase in the cost of living in the preceding calendar year or nine percent, for recipients who on July 1 are at least 65 years old;

(2) the lesser of 50 percent of the increase in the cost of living in the preceding calendar year or six percent, for recipients who on July 1 are at least 60 but less than 65 years old and for members receiving disability benefits who are less than 65 years old; and

(3) the lesser of 25 percent of the increase in the cost of living in the preceding calendar year or three percent, for recipients who on July 1 are at least 55 but less than 60 years old.

\*Sec. 11. AS 39.35.160 is amended to read:

Sec. 39.35.160. AMOUNT OF EMPLOYEE CONTRIBUTIONS. While participating in the system each peace officer and each fireman shall contribute seven [FIVE] percent and every other employee shall contribute six [FOUR] and one-quarter percent of their [HIS] compensation to the public employees' retirement system.

(b) If, upon termination of employment, an employee has credited service of less than five years and has less than \$1,000 in the [HIS] employee contribution account, a refund of the employee contribution account and the employee savings account must be made unless the employee indicates in writing that future retirement is intended and contributions should not be refunded. An employee who is reemployed with an employer and whose contributions have not been refunded before reemployment [RE-EMPLOYMENT] is not eligible for a refund.

\*Sec. 12. 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 the [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, and this product multiplied by (3) six percent for members who are first eligible to claim this military service before July 1, 1982, or eight percent for members who are first eligible to claim this military service on or after July 1, 1982. Interest as prescribed by regulation accrues on this indebtedness beginning [COMMENCING] on July 1, 1976, or one year following the date a person first becomes vested, whichever is later. Any outstanding indebtedness that [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.

\*Sec. 13. AS 39.35.370(c) is repealed and reenacted to read:

(c) The monthly retirement benefit of an employee is calculated as follows:

(1) for an employee with credited service earned before July 1, 1982, the monthly retirement benefit is calculated by multiplying two percent of the average monthly compensation of the employee by the number of years of credited service.

(2) for an employee with less than three years of credited service rendered after June 30, 1982:

(A) if the employee has a total of at least 10 but less than 20 years of credited service, the employee is entitled to the benefit calculated under (1) of this subsection for the credited service rendered before July 1, 1982, plus two and one-quarter percent of the average monthly compensation times the years of credited service earned after June 30, 1982;

(B) if the employee has a total of at least 20 years of credited service, the employee is entitled to the benefit calculated under (1) of this subsection for the credited service rendered before July 1, 1982, plus two and one-half percent of the employee's average monthly compensation times the years of credited service earned after June 30, 1982;

(3) for an employee with three or more years of credited service rendered after June 30, 1982:

(A) if the employee has a total of at least 10 but less than 20 years of credited service, the employee is entitled to a monthly retirement benefit equal to two and one-quarter percent of the employee's average monthly compensation times the total years of credited service earned by the employee;

(B) if the employee has a total of at least 20 years of credited service, the employee is entitled to a monthly retirement benefit equal to two and one-half percent of the employee's average monthly compensation times the total years of credited service earned by the employee;

(4) for an employee who elects to receive an early retirement benefit, an actuarial adjustment must be made; and

(5) for an employee who rendered service as a peace officer or fireman before July 1, 1982, the monthly retirement benefit is calculated as follows:

(A) by multiplying two percent of the average monthly compensation of the employee by the years of credited peace officer or fireman service up through 10 years, plus two and one-half percent of the average monthly compensation of the employee by the years of credited peace officer or fireman service over 10 years. All other credited service shall be multiplied by two percent; or

(B) the formulas as provided in (1) through (4) of this subsection, if (B) is greater than (A).

\*Sec. 14. AS 39.35.385(d) is repealed and reenacted to read:

(d) The monthly amount of a conditional service retirement benefit shall be calculated in accordance with AS 39.35.370(c), except that

(1) the member may irrevocably elect to substitute one-twelfth of the "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 AS 39.35.370(c) the years of credited service under AS 14.25 shall also be considered.

\*Sec. 15. AS 39.35.475 is repealed and reenacted to read:

Sec. 39.35.475. POST-RETIREMENT PENSION ADJUSTMENT. (a) Once each year the administrator shall increase benefit payments to eligible persons age 65 or older receiving benefits under this system in the preceding calendar year.

(b) The increase in benefit payments applies to total benefit payments exclusive only of the cost-of-living allowance under AS 39.35.480. The amount of the increase is a percentage of the current benefit equal to the lesser of 75 percent of the increase in the cost of living in the preceding calendar year or nine percent, for recipients who on July 1 are at least 65 years old.

(c) If a recipient was not receiving benefits during the entire preceding calendar year, the increase in benefits under this section shall be adjusted by multiplying it by the fraction whose numerator is the number of months for which benefits were received in the preceding calendar year and whose denominator is 12.

(d) If at the time of first receiving a retirement benefit a member was receiving a disability benefit under this system, the administrator shall, at the time the member is appointed to retirement, increase the retirement benefit by a percentage equal to the total cumulative percentage increase which has been applied to the member's disability benefit under this section.

(e) When computing a joint and survivor benefit under AS 39.35.450 or a survivor's benefit under AS 39.35.420 or 39.35.440, adjustments granted to the deceased member under this section shall be included.

(f) An increase in benefit payments under this section is effective July 1 of each year and is based on the percentage increase in the consumer price index for urban wage earners and clerical workers for Anchorage, Alaska during the previous calendar year as determined by the United States Department of Labor, Bureau of Labor Statistics.

\*Sec. 16. AS 39.35.475(a) is repealed and reenacted to read:

Sec. 39.35.475. POST-RETIREMENT PENSION ADJUSTMENT. (a) Once each year the administrator shall increase benefit payments to eligible disabled members and persons age 60 or older receiving benefits under this system in the preceding calendar year.

\*Sec. 17. AS 39.35.475(b) is repealed and reenacted to read:

(b) The increase in benefit payments applies to total benefit payments exclusive only of the cost-of-living allowance under AS 39.35.480. The amount of the increase is a percentage of the current benefit equal to

(1) the lesser of 75 percent of the increase in the cost of living in the preceding calendar year or nine percent, for recipients who on July 1 are at least 65 years old; and

(2) the lesser of 50 percent of the increase in the cost of living in the preceding calendar year or six percent, for recipients who on July 1 are at least 60 but less than 65 years old and for members receiving disability benefits who are less than 65 years old.

\*Sec. 18. AS 39.35.475(a) is repealed and reenacted to read:

Sec. 39.35.475. POST-RETIREMENT PENSION ADJUSTMENT. (a) Once each year the administrator shall increase benefit payments to eligible disabled members and persons age 55 or older receiving benefits under this system in the preceding calendar year.

\*Sec. 19. AS 39.35.475(b) is repealed and reenacted to read:

(b) The increase in benefit payments applies to total benefit payments exclusive only of the cost-of-living allowance under AS 39.35.480. The amount of the increase is a percentage of the current benefit equal to

(1) the lesser of 75 percent of the increase in the cost of living in the preceding calendar year or nine percent, for recipients who on July 1 are at least 65 years old;

(2) the lesser of 50 percent of the increase in the cost of living in the preceding calendar year or six percent, for recipients who on July 1 are at least 60 but less than 65 years old and for members receiving disability benefits who are less than 65 years old; and

(3) the lesser of 25 percent of the increase in the cost of living in the preceding calendar year or three percent, for recipients who on July 1 are at least 55 but less than 60 years old.

\*Sec. 20. AS 14.25.143 and AS 39.35.475 as enacted in secs. 6-10 and 15-19 of this Act apply to persons receiving benefits under the retirement systems on and after July 1, 1982. Payment of an increase benefit under AS 14.25.143 or AS 39.35.475 that is effective July 1, 1982, shall begin no later than January 1, 1983, and shall be based on the percentage increase in the consumer price index for the calendar year 1981.

\*Sec. 21. Sections 1-6, sections 11-15, and section 20 of this Act take effect July 1, 1982.

\*Sec. 22. Sections 7, 8, 16 and 17 of this Act take effect July 1, 1983.

\*Sec. 23. Sections 9, 10, 18 and 19 of this Act take effect July 1, 1984.

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Attached Draft 3-01-82  
 Title \_\_\_\_\_  
 Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement & Benefits  
 Program Category Affected Centralized Administrative Services  
 BRU, Program, or Subprogram(s) Affected Retirement & Benefits  
 (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 82 | FY 83    | FY 84    | FY 85    | FY 86    | FY 87    |
|--------------------------|-------|----------|----------|----------|----------|----------|
| 100 PERSONAL SERVICES    |       |          |          |          |          |          |
| 100 RETIREMENT BENEFITS  |       | 24,632.3 | 43,702.5 | 60,864.2 | 66,960.6 | 73,656.6 |
| 200 TRAVEL               |       |          |          |          |          |          |
| 300 CONTRACTUAL          |       | 25.0     |          |          |          |          |
| 400 COMMODITIES          |       |          |          |          |          |          |
| 500 EQUIPMENT            |       |          |          |          |          |          |
| 600 LAND & STRUCTURES    |       |          |          |          |          |          |
| 700 GRANTS, CLAIMS, ETC. |       |          |          |          |          |          |
| <b>TOTAL</b>             |       | 24,657.3 | 43,702.5 | 60,864.2 | 66,960.6 | 73,656.6 |

FUNDING (Thousands of Dollars)

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

**DRAFT**

POSITIONS NONE

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL TIME |  |  |  |  |  |  |
| PART TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

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

1. The State PERS payroll contribution rate must be increased by 7.13% in FY83; 11.50% in FY84; and 14.56% in FY85.
2. Estimate the FY83 covered State PERS payroll to be \$345,475,000, increasing 10% annually.
3. Estimate long term inflation rate of 7.5%.
4. The cost to political subdivisions is estimated to be \$18,728,600 in FY83; \$32,228,100 in FY84; and \$46,276,600 in FY 85.

IV. DATE March 1, 1982 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)  
 Office of the Governor (Keith Specking)

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. Attached Draft 3-01-82  
 Title \_\_\_\_\_  
 Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL  
 Agency Affected Administration - Division of Retirement & Benefits  
 Program Category Affected Centralized Administrative Services & Secondary Education  
 BRU, Program, or Subprogram(s) Affected Retirement & Benefits  
 (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 82 | FY 83    | FY 84    | FY 85    | FY 86    | FY 87    |
|--------------------------|-------|----------|----------|----------|----------|----------|
| 100 PERSONAL SERVICES    |       |          |          |          |          |          |
| 100 RETIREMENT BENEFITS  |       | 26,101.7 | 37,650.6 | 50,269.1 | 55,296.0 | 60,825.6 |
| 200 TRAVEL               |       |          |          |          |          |          |
| 300 CONTRACTUAL          |       | 25.0     |          |          |          |          |
| 400 COMMODITIES          |       |          |          |          |          |          |
| 500 EQUIPMENT            |       |          |          |          |          |          |
| 600 LAND & STRUCTURES    |       |          |          |          |          |          |
| 700 GRANTS, CLAIMS, ETC. |       |          |          |          |          |          |
| 700 STATE TRS MATCHING   |       |          |          |          |          |          |
| TOTAL                    |       | 26,126.7 | 37,650.6 | 50,269.1 | 55,296.0 | 60,825.6 |

FUNDING (Thousands of Dollars)

|                  |  |  |  |  |  |  |
|------------------|--|--|--|--|--|--|
| GENERAL FUND     |  |  |  |  |  |  |
| FEDERAL FUNDS    |  |  |  |  |  |  |
| VETERAN'S FUND   |  |  |  |  |  |  |
| FISH & GAME FUND |  |  |  |  |  |  |
| HIGHWAY FUND     |  |  |  |  |  |  |
| AIRPORT FUND     |  |  |  |  |  |  |
| CAPITAL FUND     |  |  |  |  |  |  |
| PERS             |  |  |  |  |  |  |

**DRAFT**

POSITIONS NONE

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL TIME |  |  |  |  |  |  |
| PART TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

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

1. The TRS contribution rate must be increased by 14.84% in FY83; 19.46% in FY84; and 23.62% in FY85 (the TRS contribution rate is split 50/50 between the State and employers in the system).
2. Estimate FY83 covered payroll at \$296,962,000, and increasing 10% annually.
3. Estimate long term inflation rate of 7.5%.
4. The cost to school districts is estimated to be \$17,968,000 in FY83; \$25,917,100 in FY84; and \$34,603,000 in FY85.

IV. DATE March 1, 1982 PREPARED BY Paul B. Arnoldt, Director  
 AGENCY Division of Retirement & Benefits  
 Original: Legislative Finance PHONE 465-4460  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)  
 Office of the Governor (Keith Specking)

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.

State of Alaska  
Contribution Rate

Post Retirement  
Pension Adjustments

|        | <u>PERS</u> | <u>TRS</u> |        | <u>PERS</u> |        | <u>TRS</u> |
|--------|-------------|------------|--------|-------------|--------|------------|
| 7-1-68 | 7.00%       | 2.5%       | 1-1-68 |             | 7-1-68 | 1.5%       |
| 7-1-69 | 3.50%       | 2.5%       | 1-1-69 | 1.5%        | 7-1-69 | 1.5%       |
| 7-1-70 | 8.00%       | 4.5425%    | 1-1-70 | 1.5%        | 7-1-70 | 1.5%       |
| 7-1-71 | 7.84%       | 4.91%      | 1-1-71 | 1.5%        | 7-1-71 | 1.5%       |
| 7-1-72 | 11.21%      | 4.91%      | 1-1-72 |             | 7-1-72 | 1.5%       |
| 7-1-73 | 5.41%       | 5.61%      | 1-1-73 | 2.5%        | 7-1-73 | 1.5%       |
| 7-1-74 | 5.41%       | 5.61%      | 1-1-74 | 3.0%        | 7-1-74 | 3.0%       |
| 7-1-75 | 8.32%       | 6.82%      | 1-1-75 |             | 7-1-75 |            |
| 7-1-76 | 11.18%      | 7.09%      | 1-1-76 |             | 7-1-76 |            |
| 7-1-77 | 11.58%      | 6.70%      | 1-1-77 |             | 7-1-77 | 10%        |
| 7-1-78 | 12.58%      | 7.06%      | 1-1-78 | 4.0%        | 7-1-78 | 4.0%       |
| 7-1-79 | 12.24%      | 7.45%      | 1-1-79 | 4.0%        | 7-1-79 | 4.0%       |
| 7-1-80 | 13.66%      | 7.87%      | 1-1-80 | 4.0%        | 7-1-80 | 4.0%       |
| 7-1-81 | 14.00%      | 8.42%      | 1-1-81 |             | 7-1-81 |            |

SECTION ANALYSIS/COMPARISON OF DRAFT CSSB 813 (STATE AFFAIRS)  
TO SCS CSHB 121 (R1s) am S

Sec. 1: Would increase the contributions rate for service credit for leave of absence without pay by two percent in accordance with the increase in Section 2. The same provision existed in HB 121.

Sec. 2: 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 Sections 6-10. The same provision existed in HB 121.

Sec. 3: Would increase the contribution rate for outside, BIA and Military service credit by two percent in accordance with the increase in Section 2. The same provision existed in HB 121.

Sec. 4: Makes the multiplier in the benefit formula for a teacher's benefit dependent on the number of years of credited service. Requires at least 3 years membership service after the effective date of the act in order for the teacher to apply the increased benefit formula to past service. A similar provision existed in HB 121, except that the increased benefit formula could be applied to past service immediately.

Sec. 5: Would bring AS 14.25.125(d) into accord with the changes in AS 14.25.110(d) (Section 4), and would amend conditional service retirement provisions to allow a member (1) to use his PERS salary if it is higher than his TRS salary, and (2) to count his years of PERS service credit in the determination of the percentage multiplier under AS 14.25.110(d). A similar provision existed in HB 121.

Secs. 6-10: 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 increase in the cost of living and the benefit recipient's age. A similar provision existed in HB 121, except that under the current proposal, the change takes effect in increments; for those age 65 and over, it would be effective July 1, 1982; for those age 60 and over and those receiving disability benefits, it would be effective July 1, 1983; and for those age 55 and over, it would be effective July 1, 1984.

Sec. 11: Would increase the mandatory contribution rate for PERS peace officer/firemen from five to seven percent, and for all others from four and one-quarter percent to six and one-quarter percent; the increase represents the employee's share of the cost of the automatic PRPA in Sections 15-19. The same provision existed in HB 121.

Sec. 12: Would increase the contribution rate for military service

credit in accordance with the increase in mandatory contributions in Section 11. The same provision existed in HB 121.

Sec. 13: Makes the multiplier in the benefit formula for PERS members dependent on the number of years credited service. Requires at least 3 years be served after the effective date of the act in order to qualify to have the increased benefit formula apply to past service. A similar provision existed in HB 121, except that employees would not have had to serve three years in order to qualify for the increased multiplier for past service.

Sec. 14: Would bring AS 39.35.385(d) into accord with the changes in AS 39.35.370(c) under Section 13 and would amend the Conditional Service Retirement provisions to allow a member (1) to use his TRS salary if it is higher than his PERS salary, and (2) to count his years of TRS service credit in the determination of the percentage multiplier under AS 39.35.370(c). The same provision existed in HB 121.

Secs. 15-19: Would create a mechanism for granting automatic, funded annual PRPA's to benefit recipients in the PERS; the amount of the increase would depend on the cost of living and the benefit recipient's age. A similar provision existed in HB 121, except that under this proposal, the change takes effect in increments; for those age 65 and over, it is

effective July 1, 1982; for those age 60 and over and those receiving disability benefits, it is effective July 1, 1983; and for those age 55 and over, it is effective July 1, 1984.

Sec. 20: Applies the automatic PRPA formula contained in Sections 6-10 and 15-19 to persons receiving benefits on and after July 1, 1982. Although the first PRPA increase would be effective July 1, 1982, it allows an additional six months to begin the first payments. It requires those payments to be based on the percentage increase in the CPI for calendar year 1981. HB 121 would also have applied the PRPA provisions to retirees; however, HB 121 also provided for a retroactive adjustment of benefits under the new formula.

Secs. 21-23: Provides for the effective dates. HB 121 contained numerous other provisions relating to technical clean-up and some which enhanced benefits in the Judicial and Elected Public Officers Retirement System which are not found in the current draft bill and which are not detailed in this summary analysis.

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 17, 1982

The Honorable Jalmar Kerttula  
President of the Senate  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Mr. President:

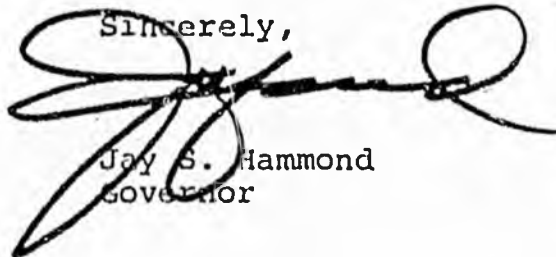
Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to pension adjustments and retirement benefits for peace officers, marine highway employees and fish and game employees.

The first and fourth sections of the bill relate to post-retirement pension adjustments for teachers and public employees. In place of the old one-tier system, it creates a three-tier system which allows the administrator to grant a higher cost-of-living increase for older retirees who are often more severely impacted by inflation.

The second and third sections provide for the limited transfer of credit from the Northwest Marine Retirement Trust, under which many ferry system employees are provided for, to the Public Employees' Retirement System.

Sections 5 and 6 settle a problem that has existed in recent years whereby selected fish and game employees were entitled to peace officer status and 20-year retirement. The present system is flawed because many persons whose desk jobs did not approach the hazards of peace officer service were nevertheless treated like peace officers. Recent study has indicated little difference between the hazards of fish and game employment and the hazards of other non-peace officer employment. This bill, therefore, eliminates peace officer coverage for fish and game employees. To avoid a constitutional problem, the bill preserves peace officer status for those fish and game employees who have already qualified for such status under the existing law.

Sincerely,



Jay S. Hammond  
Governor

# STATE OF ALASKA

JAY S. HAMMOND, Governor

## DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT & BENEFITS

POUCH CR  
JUNEAU, ALASKA 99811

(907) 465-2200

March 11, 1982

Honorable Vic Fischer  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Senator Fischer:

The last time the draft proposal relating to Post Retirement Pension Adjustments (PRPA's) and increases in the benefit crediting formula was considered before your committee, you asked that we analyze Mr. Manners' suggested amendment that would provide for a retroactive adjustment of the benefits of existing retirees under the new provisions. We have done so and offer the following comments.

First, it must be realized that less than half of the existing retirees (essentially those over age 65) could possibly benefit from the proposed amendment. The benefits of this particular group have already been increased enormously as a result of legislation passed since their retirement. We remain committed to the principle that, in the future, the system should provide larger percentage increases to the older retirees to partially offset the impact of inflation. However, in this case, the compound effects of retroactive benefit increases in the form of benefit formula increases, medical insurance coverage, substantially increased minimum benefit amounts and a liberalized method of computing PRPA's on average, have actually far exceeded the increases in the cost of living. To provide an additional windfall gain at this time for this group seems indefensible.

Second, this proposal presents very significant administrative problems. The quality of historical data that is accessible by computer will not support the necessary calculations without a massive clerical effort. Additional programming effort would also be required at a time when our very small data processing section is stretched to the limit.

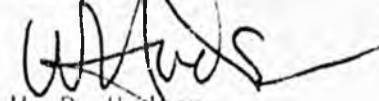
Honorable Vic Fischer  
March 11, 1982  
Page 2

Third, are the pure cost considerations. Annual costs to fund benefits would be increased by .14 percent of payroll in the PERS and by .30 percent of payroll in the TRS--which, in dollar terms, amount to a present value in excess of \$10 million. The attached draft fiscal note does not include these costs to the state. Some contractual costs (yet to be determined) would also be incurred to support the one-time administrative effort.

In summation, after careful reconsideration, I do not feel that the proposed amendment is sound from a public policy point of view and it is not cost-effective. I certainly cannot support it. Even if the financial outlook were less bleak, I now believe the amendment would detract from the bill and that the money could be better utilized elsewhere.

My staff and I remain at your disposal in attempting to develop a proposal which can be supported by all concerned.

Respectfully,



W. R. Hudson  
Commissioner

WRH/jb

cc: Robert Manners

Paul B. Arnoldt  
Director  
Division of Retirement & Benefits

# STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

## DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

POUCH C

JUNEAU, ALASKA 99811

(907) 465-2200

March 2, 1982

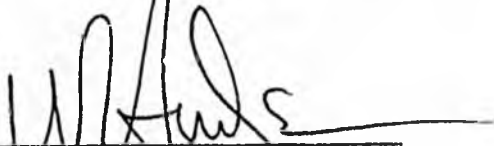
Honorable Vic Fischer  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

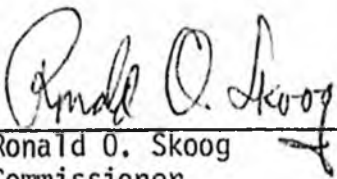
Dear Senator Fischer:

The purpose of this letter is to advise you of our support of Senate Bill 813 which was introduced by Governor Hammond.

Specifically, we wish to make it clear that we support Sections 5 and 6 of that bill as it will resolve two longstanding problems within the Department of Fish and Game:

- (1) the promotability problem experienced by that agency's existing employees; and
- (2) the proliferation of peace officer retirement coverage for future employees in that department.

  
\_\_\_\_\_  
W.K. Hudson  
Commissioner  
Department of Administration

  
\_\_\_\_\_  
Ronald O. Skoog  
Commissioner  
Department of Fish & Game