

COMMITTEE REPORT  
SENATE

3/2/85

FURTHER:

Date 4/27/84

Mr. President

The Committee on FINANCE considered SB 415

employee benefits under the Alaska Employees' Retirement System; and.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 415(SA)
- new title
- same title and recommends Individual Recommendations
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE  
3/1/84 771.9 Admin.
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

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Chairman

\_\_\_\_\_  
Chairman recommendation

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

(Page 1 of 2)

REQUEST

(state) FISCAL DETAIL

Bill/Resolution No.: CSSB 415 - State Affairs Agency Affected: All State Agencies  
Title: "An act relating to PERS" Program Category Affected: PERS

Sponsor: Ray BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
Requestor: \_\_\_\_\_  
Date of Request: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 Personal Svcs						
100 Rtmnt & Bnfts		392.6	424.0	457.9	494.6	534.1
200 Travel						
300 Contractual						
400 Supplies						
500 Equipment						
600 Land & Struct						
700 Grants, Claims						
700 TRS Match		379.3	409.6	442.4	477.8	516.0
TOTAL OPERATING	-0-	771.9	833.6	900.3	972.4	1050.1

CAPITAL \_\_\_\_\_

REVENUE \_\_\_\_\_

FUNDING: (Thousands of Dollars)

General Fund		734.2	792.9	856.3	924.9	998.8
Federal Funds		18.1	19.5	21.1	22.8	24.6
Other		19.6	21.2	22.9	24.7	26.7
Total	-0-	771.9	833.6	900.3	972.4	1050.1

POSITIONS: NONE

Full-Time						
Part-Time						
Temporary						

SOURCE OF FUNDS TO OFFSET IMPACT OF BILL:

Prepared based on 2/27/84 draft CSSB 415 (State Affairs) passed out 2/27/84.

ANALYSIS: Attach a separate page for analysis

Prepared By: J.K. Humphreys, Director Phone: 465-4460  
Division: Retirement & Benefits Date: 3-1-84

Approved by Commissioner: Lisa Rudd Date: 3-1-84  
Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CSSB 415 (State Affairs)  
Fiscal Note Analysis  
Prepared by the Division of Retirement & Benefits  
Department of Administration

March 1, 1984

IV Analysis: Passage of this bill would allow retirees in the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) to be reemployed with a participating employer and use the highest salaries over their entire period of service under the PERS or the TRS respectively for calculating their additional benefit. We have estimated that approximately 2½% of all retirees would exercise this option and that it would result in an average increase of 20% in their benefit.

This is estimated to result in a .07% increase in the PERS employer contribution rate and a .1% increase in the TRS employer contribution rate. The PERS state salaries for FY 85 are estimated to be \$469,878,512.00 and the TRS state salaries for FY 85 are estimated to be \$63,713,497.00. The FY 85 TRS State Match salaries are estimated to be \$379,349,180.00.

This would result in an increase in Political Subdivision contributions of the following.

<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>
\$549.6	\$593.6	\$641.1	\$692.3	\$747.7

The present value of the cost of this bill in PERS is \$2,880,000.00 resulting in a .29% decrease in the funding ratio. The present value of the cost of this bill in TRS is \$1,900,000.00 resulting in a .20% decrease in the funding ratio.

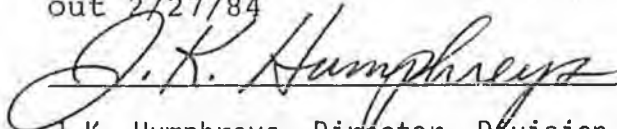
Position Paper

CSSB 415 (State Affairs)

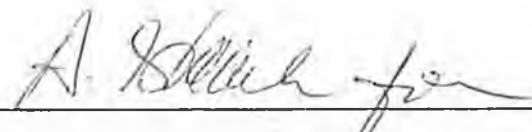
The Department of Administration supports this legislation. Passage of this bill would allow retirees in the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) to be reemployed with a participating employer and use the highest salaries over their entire period of service under the PERS or the TRS respectively in calculating their benefit upon subsequent retirement. It also provides for an equitable actuarial adjustment of benefits in certain cases involving reemployed early retirees or those who chose a level income option.

Passage of this bill would be consistent with the statutory purpose of both retirement systems which is to attract and retain qualified employees. Retired employees who are still ready, willing and able to work are a valuable resource to employers and this bill would remove an impediment to their rehire.

Prepared based on 2/27/84 draft CSSB 415 (State Affairs) passed out 2/27/84

  
\_\_\_\_\_  
J.K. Humphreys, Director, Division of Retirement & Benefits

3/1/84  
Date

  
\_\_\_\_\_  
Lisa Rudd, Commissioner, Department of Administration

3/1/84  
Date

COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

2/7/84

Date 2/20/84

Mr. President

The Committee on STATE AFFAIRS considered SB 415  
employee benefits under the Alaska Employees' Retirement System; efd.

and (a majority of the committee) (the committee) reports it back with  
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 415 (SA)
- new title
- same title and recommends do pass
- and attached a "LETTER OF INTENT" (4) NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Carlis Stupulovich  
Bill Ray  
\_\_\_\_\_  
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MEMBERS HAVING  
OTHER RECOMMENDATIONS

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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[Signature]  
Chairman  
do pass  
Chairman recommendation

Offered: 3/2/84  
Referred: Finance

Original sponsor: Ray

1 IN THE SENATE BY THE STATE AFFAIRS COMMITTEE  
2 CS FOR SENATE BILL NO. 415 (State Affairs)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 THIRTEENTH LEGISLATURE - SECOND SESSION  
5 A BILL  
6 For an Act entitled: "An Act relating to employee benefits under the  
7 Public Employees' Retirement System and the Teachers'  
8 Retirement System; and providing for an effective  
9 date."  
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
11 \* Section 1. AS 14.25.043 is repealed and reenacted to read:  
12 Sec. 14.25.043. REEMPLOYMENT OF RETIRED MEMBERS. (a) If a  
13 retired member subsequently becomes an active member, benefit payments  
14 may not be made during the period of reemployment. The retirement  
15 benefit must be suspended for the entire school year if the member is  
16 reemployed as an active member for a period equivalent to a year of  
17 service. During the period of reemployment, deductions from the  
18 member's salary shall be made in accordance with AS 14.25.050. Upon  
19 subsequent retirement, the retired member's original benefit payments  
20 shall resume and the member shall receive an additional pension  
21 calculated under (b) of this section.  
22 (b) An additional pension for periods of reemployment after  
23 retirement is equal to the formula benefit for the member's total  
24 credited service, including the period of reemployment, less the  
25 formula benefit for credited service before the period of reemploy-  
26 ment, including any post-retirement pension adjustments that may have  
27 been granted under AS 14.25.143, plus, in the case of a member who  
28 retires and is reemployed before the normal retirement age, an  
29 actuarially determined increase to reflect the effect of the cessation

1 of benefits during the period of reemployment.

2 (c) An actuarial adjustment to an additional pension under (b) of  
3 this section must be made in the case of an early retirement.

4 (d) In this section, "formula benefit" means a retirement bene-  
5 fit computed under AS 14.25.110(d) without adjustment for early re-  
6 tirement.

7 \* Sec. 2. AS 14.25.167(e) is amended to read:

8 (e) If either the member or contingent beneficiary dies before  
9 the member is appointed to retirement, the election becomes inopera-  
10 tive. Once the member is appointed to retirement, the election is  
11 irrevocable, even if the retired member is reemployed. Any additional  
12 retirement benefit to which the reemployed member may become entitled  
13 will be paid in accordance with AS 14.25.043 [THE INITIAL ELECTION  
14 MADE UNDER THIS SECTION, UNLESS THE CONTINGENT BENEFICIARY IS  
15 DECEASED. IF THE CONTINGENT BENEFICIARY IS DECEASED, THE BENEFITS  
16 EARNED DURING THE PERIOD OF REEMPLOYMENT ARE SUBJECT TO AS 14.25 110,]  
17 or this section [IF ANOTHER CONTINGENT BENEFICIARY WAS DESIGNATED  
18 DURING THE PERIOD OF REEMPLOYMENT]. All other benefits earned during  
19 previous periods of employment are subject to the election at the time  
20 the member was appointed to retirement. If death occurs during the  
21 period of reemployment and the proximate cause of death is not a  
22 bodily injury sustained or hazard undergone while in the performance  
23 and within the scope of the member's duties of employment, those  
24 benefits earned while reemployed are subject to AS 14.25.155(c). [ALL  
25 OTHER BENEFITS EARNED DURING PREVIOUS PERIODS OF EMPLOYMENT ARE  
26 SUBJECT TO THE ELECTION AT THE TIME THE MEMBER WAS APPOINTED TO  
27 RETIREMENT.] If death occurs during the period of reemployment and  
28 the proximate cause of death is a bodily injury sustained or hazard  
29 undergone while in the performance and within the scope of the

1 member's duties of employment and the injury or hazard is not the  
2 proximate result of wilful negligence on the part of the member, all  
3 benefits earned during all periods of employment are subject to  
4 AS 14.25.157.

5 \* Sec. 3. AS 39.35.150 is repealed and reenacted to read:

6 Sec. 39.35.150. REEMPLOYMENT OF RETIRED EMPLOYEES. (a) If a  
7 retired employee subsequently becomes an active member, benefit pay-  
8 ments may not be made during the period of reemployment. During the  
9 period of reemployment, deductions from the employee's salary shall be  
10 made in accordance with AS 39.35.160. Upon subsequent retirement, the  
11 employee's original benefit payments shall resume and the employee  
12 shall receive an additional pension calculated under (b) of this  
13 section.

14 (b) An additional pension for periods of reemployment after  
15 retirement is equal to the formula benefit for the employee's total  
16 credited service, including the period of reemployment, less the  
17 formula benefit for credited service before the period of reemploy-  
18 ment, including any post-retirement pension adjustments that may have  
19 been granted under AS 39.35.475, plus, in the case of an employee who  
20 retires and is reemployed before the normal retirement age or an  
21 employee who selects a level income option under AS 39.35.460 and is  
22 reemployed before age 65, an actuarially determined increase to re-  
23 flect the effect of the cessation of benefits during the period of  
24 reemployment.

25 (c) An actuarial adjustment to an additional pension under (b) of  
26 this section must be made in the case of an early retirement.

27 (d) In this section, "formula benefit" means a retirement bene-  
28 fit computed under AS 39.35.370(c) without adjustment for early re-  
29 tirement.

1 \* Sec. 4. AS 39.35.450(e) is amended to read:

2 (e) If either the employee or contingent beneficiary dies before  
3 the employee is appointed to retirement, the election becomes inopera-  
4 tive. Once the employee is appointed to retirement, the election is  
5 irrevocable. If a retired employee is reemployed and is subsequently  
6 reappointed to retirement, those benefits earned during the period of  
7 reemployment are subject to AS 39.35.150 [THE INITIAL ELECTION MADE  
8 UNDER THIS SECTION, UNLESS THE CONTINGENT BENEFICIARY IS DECEASED. IF  
9 THE CONTINGENT BENEFICIARY IS DECEASED, THE BENEFITS EARNED DURING THE  
10 PERIOD OF REEMPLOYMENT ARE SUBJECT TO AS 39.35.370] or this section  
11 [IF ANOTHER CONTINGENT BENEFICIARY WAS ELECTED DURING THE PERIOD OF  
12 REEMPLOYMENT]. All other benefits earned during prior periods of  
13 employment are subject to the election at the time the employee was  
14 appointed to retirement. If death occurs from nonoccupational causes  
15 during the period of reemployment, those benefits earned while reem-  
16 ployed are subject to AS 39.35.420(b). [ALL OTHER BENEFITS EARNED  
17 DURING PRIOR PERIODS OF EMPLOYMENT ARE SUBJECT TO THE ELECTION AT THE  
18 TIME THE EMPLOYEE WAS APPOINTED TO RETIREMENT.] If death occurs from  
19 occupational causes during the period of reemployment, all benefits  
20 earned during all periods of employment are subject to AS 39.35.430(b)  
21 and (c).

22 \* Sec. 5. This Act takes effect July 1, 1984.

# Senator Vic Fischer

(907) 465-4954

Alaska State Legislature  
Pouch V • Juneau, Alaska 99811 • (907) 465-4954



## MEMORANDUM

TO: Members, Senate Finance Committee  
FROM: Senator Vic Fischer *VJ*  
RE: CSSB 415 (SA) Employment benefits under PERS and TRS  
DATE: April 26, 1984

CSSB 415 (State Affairs) amends the method for calculating retirement benefits for members of the TRS or the PERS who have retired and subsequently been reemployed under one of those systems.

This bill would allow contributions made during the members' period of reemployment to be calculated in conjunction with their original contributions to determine the retirement benefits for the second period of retirement.

Under current law, the final retirement benefits for reemployed members equal their original benefit before becoming reemployed and additional benefit based on their years of reemployment. Under CSSB 415 (SA), the final retirement benefits equal the original benefit before becoming reemployed, and the additional benefit based on the employees highest earnings over the total period of credited service less the original benefit.

This bill also amends the reemployment benefit calculations for those who chose early retirement or a level income option to ensure they would not be discouraged from becoming reemployed.

The purpose of this bill is to provide an incentive for retired Alaskans to become reemployed. This bill would help take these people out of the state retirement program and put them in active employment, increase their final benefits, and provide the state with their experience as long term alaskans.

The State Affairs Committee Substitute adds to the original bill the reemployment of retired persons under the Teachers Retirement System. Sections 1 and 2 address the reemployment and benefits for the TRS. Sections 3 and 4 which parallel section 1 and 2 contain the original language on the reemployment of PERS members.

Due to the technical nature of this bill, I have asked a representative from the Division of Retirement to be here to answer any questions you might have.

Members, Senate Finance Committee  
April 26, 1984  
CSSB 415 (SA)  
Page 2

Fiscal note dated 3/1/84

During FY '85, the total cost of the bill is \$771.9 thousand dollars, based on the assumption that approximately 2½% of all retirees would exercise this option and that this would result in an average increase of 20% in their benefit.

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_  
(Page 1 of 2)

REQUEST

Bill/Resolution No.: SB 415  
Title: "An Act relating to PERS"

FISCAL DETAIL

Agency Affected: All State Agencies  
Program Category Affected: PERS

Sponsor: Ray  
Requestor:  
Date of Request:

BRU, Program or Subprogram(s) Affected:

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 Personal Svcs						
100 Rtmnt & Bnfts	-0-	328.9	355.2	383.7	414.4	447.5
200 Travel						
300 Contractual						
400 Supplies						
500 Equipment						
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	328.9	355.2	383.7	414.4	447.5

CAPITAL

REVENUE

FUNDING: (Thousands of Dollars)

General Fund	-0-	297.3	321.1	346.8	374.5	404.5
Federal Funds		15.1	16.3	17.6	19.6	20.6
Other		16.5	17.8	19.3	20.3	22.4
Total		328.9	355.2	383.7	414.4	447.5

POSITIONS:

Full-Time						
Part-Time						
Temporary						

SOURCE OF FUNDS TO OFFSET IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: J.K. Humphreys *J.K. Humphreys* Phone: 465-4460  
Division: Retirement & Benefits *CSB* Date: 2-16-84

Approved by Commissioner: Lisa Rudd *LJR* Date: 2/21/84  
Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Senate Bill 415  
Fiscal Note Analysis  
Prepared by the Division of Retirement & Benefits  
Department of Administration

February 17, 1984

IV Analysis: Passage of this bill would allow retirees in the Public Employees' Retirement System (PERS) to be reemployed with a participating employer and use the highest salaries over their entire period of service under the PERS for calculating their additional benefit. We have estimated that approximately 2½% of all retirees would exercise this option and that it would result in an average increase of 20% in their benefit.

This is estimated to result in a .07% increase in the PERS employer contribution rate. The PERS state salaries for FY 85 are estimated to be \$469,898,512.00.

The present value of the cost of this bill is \$2,880,000.00; this would produce a .29% decrease in the funding ratio.

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_  
(Page 1 of 2)

<p>REQUEST Bill/Resolution No.: <u>SB 415</u> Title: <u>"An Act relating to PERS"</u></p> <p>Sponsor: <u>Ray</u> Requestor: _____ Date of Request: _____</p>	<p>FISCAL DETAIL Agency Affected: <u>All State Agencies</u> Program Category Affected: <u>PERS</u></p> <p>BRU, Program or Subprogram(s) Affected: _____</p>
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EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
Operating						
100 Personal Svcs						
100 Rtmnt & Bnfts	-0-	328.9	355.2	383.7	414.4	447.5
200 Travel						
300 Contractual						
400 Supplies						
500 Equipment						
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
<b>TOTAL OPERATING</b>	-0-	328.9	355.2	383.7	414.4	447.5
<b>CAPITAL</b>						
<b>REVENUE</b>						

FUNDING: (Thousands of Dollars)

General Fund	-0-	297.3	321.1	346.8	374.5	404.5
Federal Funds		15.1	16.3	17.6	19.6	20.6
Other		16.5	17.8	19.3	20.3	22.4
<b>Total</b>		328.9	355.2	383.7	414.4	447.5

POSITIONS:

Full-Time						
Part-Time						
Temporary						

SOURCE OF FUNDS TO OFFSET IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis.

Prepared By: J.K. Humphreys Phone: 465-4460  
Division: Retirement & Benefits Date: 2-16-84

Approved by Commissioner: Lisa Rudd Date: 2/21/84  
Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

(Page 2 of 2)

Senate Bill 415  
Fiscal Note Analysis  
Prepared by the Division of Retirement & Benefits  
Department of Administration

February 17, 1984

IV Analysis: Passage of this bill would allow retirees in the Public Employees' Retirement System (PERS) to be reemployed with a participating employer and use the highest salaries over their entire period of service under the PERS for calculating their additional benefit. We have estimated that approximately 2½% of all retirees would exercise this option and that it would result in an average increase of 20% in their benefit.

This is estimated to result in a .07% increase in the PERS employer contribution rate. The PERS state salaries for FY 85 are estimated to be \$469,898,512.00.

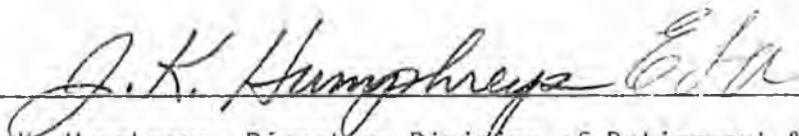
The present value of the cost of this bill is \$2,880,000.00; this would produce a .29% decrease in the funding ratio.

Position Paper

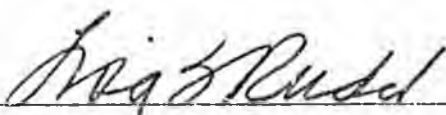
SB 415

The Department of Administration supports this legislation. Passage of this bill would allow retirees in the Public Employees' Retirement System (PERS) to be reemployed with a participating employer and use the highest salaries over their entire period of service under the PERS in calculating their benefit upon subsequent retirement. It also provides for an equitable actuarial adjustment of benefits in certain cases involving reemployed early retirees or those who chose a level income option.

Passage of this bill would be consistent with the statutory purpose of the PERS which is to attract and retain qualified employees. Retired employees who are still ready, willing and able to work are a valuable resource to employers and this bill would remove an impediment to their rehire.

  
\_\_\_\_\_  
J.K. Humphreys, Director, Division of Retirement & Benefits

2/17/84  
Date

  
\_\_\_\_\_  
Lisa Rudd, Commissioner, Department of Administration

2/24/84  
Date

## Sectional Analysis of Senate Bill 415

Section 1 would repeal and reenact AS 39.35.150 to allow a reemployed PERS retiree to take advantage of higher salaries earned during the period of reemployment. The original retirement option selected would be irrevocable, but, in computing the total benefit payable upon reappointment to retirement, the employee's highest earnings would apply to the total period of credited service, not just to the period of reemployment. This would work to further the purpose of the system (AS 39.35.010) by encouraging qualified retirees to return to covered employment. In addition, this section would ensure that retirees who had selected early retirement or a level income option would not be disadvantaged by becoming reemployed. As is done now, benefit payments would cease and mandatory contributions would resume during the period of reemployment.

Section 2 would amend AS 39.35.450 (e) to coincide with the new language in Section 1 of this bill. Although options selected at retirement remain irrevocable, employees in all cases would have the freedom to select a different retirement option for the period of reemployment.

Section 3 would make the bill effective July 1, 1984.

## Appendix to Sectional Analysis of SB 415

The purpose of this appendix is to provide concrete examples of how the provisions of SB 415 would work. Under the terms of the bill, a PERS retiree reemployed under the system would, upon subsequent retirement, receive the benefit payments he or she was receiving plus an additional pension. The additional pension, which takes into account the total period of credited service, the employee's highest earnings, and the value of the original benefit, is equal to the new formula benefit minus the old formula benefit, including post retirement pension adjustments (PRPA's) on the old formula benefit, plus adjustments for early retirees who become reemployed before normal retirement age and persons who select a level income option and become reemployed before age 65. In these examples, we have assumed that the retiree has no outstanding indebtedness at the time of retirement.

Example No. 1: Assume that an employee selected normal retirement and was appointed on July 1, 1980, at age 55 with 17 years of PERS service and an average monthly compensation of \$2500. The formula benefit for this person is \$850.

$$\begin{aligned} \text{Average monthly compensation} \times 2\% \times \text{credited service} &= \text{Formula benefit} \\ \$2,500 \times 2\% \times 17.0 \text{ years} &= \$850 \end{aligned}$$

This individual received benefits for over two years before returning to PERS employment. Because a 4% PRPA was granted in both 1981 and 1982, the formula benefit amount as of July 1, 1982, including PRPA's, was \$919.36.

$$\$850 \times .0816\% \text{ (two 4\% PRPA's compounded)} = \$69.36$$

$$\$69.36 + \$850 = \$919.36$$

The employee works for four years after becoming reemployed at a monthly salary of \$3,350 in August of 1982 and then reapplies for normal retirement in 1986 with 21 total years of credited service and an average monthly compensation of \$3,350.

$$\text{New Formula Benefit} = \$3,350 \times 2\% \times 21.0 \text{ years} = \$1,407$$

New Formula Benefit - Old Formula Benefit

(including PRPA's) + Adjustment (if appropriate) = Additional Benefit

$$\$1,407 - \$919.36 = \$487.64$$

Original Actual Benefit + Additional Benefit = New Total Benefit

$$\$919.36 + \$487.64 = \$1,407$$

Example No. 2: Make the same assumptions as in the first example except that the employee selected a 75% joint and survivor option upon initial appointment to retirement (employee and spouse both 55 years old). The formula benefits are the same as in the first example; however, the actual original benefit was reduced using the reduction factor for the joint and survivor option,

$$\$850 \times .86898 = \$738.63$$

Adding the PRPA's on as before,

$$\$738.63 \times .0816 = \$60.27$$

$$\$60.27 + \$738.63 = \$798.90$$

gives the actual original benefit.

The employee selected a normal retirement for the second segment of employment; the 75% joint and survivor remains in effect for the first segment since retirement options are irrevocable.

Because the formula benefits are the same as in the first example, the additional pension is the same and the new, actual benefit is

Original Actual Benefit + Additional Benefit = New Total Benefit

$$\$798.90 + \$487.64 = \$1,286.54$$

Example No. 3: Assume that an employee is appointed to early retirement on September 1, 1982, at age 53 with 13 years of PERS service and an average monthly compensation of \$3000. The formula benefit for this person is \$780.

$$\$3000 \times 2\% \times 13.0 \text{ years} = \$780$$

The actual benefit would be reduced using the reduction factor for early retirement,

$$\$780 \times .849567 = \$662.66$$

This is the actual original benefit since a PRPA was not granted in 1983. The employee receives benefits for one year and is then reemployed at a

monthly salary of \$3,500 for one year. The employee is retired again at age 55 with an average monthly compensation of \$3,167 (one year @ \$3,500 per month and two years @ \$3,000 per month).

An actuarial adjustment is appropriate since the employee retired early and then was reemployed prior to normal retirement age; unlike under the current law, the employee is compensated for the fact that benefits were not received during the full early retirement period.

$$\text{New Formula Benefit} = \$3,167 \times 2\% \times 14.0 \text{ years} = \$886.76$$

$$\text{New Formula Benefit} - \text{Old Formula Benefit} + \text{Adjustment} = \text{Additional Benefit}$$

$$\$886.76 - \$730 + \$45.06 = \$151.82$$

$$\text{Original Actual Benefit} + \text{Additional Benefit} = \text{New Total Benefit}$$

$$\$662.66 + \$151.82 = \$814.48$$

Introduced: 2/7/84  
Referred: State Affairs and  
Finance

1 IN THE SENATE

BY RAY

2

SENATE BILL NO. 415

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to employee benefits under the  
Public Employees' Retirement System; and providing  
for an effective date."

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

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\* Section 1. AS 39.35.150 is repealed and reenacted to read:

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Sec. 39.35.150. REEMPLOYMENT OF RETIRED EMPLOYEES. (a) If a  
retired employee subsequently becomes an active member, benefit pay-  
ments may not be made during the period of reemployment. During the  
period of reemployment, deductions from the employee's salary shall be  
made in accordance with AS 39.35.160. Upon subsequent retirement, the  
employee's original benefit payments shall resume and the employee  
shall receive an additional pension calculated under (b) of this  
section.

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(b) An additional pension for periods of reemployment after  
retirement is equal to the formula benefit for the employee's total  
credited service, including the period of reemployment, less the  
formula benefit for credited service before the period of reemploy-  
ment, including any post-retirement pension adjustments that may have  
been granted under AS 39.35.475, plus, in the case of an employee who  
retires and is reemployed before the normal retirement age or an  
employee who selects a level income option under AS 39.35.460 and is  
reemployed before age 65, an actuarially determined increase to re-  
flect the effect of the cessation of benefits during the period of  
reemployment.

1 (c) An actuarial adjustment to an additional pension under (b) of  
2 this section must be made in the case of an early retirement.

3 (d) In this section, "formula benefit" means a retirement bene-  
4 fit computed under AS 39.35.370(c) without adjustment for early re-  
5 tirement.

6 \* Sec. 2. AS 39.35.450(e) is amended to read:

7 (e) If either the employee or contingent beneficiary dies before  
8 the employee is appointed to retirement, the election becomes inopera-  
9 tive. Once the employee is appointed to retirement, the election is  
10 irrevocable. If a retired employee is reemployed and is subsequently  
11 reappointed to retirement, those benefits earned during the period of  
12 reemployment are subject to AS 39.35.150 [THE INITIAL ELECTION MADE  
13 UNDER THIS SECTION, UNLESS THE CONTINGENT BENEFICIARY IS DECEASED. IF  
14 THE CONTINGENT BENEFICIARY IS DECEASED, THE BENEFITS EARNED DURING THE  
15 PERIOD OF REEMPLOYMENT ARE SUBJECT TO AS 39.35.370] or this section  
16 [IF ANOTHER CONTINGENT BENEFICIARY WAS ELECTED DURING THE PERIOD OF  
17 REEMPLOYMENT]. All other benefits earned during prior periods of  
18 employment are subject to the election at the time the employee was  
19 appointed to retirement. If death occurs from nonoccupational causes  
20 during the period of reemployment, those benefits earned while reem-  
21 ployed are subject to AS 39.35.420(b). [ALL OTHER BENEFITS EARNED  
22 DURING PRIOR PERIODS OF EMPLOYMENT ARE SUBJECT TO THE ELECTION AT THE  
23 TIME THE EMPLOYEE WAS APPOINTED TO RETIREMENT.] If death occurs from  
24 occupational causes during the period of reemployment, all benefits  
25 earned during all periods of employment are subject to AS 39.35.430(b)  
26 and (c).

27 \* Sec. 3. This Act takes effect July 1, 1984.