SB

110

COMMITTEE REPORT

SENATE

FURTHER: FINANCE

/10/86

Date ____________________

Mr. President

The Committee on JUDICIARY considered SB 110

public employees', judicial, elected public officers', and teachers' benefits; etc.

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 ____________________
[ ] new title
[ ] same title and recommends ____________________

[ ] and attached a "LETTER OF INTENT" [ ] NEW FISCAL NOTE

[ ] reports it back without recommendation

[ ] recommends referral to ____________________ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Lee Josephson - No Rec

____
Chairman

____
Chairman recommendation

LETTER OF INTENT CSSB 110 (STATE AFFAIRS)

SENATE STATE AFFAIRS COMMITTEE

It is the intent of the legislature that the Department of Public Safety monitor and report back to the legislature on the experience of local and state agencies in recruiting firefighters and peace officers when the cost-containment feature in CSSB 110 (state affairs) restricting the twenty year retirement option for firefighters, ~~and~~ peace officers, airport security officers & correction officers becomes effective.

The Senate State Affairs Committee heard SB 110 and passed out a committee substitute. The committee decided that a number of cost-containment features should be incorporated into this retirement bill to offset the costs of an automatic post retirement pension adjustment (PRPA).

One cost-containment feature incorporated in SB 110 was the replacement of the 20 early retirement benefit with a three year restricted benefit. The three year benefit would enable firefighters and peace officers who have not reached the normal retirement age to have a three year period to adjust to a new career. Testimony heard by the committee suggested that the discontinuation of the twenty year retirement option and replacing it with a restricted benefit might result in a significant decrease in the ability to recruit firefighters and peace officers.

(2) It is the intent of the legislature that the Department of Public Safety monitor and report back to the legislature on the experience of state and local agencies in recruiting firefighters and peace officers after ~~the effective date of CSSB 110 (state affairs).~~

(1) Due to the possible negative impact on

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PMS SENATOR BILL RAY

JUNEAU AK 99811

CTHE FAIRBANKS FIRE FIGHTERS ASSOCIATION IS ASKING FOR YOUR HELP ON SB110. IT WANTS TO HAVE THE BILL AMENDED BY DELETING THE SECTION WHICH CHANGES THE 20 YEAR RETIREMENT FOR FIRE FIGHTERS TO 30 YEARS. REASONS FOR SUCH AN AMENDMENT INCLUDE:

ALASCOM, INC.
PHONE 586-5085
JUNEAU, AK 99802

1. THE ASSOCIATION DID NOT PARTICIPATE IN DRAFTING THE COMMITTEE SUBSTITUTE FOR S.B. 110 ALTHOUGH A.P.E.A. DID. A.P.E.A. DOES NOT REPRESENT THE MAJORITY OF FIRE FIGHTERS AND POLICE OFFICERS IN THIS STATE.

2. NO APPARENT EFFORT WAS INITIATED BY THE DRAFTORS OF THE COMMITTEE SUBSTITUTE TO EITHER INFORM, OR TO CONSULT WITH THE FIRE FIGHTERS ABOUT PROVISIONS AFFECTING THEM DIRECTLY.

3. ITS BEEN CONCLUDED THAT CHANGING THE 20 YEAR ELIGIBILITY FOR FIRE FIGHTERS TO 30 YEARS WAS TO ACHIEVE SOME SORT OF FINANCIAL SOUNDNESS FOR THE RETIREMENT SYSTEM. HOWEVER, THE ASSOCIATION BELIEVES THAT A FIRE FIGHTER HAVING TO REMAIN ON THE JOB 10 ADDITIONAL YEARS WOULD CONCEIVABLY RESULT IN AN INCREASE IN CLAIMS UNDER WORKMENS COMPENSATION, FOR DISABILITY BENEFITS UNDER P.E.R.S. OR FOR MEDICAL RETIREMENT UNDER P.E.R.S.

4. GENERALLY, FIRE FIGHTERS HAVE A WORK SCHEDULE OF 56 HOURS PER WEEK. AT THE END OF 20 YEARS THIS IS EQUAL TO 28 YEARS FOR AN EMPLOYEE HAVING A

WORK SCHEDULE OF 40 HOURS PER WEEK.

5. COURT RULINGS HAVE STRUCK DOWN AGE LIMITS FOR HIRING, WHICH HAS RESULTED IN THE HIRING OF OLDER FIRE FIGHTERS. PEOPLE OVER 30 YEARS OF AGE ARE NOW BEING HIRED IN FAIRBANKS AS FIRE FIGHTERS. THE 30 YEAR ELIGIBILITY WOULD CREATE A WORK FORCE IN THE 60 YEAR OLD RANGE.

6. ELIMINATION OF 20 YEAR RETIREMENT FOR FIRE FIGHTERS WOULD ULTIMATELY CAUSE A NUMBER OF NEGATIVE CHANGES IN FIRE DEPARTMENT STRUCTURE. ELIMINATION OF THE CURRENT WORK SHIFT SYSTEM WOULD BE ONE OF THE FIRST.

7. THE HAZARDS OF THE WORK ENVIRONMENT INCLUDE TOXINS AND CARCENIGENS ADD HYPERTENSION AND IMPAIRED LUNG CAPACITY TO THE LIST OF AFFLICTIONS FOUND AMONG FIRE FIGHTERS AND WHAT WAS ONCE A STRONG, HEALTHY WORK FORCE NOW IS A WEAK, UNHEALTHY MUCH OLDER WORK FORCE.

AN EMERGENCY SERVICE OCCUPATION LIKE FIRE FIGHTING HAS TO HAVE A STRONG, HEALTHY WORK FORCE AT ALL TIMES: 24 HOURS A DAY. IT CANNOT EXPECT LESS OF ITSELF.

8. OUR VIEW IS FUTURE RECRUITS WOULD NOT MAKE FIRE FIGHTING A CAREER WITH A 30 YEAR RETIREMENT AND WOULD PROVOKE A RETURN TO A HIGH TURNOVER RATE AS HAS BEEN IN THE PAST.

THE FAIRBANKS FIRE FIGHTERS ASSOCIATION WOULD LIKE SB110 AMENDED BY DELETING THE SECTION WHICH CHANGES THE 20 YEAR ELIGIBILITY FOR FIRE FIGHTERS TO 30 YEARS. OTHERWISE, ITS BELIEVED THE BILL WILL BE HARMFUL AND DETRIMENTAL TO FIRE FIGHTERS.

BILL HAO, PRESIDENT
FAIRBANKS FIRE FIGHTERS ASSOCIATION
656 7TH AVE FIARBANKS AK. 99701

Alaska State Legislature

Senate Committee on State Affairs

Vic Fischer, Chair • Pouch V
Juneau, Alaska 99811
(907) 465-4954

Official Business

MEMORANDUM

TO: Senate State Affairs Committee

FROM: Senate State Affairs Committee Staff

RE: SB 110

DATE: April 12, 1984

There is a proposed CS for SB 110.

Sectional Analysis CSSB 110 (state affairs)

Section 1: amends the employee contributions section in the PERS to increase the percentage frm 4.25% (5% for peace officers and firemen) to 6.25% and to provide for the employer to "pick-up" employees' contributions. With employer "pick-up," contributions would be taken before taxes rather than after so the average employee's net take-home pay would remain substantially unchanged (See page 1 of atachement).

Section 2: would prevent members from receiving PERS credit for military service for which they are eligible to receive benefits from the federal government.

Section 3: amends AS 39.35.340(b) to conform to the change made in the employee contribution rate in section 1 of the bill.

Section 6: Amends the multiplier in the PERS benefit formula from 2% per year of service to 2% per year of service for the first ten years, 2 1/4% for the next ten year of service, and 2 1/2% for all years above 20. The new formula would also apply to future peace officers and firefighters.

Section 7: creates a new section that would allow peace officers and firefighters a one-time, temporary benefit after 20 years of service instead of a lifetime 20 year-and-out benefit. This could be drawn for a maximum of 36 months and would facilitate retraining and conversion to other employment.

Section 4-5, 8-10: increase the normal and early retirement age in the PERS by five years (from 55-60 for normal reitrement) and eliminates the peace officer/firefighter 20 year and out provision (see section 6).

Section 11: creates an automatic, annual post retirement pension adjustment (PRPA) for disabled members and persons age 60 or older in the PERS. The PRPA would be 75% of the increase in the cost of living in the preceding calander year as measured by the Anchorage Consumer Price Index fur Urban and Clerical Workers or 9%, whichever is less, for disabled members and recipients age 65 or older; and 50% of the increase in the cost of living or 6%, whichever is less, for recipients at lease 60 but less than 65.

Section 12: limits the Alaska cost-of-living allowance (COLA) currently paid to all PERS benefit recipients who reside in Alaska to those age 65 or older and persons receiving disability benefit who reside in Alaska.

Section 13: creates a three tiered health plan system. A retiree under the age of 60 must pay the full monthly group premium. A retiree between 60 and 65 must pay one-half of the full monthly group premium. A disabled member or a person over 65 is not required to make premium payments.

Section 14: amends the definition of "compensation" to include the employer "pick-up" contributions under section 1 of the bill.

Section 15: amends the definition of "early retirement" to increase the eligible age from 50 to 55.

Section 16: specifies that the provision in this bill requiring a reduction in benefits apply only to future employees (in accordance with Hoffbeck v. Hammond).

Section 17: sets an effective date of 7/1/85

FISCAL INFORMATION

The committee substitute has a fiscal impact of $9,591.6 thousand for FY '86.

The fiscal note from last year is $84,863.6 thousand for FY '86.

BACK-UP INFORMATION

fiscal note from the Department of Administration
Position paper from APEA
Position paper from the Assoc. of the Cheifs of Police
packet explaining different provisions

Alaska State Legislature

Senate Committee on State Affairs
Vic Fischer, Chair • Pouch V
Juneau, Alaska 99811
(907) 465-4954

Official Business

ATTACHMENT

CSSB 110 (state affairs)

The attached is an explanation of the cost-containment provisions in CSSB 110 (state affairs).

Employer "Pick-Up"

This refers to a process where the contribution to PERS is deducted before taxes are taken out of the members gross salary. The affect of this is to increase the contribution to PERS (by increasing the percent of the employees contribution) without decreasing the employees take-home pay (see page 2).

Upon retirement the employee would pay taxes on the benefit.

EFFECT OF "PICKED UP" CONTRIBUTIONS

ON TAKE-HOME PAY

	After-Tax Contributions	-------"Picked Up" Before-Tax Contributions--------			
	4.25%	4.25%	5%	6%	7%
PERS Example					
Gross Monthly Pay	$2,300	$2,300	$2,300	$2,300	$2,300
Taxes Withheld**	445	417	411	404	397
Contributions	96	96	115	138	161
Take-Home Pay	$1,759	$1,787	$1,774	$1,758	$1,742
Increased Take-Home		28	15	- 1	- 17
Increase as a Percent of Gross		1.2%	0.7%	0%	- 0.7%

* Systemwide Average
** Based on single person with one exemption

Retirement Age

The age for normal retirment is increasing from 55 to 60 years of age. The age for early retirement is increasing from 50 to 55. This provision will only affect members first hired after the effective date of the bill.

All current members are to retire under the existing law.

PRPA

PRPA refers to Post Retirement Pension Adjustment. Under current law, retirement benefits are not automatically adjusted to balance inflation.

This provision would affect all current and future eligible benefit recipients. Disabled members and recipients age 65 or older would receive an automatic, annual post retirement pension adjustment (PRPA) equal to 75% of the increase in the cost of living in the preceding calendar year or 9%, whichever is less; recipients at least 60 but less than 65 would receive an automatic, annual PRPA equal to 50% of the increase in the cost of living in the preceding calendar year or 6%, whicever is less.

Military Service

Members hired after the effective date of the bill will not be eligible to receive military service credit if they are eligible for a retirement from the US Government for that same service. This provision does not apply to members who are active or deferred prior to the effective date of the bill.

Cost of Living Adjustment (COLA)

Cost-of-living allowances will be provided to retirees living in Alaska if the retiree is 65 years of age or older or a disability recipient.

This provision applies only to members first hired after the effective date. Existing retirees will continue to receive COLA when living in Alaska, and all active and deferred members prior to the effective date of the Act remain eligible for COLA ar retirement regardless of age.

Benefit Formula

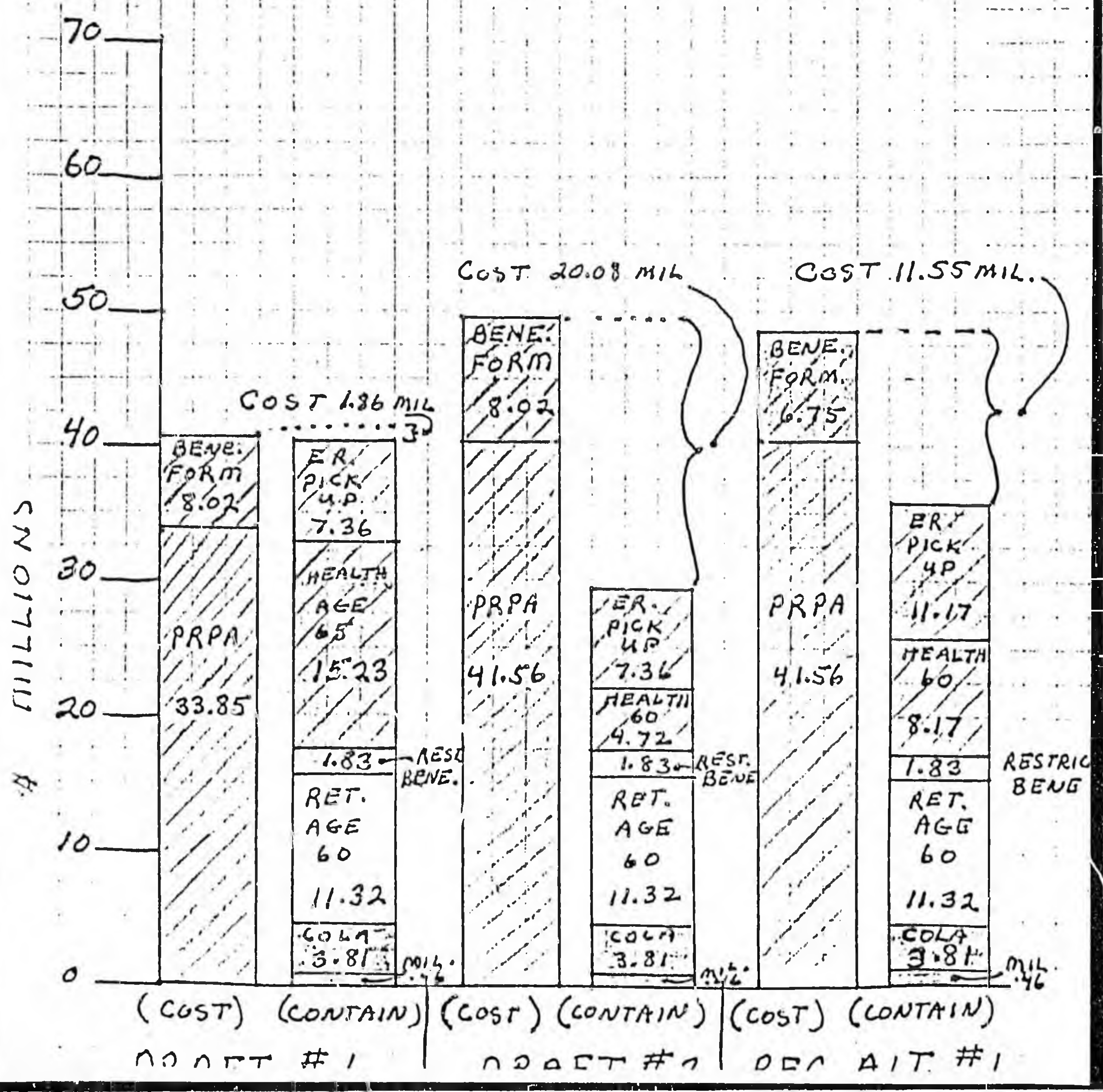
The benefit formula is the formula used to determine a retirees benefits. The formula equals the average monthly compensation x 2% x credited service. This bill changes the 2% multiplier.

This provision would affect all current non-peace officers/firemen (current peace officers/firemen would not be affected) and all future employees who accrue more than 10 years of credited service. The benefit formula multiplier would remain at 2% for the first 10 years of service, but it would increase to 2¼% for the period of service from 10 years through 20, and to 2½ for all years in excess of 20.

Restricted Benefit

This provision would provide Peace Officers and Firefighters with a one-time temporary benefit after 20 years of membership service instead of a lifetime 20-and-out benefit. This benefit could be drawn for a maximum of 36 months and would facilitate retraining, stress relief, and conversion to other employment. This provision would affect all future members first hired after the effective date of this bill.

PERS



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COST 1.86 MIL
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BENE. FORM 8.02
PRPA 33.85
ER. PICK UP 7.36
HEALTH AGE 65 15.23
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COLA 3.81
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DRAFT

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date:

(4-11-84 DRAFT)

REQUEST
Bill/Resolution No.: CSSB 110
Title: "An Act relating to PERS"

Sponsor: State Affairs
Requestor:
Date of Request:

FISCAL DETAIL
Agency Affected: All State Agencies
Program Category Affected: PERS

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		176.2				
100 Rtmnt & Bnfts			9,591.6	10,358.9	11,187.6	12,082.7
200 Travel						
300 Contractual						
400 Supplies		18.8				
500 Equipment		13.2				
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING		208.2	9,591.6	10,358.9	11,187.6	12,082.7
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

General Fund			8,670.8	9,364.5	10,113.6	10,922.7
Federal Funds			441.2	476.4	514.6	555.8
Other		208.2	479.6	518.0	559.4	604.2
Total		208.2	9,591.6	10,358.9	11,187.6	12,082.7

POSITIONS:

Full-Time						
Part-Time						
Temporary		6				

SOURCE OF FUNDS TO OFFSET IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: J.K. Humphreys, Director
Division: Retirement & Benefits
Phone: 465-4460
Date: 4-11-84

Approved by Commissioner: Lisa Rudd
Agency: Department of Administration
Date:

Distribution (by Agency preparing fiscal note):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

DRAFT

DRAFT

Draft CSSB 110
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

IV Analysis: The passage of this bill would provide for an automatic PRPA and enhanced benefit formula for all current active and future members in the PERS. This bill would also provide for several cost containment measures which help to keep the cost of the enhancements within a manageable level.

Assumptions used for these costs are as follows:

o State PERS FY 86 estimated Payroll is $507,490,393.00.
o PERS cost is 1.89% of Payroll.

To implement the effects of this bill, it is estimated to require 6 temporary employees working full time for 12 months at a cost of $208,200. The estimated time required to perform this task is 9,000 hours.

The cost to non-state participating employers is estimated to be:

FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
0	0	$6,821.[illegible]	$7,367.5	$7,956.9	$8,593.4

o Non-State PERS FY 86 estimated Payroll is 360,937,668.00.
o PERS cost is 1.89% of Payroll.

DRAFT

APEA

Alaska Public
Employees Association APEA
State Headquarters: 340 N. Franklin, Juneau, AK 99801 (907) 586-2334

MEMORANDUM

TO: Senator Vic Fischer, Chairman
State Affairs Committee

FROM: Cherie Shelley
Executive Director

SUBJECT: SB 110

DATE: April 11, 1984

The Alaska Public Employees Association supports the proposed committee substitute for Senate Bill 110. The State Administrative Council Directors of APEA's twenty-eight chapters have reviewed the provisions of this legislation and have decided to endorse the proposed changes to the Public Employees Retirement System. These officials represent employees of local governments, school districts, and the state.

However, the members are concerned that the proposed elimination of the 20-year retirement system will adversely affect the ability of Corrections and Public Safety to continue to attract high-calibre employees.

CS/rb

Fairbanks Field Office
825-D College Road
Fairbanks, AK 99701
Telephone: (907) 456-5412

Anchorage Field Office
833 Gambell Street, Suite A
Anchorage, AK 99501
Telephone: (907) 274-1688

Juneau Field Office
227 4th Street
Juneau, AK 99801
Telephone: (907) 586-6305

Alaska Association Chiefs of Police

107 South Willow St., Kenai, Alaska 99611

MUNICIPAL STATE FEDERAL
ALASKA ASSOCIATION
CHIEFS OF POLICE

Senator Vic Fisher
Pouch V
Juneau, Alaska 99811

April 9, 1984

Dear Senator Fisher,

The Alaska Association of Chiefs of Police opposes any substitute for SB 110 that would alter the present 20 year retirement plan for Police and Fire personnel. This opposition is based on the following;

1. The present retirement program is the main attraction of the law enforcement profession. If it were altered it would make recruitment of quality personnel extremely difficult.

2. The nature of the law enforcement profession, both physically and mentally is such that major health and disability problems could result from lengthening of time necessary for normal retirement.

3. When the program was instituted it was done so with consideration of the above and hazardous nature of the profession. Neither of these factors have changed. In addition the personnel affected have contributed at a higher payroll contribution rate to secure this benefit.

Thank you for your consideration of these comments and the assistance provided by your staff.

If further imput is needed please contact me.

Richard Ross, Secretary Treasurer
Alaska Association of Chiefs of Police
107 S. Willow,
Kenai, Alaska 99611

RAR/vl

Ltr. frm. AK Assn Chiefs of Po. 4/9/84

employment rendered to the Territory of Alaska before January 3, 1959, regardless of the office, department, division or agency of the territory in which employed. Credited service allowed under this section may not exceed five years.

(b) A teacher may not be credited with service under this section if credit for service as an employee of the Territory of Alaska was granted for the same period under the public employees' retirement system (AS 39.35).

(c) A teacher who elects to receive credited service under this section for service to the Territory of Alaska shall make a retroactive contribution under this system for the period of territorial employment following June 30, 1955. (§ 1 ch 146 SLA 1980)

Editor's notes. — In subsection (a), the word "he" was deleted preceding "employed" in the first sentence by the revisor of statutes under AS 01.05.031 and § 4, ch. 58, SLA 1982.

Sec. 14.25.107. Credit for Alaska BIA service. A member who joins the system on or after July 1, 1978, who has Alaska BIA service may claim all of that service as credited service. A retirement benefit payable under this chapter for Alaska BIA service shall be reduced by an amount equal to the retirement benefits paid to the member by the United States government for the same service. (§ 8 ch 137 SLA 1982)

Sec. 14.25.110. Retirement benefits. (a) A member is eligible for a normal retirement benefit if the member

(1) was first hired before July 1, 1975, has attained the age of 55 years, and has at least 15 years of credited service, the last five of which have been membership service;

(2) has attained the age of 55 years and has at least eight years of membership service;

(3) has attained the age of 55 years, has at least five years of membership service, and has at least three years of Alaska BIA service;

(4) has at least 25 years of credited service, the last five of which have been membership service;

(5) has at least 20 years of membership service; or

(6) has at least 20 years of combined membership service and Alaska BIA service, the last five of which have been membership service.

(b) A member is eligible for an early retirement benefit upon completing any one of the service requirements in (a)(1), (2), or (3) of this section and attaining the age of 50 years.

(c) The burden is on the applicant to prove eligibility for retirement benefits to the full satisfaction of the administrator.

(d) The monthly amount of a retirement benefit for a member who has paid the full amount of any indebtedness is two percent of the member's average base salary during any three school years of membership service times the years of credited service, including credited fractional years, divided by 12. An actuarial adjustment must be made for early retirement.

(e) The monthly amount of a retirement benefit must be determined in accordance with (d) of this section as it is in effect on the date of termination of the retiring member's last segment of employment.

(f) The annual amount of retirement benefits for a retiring member who was a member of the retirement system established by the Retirement Act of 1945 may not be less than $975 plus 10 percent of the total contribution made by the member to the retirement fund of 1945.

(g) A member who is eligible for a service retirement salary under this chapter or under the Retirement Act of 1945 is entitled to a benefit of at least $25 per month for each year of credited service, excluding adjustments made under AS 14.25.142 or 14.25.143. If the member elected option two under AS 14.25.063(b)(2) for payment of any indebtedness when the member initially applied for a retirement benefit, or if the member elected to receive an early retirement benefit under (b) of this section, the resulting benefit reduction continues in effect.

(h) The monthly retirement benefit for a member who was receiving a retirement benefit on July 1, 1955, is $50 a month if the member was at least 55 years of age on July 1, 1955.

(i) Benefits payable under this section accrue from the first day of the month after which all of the following requirements are met: (1) the member meets the eligibility requirements of this section; (2) the member terminates employment; and (3) the member applies for retirement. Benefits are not payable under this section during a school year in which credit for a full year of service is granted. The benefits are payable the last day of the month. If payment is delayed, a retroactive payment must be made for the month in which a benefit is payable under this section. The last payment shall be for the month in which the member dies or is no longer eligible for a benefit under this section. (§ 12 ch 145 SLA 1955; am § 4 ch 142 SLA 1957; am § 9 ch 89 SLA 1960; am § 4 ch 86 SLA 1963; am § 6 ch 151 SLA 1966; am § 2 ch 85 SLA 1971; am § 8 ch 66 SLA 1973; am § 1 ch 77 SLA 1973; am § 2 ch 57 SLA 1974; am §§ 1 — 3 ch 173 SLA 1975; am § 5 ch 169 SLA 1976; am § 14 ch 13 SLA 1980; am § 2 ch 146 SLA 1980; am § 9 ch 137 SLA 1982)

Effect of amendments. — The first 1980 amendment rewrote the section.

The second 1980 amendment substituted "$25" for "$20" preceding "per month" near the beginning of subsection (g).

The 1982 amendment added the last sentence of subsection (i).

Editor's notes. — The words "the member" were substituted for "he" in subsection (a) and subsection (g) by the revisor of statutes pursuant to AS 01.05.031 and § 4, ch. 58, SLA 1982.

Opinions of attorney general. — The legislature did not intend such a strict interpretation as to require a teacher to work the last 5 school years for the full 140-day year. 1966 Op. Att'y Gen., No. 2.

A teacher satisfies the requirement of subsection (a) by working any five creditable years or combination of fractional years totalling 5 years, as long

Sec. 14.25.142. Cost of living allowance. (a) While residing in the state, a person receiving a benefit under this chapter is entitled to receive a monthly cost of living allowance in addition to the basic benefit. The amount of this allowance is 10 per cent of the basic benefit.

(b) A person receiving a cost-of-living allowance under this section shall notify the administrator when the person expects to be absent from the state for a continuous period that exceeds 90 days. After that notification, the person is no longer entitled to receive the monthly cost-of-living allowance, except that a person may be absent from the state for not more than six months without loss of the cost-of-living allowance if the absence is the result of illness and required by order of a licensed physician. Upon return to the state, and upon notification to the administrator, the person is again entitled to receive the monthly cost-of-living allowance, commencing with the first monthly benefit payment made after notification of the person's return.

(c) For purposes of this section, "residing in the state" means domiciled and physically present in the State of Alaska. Being absent from the state for a continuous period of 90 days or less or six months or less when ordered by a physician does not change a person's status as "residing in the state." (§ 10 ch 151 SLA 1966; am § 18 ch 66 SLA 1973; am § 6 ch 128 SLA 1977; am §§ 2, 3 ch 82 SLA 1979)

Effect of amendments. — The 1979 amendment substituted "90 days" for "60 days" at the end of the first sentence of subsection (b), added the language beginning "except that a person may be absent" to the end of the second sentence of subsection (b), and substituted "90 days or less or six months or less when ordered by a physician" for "60 days or less" in the second sentence of subsection (c).

Editor's notes. — Section 17, ch. 82, SLA 1979 provides: "A person receiving benefits under AS 14.25 [AS 14.25.010 — 14.25.220] on July 1, 1979 is eligible for any increase in benefits resulting from the amendments to AS 14.25 [AS 14.25.010 — 14.25.220] enacted in secs. 2 and 3 of ch. 82, SLA 1979."

In subsection (a), the word "the" was substituted for "his" in the first sentence and in subsection (b), the words "the person" was substituted for "he" in the first sentence and the word "his" was deleted preceding "returned to the state" in the third sentence by the revisor of statutes under AS 01.05.031 and § 4, ch. 58, SLA 1982.

Sec. 14.25.143. Post retirement pension adjustment. (a) When the administrator determines that the cost of living has increased and that the financial condition of the retirement fund permits, the administrator shall increase benefit payments to persons receiving benefits under this system.

(b) The amount of the increase in benefit payments may not exceed the lesser of

(1) the increase in the cost of living since the date of retirement; or

(2) four percent of the retirement benefit compounded for each year of retirement.

(c) The administrator shall implement this section by regulation.

person receiving benefits under this chapter shall be granted cent increase in the current base benefit if the person was g benefits on July 1, 1976. The increase shall be effective July

at the time of first receiving a retirement benefit a member was ng a disability benefit, the administrator shall include the time which the member received the disability benefit in ining the number of years of retirement under this section.
.n increase in benefit payments under this section is effective of the year for which the increase is granted. (§ 11 ch 151 SLA am § 5 ch 80 SLA 1971; am § 19 ch 66 SLA 1973; am § 3 ch 99 974; am § 7 ch 128 SLA 1977; am § 17 ch 13 SLA 1980; am §§ 3 h 146 SLA 1980; am § 13 ch 137 SLA 1982)

isor's notes. — Subsection (a) was ed by sec. 17, chapter 13, SLA 1980, epealed and re-enacted by sec. 3, er 146, SLA 1980. Since chapter 146 nacted later, it repeals the earlier dment.

'ect of amendments. — The first amendment in subsection (a), as it ed prior to the second 1980 amendt, substituted "the administrator" for preceding "may increase" near the dle of the subsection, substituted nuitant's' for "service retirement" owing "may increase all" near the ldle of the subsection, and deleted laries" following "survivor's benefits" ir the end of the subsection.

The second 1980 amendment rewrote bsections (a) through (c), and added subctions (e) and (f).

The 1982 amendment substituted "lesser" for "greater" in the introductory language of subsection (b).

Editor's notes. — Section 48, ch. 146, SLA 1980 provides: "The retirement benefit payable to a member of the teachers' retirement system who is receiving a normal retirement benefit under AS 14.25.110 on the effective date of this Act, and who at the time of his retirement was receiving a disability benefit under the teachers' retirement system, shall be increased by a percentage equal to the percentage of all post-retirement pension adjustments payable under AS 14.25.143 during the period that the member was receiving a disability benefit."

In subsection (d), "the" was substituted for "his" and "the person" was substituted for "he" in the first sentence by the revisor of statutes under AS 01.05.031 and § 4, ch. 58, SLA 1982.

Sec. 14.25.145. Interest on individual accounts. Interest shall e credited to each teacher's account at the end of each school year at he rate prescribed by regulation for that year. (§ 16 ch 145 SLA 1955; am § 6 ch 142 SLA 1957; am § 4 ch 78 SLA 1962; am § 7 ch 138 SLA 1970; am § 20 ch 66 SLA 1973)

Sec. 14.25.150. Refund upon termination. A terminated member is entitled to a refund of the balance of the member contribution account. A member is not entitled to a refund of supplemental contributions except as provided in AS 14.25.160(a). (§ 16 ch 145 SLA 1955; am § 6 ch 142 SLA 1957; am § 4 ch 73 SLA 1962; am § 7 ch 86 SLA 1963; am § 12 ch 151 SLA 1966; am § 5 ch 84 SLA 1969; am §§ 21 — 23 ch 66 SLA 1973; am § 8 ch 128 SLA 1977; am § 14 ch 137 SLA 1982)

Effect of amendment amendment substituted contribution account" for tory contributions and a

Sec. 14.25.155. N of a member occurs a service and the pr sustained or hazard the scope of the mer nated beneficiary sh account.

(b) If the death of of membership serv proximate cause of undergone while in ber's duties of empl AS 14.25.160(b) and the member.

(c) If the death of and the proximate hazard undergone v member's duties o receive either the b joint and survivor c credited service to survives a vested c the spouse is desi shall be paid the b accrue from the fi and are payable t

(d) Benefits are under AS 14.25.1 (§ 15 ch 137 SLA

Sec. 14.25.157. of a member occu mal retirement, sustained or haz the scope of the hazard is not th the member, a member's base divided by 12, is no surviving equal parts to normal retirem had lived, mo which are based on retroactive credited service under this subsection. (§ 17 ch 143 SLA 1960; am § 4 ch 80 SLA 1964; am §§ 5, 6 ch 155 SLA 1966; am § 4 ch 235 SLA 1968; am § 1 ch 55 SLA 1973; am §§ 1, 2 ch 26 SLA 1974; am §§ 1, 2 ch 245 SLA 1976; am §§ 31 — 33 ch 123 SLA 1977; am §§ 1, 7 ch 174 SLA 1978; am § 3 ch 81 SLA 1979; am § 10 ch 82 SLA 1979; am §§ 31, 32, 41 ch 146 SLA 1980)

Revisor's note. — Subsection (a) of this section apparently has no effect after January 1, 1980, since it applies only to employees employed before that date.

Subsection (g) of this section apparently has no effect after July 1, 1980, since credited service under this subsection must have been claimed by that date.

Effect of amendments. — The 1976 amendment, among other things, added the language beginning "and heavy equipment operators" to the end of that sentence, and added subsection (e).

The 1977 amendment, among other things, substituted "credited service for employment before January 1, 1961" for "service credit for prior service" and "this chapter" for "this system for the period of prior service credit" in subsection (b) and substituted "credited service" for "service credit" in the first and second sentences of subsection (e).

The 1978 amendment, among other things, added subsection (f).

The second 1979 amendment added subsection (g).

Sections 31 and 32, ch. 146, SLA 1980, rewrote subsection (a) and added subsection (h). Section 41 of ch. 146, effective January 1, 1981, repealed subsection (c).

Editor's note. — Section 15, ch. 82, SLA 1979 provides that AS 39.35.360(g) applies to a temporary employee of the Eleventh Legislature, First Session, even though he may not be an employee under the public employee's retirement system on July 1, 1979.

Article 6. Benefits.

Sec. 39.35.370. Retirement benefits. (a) A terminated employee is eligible for a normal retirement benefit (1) at age 55 with at least five years credited service, or (2) with at least 20 years of credited service as a peace officer or fireman, or (3) with at least 30 years of credited service for all other employees.

(b) A terminated employee is eligible for an early retirement benefit at age 50 with at least five years credited service.

(c) The monthly amount of a retirement benefit for a peace officer or fireman is two per cent of the average monthly compensation times the years of credited service up through 10 years, plus two and one-half per cent of the average monthly compensation times the years of service over 10 years. For all other employees it is two per cent of the average monthly compensation times the years of service. An actuarial adjustment must be made for an early retirement benefit.

(d) The monthly amount of a retirement benefit for a deferred vested member shall be determined in accordance with (c) of this section as it was in effect on the date of the employee's termination of employment.

(e) Benefits payable under this section accrue from the first day of the month after which all of the following requirements are met: (1) The member meets the eligibility requirements of this section; (2) he terminates his employment; and (3) he applies for retirement. The benefits are payable the last day of the month. If payment is delayed, a retroactive payment shall be made to cover the period of deferment. The last payment shall be made for the month in which a benefit is payable under this section.

(f) A member who is vested in the system as a peace officer or fireman at the time he incurs a permanent disability of at least 33-1/3 per cent under workers' compensation and who (1) undergoes retraining because of the disability; and (2) is subsequently employed with the state or other employer in a position other than peace officer or fireman, is eligible for a normal retirement benefit as a peace officer or fireman under (a) and (c) of this section when he has completed 20 years of credited service. (§ 18 ch 143 SLA 1960; am § 2 ch 102 SLA 1963; am § 7 ch 155 SLA 1966; am § 5 ch 235 SLA 1968; am § 6 ch 109 SLA 1970; am §§ 6, 7 ch 159 SLA 1972; am § 15 ch 47 SLA 1974; am § 34 ch 128 SLA 1977; am § 33 ch 146 SLA 1980)

Effect of amendments. — The 1977 amendment rewrote this section.

The 1980 amendment added subsection (f).

Editor's note. — Section 49, ch. 146, SLA 1980, provides: "The retirement benefit payable to a member of the public employees' retirement system who is receiving a normal retirement benefit under AS 39.35.370 on the effective date of this Act, and who at the time of his retirement was receiving a disability pension under the public employees' retirement system, shall be increased by a percentage equal to the percentage of all post-retirement pension adjustments payable under AS 39.35.475 during the period that the member was receiving a disability benefit."

Legislative history report. — For report on ch. 159, SLA 1972 (FCCS HCS CSSB 264), see 1972 House Journal, p. 992.

Sec. 39.35.380. Early retirement benefits.

Repealed by § 55 ch 128 SLA 1977.

Editor's note. — The repealed section derived from § 19, ch. 143, SLA 1960; am. § 7, ch. 109, SLA 1970; am. § 8, ch. 159, SLA 1972; am. §§ 11, 12, ch. 205, SLA 1975.

Revisor's note. — Section 39.35.485(a) provides that after January 1, 1981 each employee eligible for a benefit under AS 39.35.570 is entitled to at least $25 a month. Consequently, this section apparently has no legal effect.

Sec. 39.35.475. Post-retirement pension adjustment. (a) When the administrator determines that the cost of living has increased and the financial condition of the retirement fund permits, he shall increase benefit payments to persons receiving benefits under this system.

(b) The amount of the increase in benefit payments may not exceed the greater of

(1) the increase in the cost of living since the date of retirement; or

(2) four percent of the retirement benefit compounded for each year of retirement.

(c) If at the time of first receiving a retirement benefit a member was receiving a disability benefit under this system, the administrator shall include the time during which the member received the disability benefit in determining the number of years of retirement under this section.

(d) An increase in benefit payments under this section is effective July 1 of the year for which the increase is granted.

(e) The administrator shall implement this section by regulation. (§ 9 ch 235 SLA 1968; am § 14 ch 159 SLA 1972; am § 34 ch 146 SLA 1980)

Effect of amendment. — The 1980 amendment rewrote the section.

Editor's note. — Section 49, ch 146, SLA 1980 provides: "The retirement benefit payable to a member of the public employees' retirement system who is receiving a normal retirement benefit under AS 39.35.370, July 1, 1980, and who at the time of his retirement was receiving a disability pension under the public employees' retirement system, shall be increased by a percentage equal to the percentage of all post-retirement pension adjustments payable under AS 39.35.475 during the period that the member was receiving a disability benefit."

Sec. 39.35.480. Cost-of-living allowance. (a) While residing in the state, a person receiving a benefit under this chapter is entitled to receive a monthly cost-of-living allowance in addition to his basic benefit. The amount of this allowance shall be $50 or 10 per cent of the basic benefit, whichever is greater.

(b) A person receiving a cost-of-living allowance under this section shall notify the administrator when he expects to be absent from the state for a continuous period that exceeds 90 days. After that notification, the person is no longer entitled to receive the monthly cost-of-living allowance, except that a person may be absent from the state for not more than six months without loss of the cost-of-living allowance if the absence is the result of illness and required by order of a licensed physician. Upon his return to the state, and upon notification to the administrator, the person is again entitled to receive

Alaska Association Chiefs of Police

107 South Willow St., Kenai, Alaska 99611

Senator Vic Fisher
Pouch V
Juneau, Alaska 99811

April 9, 1984

Dear Senator Fisher,

The Alaska Association of Chiefs of Police opposes any substitute for SB 110 that would alter the present 20 year retirement plan for Police and Fire personnel. This opposition is based on the following;

1. The present retirement program is the main attraction of the law enforcement profession. If it were altered it would make recruitment of quality personnel extremely difficult.

2. The nature of the law enforcement profession, both physically and mentally is such that major health and disability problems could result from lengthening of time necessary for normal retirement.

3. When the program was instituted it was done so with consideration of the above and hazardous nature of the profession. Neither of these factors have changed. In addition the personnel affected have contributed at a higher payroll contribution rate to secure this benefit.

Thank you for your consideration of these comments and the assistance provided by your staff.

If further imput is needed please contact me.

Richard Ross

Richard Ross, Secretary Treasurer
Alaska Association of Chiefs of Police
107 S. Willow,
Kenai, Alaska 99611

RAR/vl

Ltr. from AK Assn Chiefs of Po: 4/9/84

APEA

Alaska Public
Employees Association APEA
State Headquarters: 340 N. Franklin, Juneau, AK 99801 (907) 586-2334

MEMORANDUM

TO: Senator Vic Fischer, Chairman
State Affairs Committee

FROM: Cherie Shelley
Executive Director

SUBJECT: SB 110

DATE: April 11, 1984

The Alaska Public Employees Association supports the proposed committee substitute for Senate Bill 110. The State Administrative Council Directors of APEA's twenty-eight chapters have reviewed the provisions of this legislation and have decided to endorse the proposed changes to the Public Employees Retirement System. These officials represent employees of local governments, school districts, and the state.

However, the members are concerned that the proposed elimination of the 20-year retirement system will adversely affect the ability of Corrections and Public Safety to continue to attract high-calibre employees.

CS/rb

Fairbanks Field Office
825-D College Road
Fairbanks, AK 99701
Telephone: (907) 456-5412

Anchorage Field Office
833 Gambell Street, Suite A
Anchorage, AK 99501
Telephone: (907) 274-1688

Juneau Field Office
227 4th Street
Juneau, AK 99801
Telephone: (907) 586-6305

Position Paper

CSSB 110 (SA)

The issue of guaranteeing automatic post-retirement pension adjustments in the Public Employees' Retirement System (PERS) has been before the legislature for several sessions. It is clearly desirable to protect the value of retirement benefits from inflation, but continuing to grant adjustments under the existing mechanisms over the long run will increase costs and weaken the funds.

The Department supports this bill; however, the inclusion of sufficient cost containment measures to keep the costs to the State and other public employers to a manageable level at a time when future revenues are uncertain is essential. We feel that an amendment to eliminate or at least reduce the costs of post-retirement pension adjustments for those under age 65 should receive serious consideration.

In addition to providing for post-retirement pension adjustments, the bill also increases the benefit formula in the PERS and does include several cost containment provisions to partially offset the costs of the benefit enhancements and provide for a sounder financial base for the PERS in the future.

J.K. Humphreys Jr. — 4/19/84

J.K. Humphreys, Director, Division of Retirement & Benefits — Date

Lisa S Rudd — 4/23/84

Lisa Rudd, Commissioner, Department of Administration — Date

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AMERICAN
ASSOCIATION
OF RETIRED
PERSONS

25 YEARS OF SERVICE

ALASKA STATE LEGISLATIVE COMMITTEE

CHAIRMAN
Vera Gazaway
1521 West 14th Avenue
Anchorage, AK 99501
(907) 277-2073

VICE CHAIRMAN
Jane Windsor
319 E. Bentley Drive
Fairbanks, AK 99701
(907) 456-6035

SECRETARY
Lee McAnerney
P.O. Box 406
Seward, AK 99664
(901) 224-3080

April 20, 1984

Senator Vic Fischer
Alaska State Legislature
Pouch V - MS 3100
Juneau, Alaska 99811

Dear Senator Fischer:

In a review of the proposed CS for SB 110, it is found that the concessions in benefits to be made by the employee will only affect those hired in 1985.

The proposed changes in retirement provisions, i.e., elimination of 20 year and out, increase of retirement age from 55 to 60, the three tiered health insurance plan, limiting COLA to 65 and older, increase in employee contributions, are suggested in order to implement an automatic PRPA. The above should assure that the retirement fund will continue on an actuarially sound basis.

The American Association of Retired Persons Alaska State Legislative Committee supports CS SB 110 and hope that teachers will be included.

Sincerely,

Vera

Vera A. Gazaway
Chairman

<u>Review of Benefits in the</u>

<u>State of Alaska Retirement Systems</u>

Division of Retirement & Benefits

October 1983

Introduction

The purpose of this report is to review and compare the retirement benefits provided by the State of Alaska. It was prepared in response to a recommendation of the Legislative Budget and Audit Committee in the course of a performance audit of the Division of Retirement and Benefits conducted by the Legislative Auditor.

Retirement benefits comprise an important part of total compensation which, from an employer's point of view, should be sufficient to attract and retain qualified employees. From an employee's point of view, an increase in benefits is desirable even though existing benefits may be sufficient to attract and retain that employee. The efficiency of the state's retirement systems is important since the cost of any excesses is ultimately borne by the citizens of the state. Retirement benefits must be judged according to their effectiveness in achieving objectives; removing benefits that are not effective produces savings to reduce the overall cost of the program and help fund other worthwhile benefits.

Retirement benefits are provided by the state through four separate systems: the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), the Judicial Retirement System (JRS), and the Elected Public Officers Retirement System (EPORS). This report will provide background information which applies generally to all of the systems and then briefly describe the history and purpose of each system individually. The next section will outline and compare the benefits provided in these systems and give an indication of the benefits provided in other states.

The study of death and disability benefits presents a complex challenge in its own right; to limit the scope of this report to manageable proportions, pending review by the PERS and TRS Disability Review Board, these benefits are not included in this initial review.

Having reviewed the benefit structures, we will provide estimates of the cost impact of selected changes and recommend areas in which we believe further discussion and possible change are indicated.

Hopefully, this report will provide a basis for deliberation and discussion by the many interested parties and groups. Benefits in the Alaska retirement systems are generous, effective and costly. The ultimate objective is to develop legislation which will balance the interests of all concerned, institute an automatic, actuarially funded post retirement pension adjustment (PRPA) mechanism, and improve the cost effectiveness of the systems in achieving the goal of attracting and retaining qualified employees.

General Background

All four of the retirement systems discussed in this report are defined benefit plans; that is, the benefits provided are defined in statute and do not directly depend on the amount of contributions made by or on behalf of the employee. This is in contrast to a "defined contribution" plan such as the annuity plan in the state's Supplemental Benefits System (SBS) where the amount of the benefit an employee may receive at any given time is completely dependent on the balance in that employee's individual benefit account.

The PERS, the TRS, and the JRS are actuarially funded. Each year the actuary computes the amount, in addition to employee contributions, that will be required from the state and other employers to pay for benefits in the system. This is in contrast to pay-as-you-go systems such as the EPORS and social security where current benefits are paid out of current revenues on a year-to-year basis and no attempt is made to balance assets and liabilities. Even if pay-as-you-go systems do not find themselves in real financial difficulty because of accumulating unfunded liabilities, they certainly pass the buck to future generations and present a misleading picture of the costs. The object of actuarial funding is to pay for benefits as they accrue at a stable percentage of payroll. Funding for retirement benefits over each employee's working years avoids the necessity of cutting benefits for future members or, in some cases, a bankrupt system which defaults on obligations. Ideally, a system could be discontinued and the accumulated assets would be sufficient to pay all the accrued benefits.

When an actuary determines the amount of employer contributions, it is intended to cover current costs of benefits as they accrue and to reduce any unfunded liability that may exist in a system. The term unfunded liability refers to an excess of accrued liabilities over assets and may be produced by such things as benefit increases with a retroactive effect, fund earnings which fall short of expectations, or a shortfall in employer contributions.

Without regard to the funding mechanism, the ultimate costs of a retirement system depend on the benefits that are provided. When considering benefit changes and the cost impact it is important to be aware of the legal restrictions on change. Retirement benefits provided under the state plans may not be collectively bargained and can only be changed by statute. In addition, Article XII, Section 7 of the Constitution of the State of Alaska reads: "Membership in employee retirement systems of the State or its political subdivisions shall constitute a contractual relationship. Accrued benefits of these systems shall not be diminished or impaired." This provision has been broadly construed by the courts to mean not only that benefits that have accrued (in the past) cannot be diminished but also that the right to accrue benefits under a given statute cannot be abridged unless the reduction is offset by a simultaneous increase. This clearly limits the power to make significant changes and also means that changes in the law that do take place tend to create new classes of members and complicate administration.

A striking application of the constitutional prohibition against the diminishment of benefits involved the Elected Public Officers Retirement System. The system was established on January 1, 1976, and then repealed by referendum on October 14, 1976. However, the Alaska Supreme Court held that under the Alaska Constitution all 62 people who had been members of the EPORS during its 10½ months of existence were entitled to continue their participation. Although there can be no new members of the EPORS, the EPORS continues to be administered for this original group.

Another landmark decision was issued by the Alaska Supreme Court in May, 1981 in the Hoffbeck v. Hammond case. This decision stated that an employee gains a right to benefits on the date of hire rather than on the date the employee becomes vested or eligible to receive benefits; benefits may be increased but not decreased for existing employees. A decrease in retirement benefits (for example, an increase in contribution rate without an offsetting increase elsewhere) can only apply to new employees; statutory amendments that operate to a given employee's disadvantage must be offset by comparable new advantages to that employee. The result is the "ratchet effect", a principle of "no turning back" in employee benefits; what has been granted to an employee may not be removed.

The factors mentioned in this section must be kept in mind when considering amendments to the state retirement plans. The task of designing benefits that are equitable, effective and affordable in systems that are actuarially sound becomes even more challenging when many otherwise viable alternatives are foreclosed.

Overview of the Systems

This section will address each of the four systems individually. For each system we will provide general information, an historical outline of significant events that have affected the system and a review of employer contributions.

Teachers' Retirement System (TRS):

The TRS became effective July 1, 1955. Under AS 14.25.012, the purpose is "... to encourage qualified teachers to enter and remain in service with participating employers by establishing a system for the payment of retirement, disability, and death benefits to or on behalf of the members." Qualified members of the TRS include:

a) Certificated full- or part-time teachers, certificated school nurses or a certificated person in a position requiring a teaching certificate as a condition of employment in a public school of the state;

b) The Commissioner of Education and all supervisory positions in the Department of Education;

c) Full- or part-time teachers of the University of Alaska or a person occupying an approved full-time administrative position at the University of Alaska; and

d) State legislators who elect membership under AS 14.25.040(b).

An administrator is appointed by the Commissioner of Administration and serves as secretary of the Alaska Teachers' Retirement Board. The Board consists of five members appointed by the Governor for overlapping three-year terms.

A. Significant events in the TRS

1955	TRS created Normal retirement age 60 Employee contribution rate of 5% of salary not to exceed $300 per year Benefit Multiplier 1½%
1966	Ad hoc PRPA's - maximum of 1½%
1968	Vesting reduced from 15 years of membership service to 10 years of membership service
1970	Employer contribution rate actuarially determined Employee contribution rate increased to 7% Multiplier increased to 2%
1971	Vesting reduced to 8 years of membership service
1974	Ad hoc PRPA maximum increased to 4%
1975	Normal retirement age lowered from 60 to 55 and "20-and-out" provision added Health insurance provided for benefit recipients and their dependents

B. TRS Contribution Rate History

School Year	Member Contribution Rate	Employer Matching Contribution Rate	State Matching Contribution Rate
1955-70	5%	2.50%*	2.50%*
1970-71	7%	4.5425%	4.5425%
1971-72	7%	4.91%	4.91%
1972-73	7%	4.91%	4.91%
1973-74	7%	5.61%	5.61%
1974-75	7%	5.61%	5.61%
1975-76	7%	6.32%	6.32%

B. TRS Contribution Rate History (continued)

School Year	Member Contribution Rate	Employer Matching Contribution Rate	State Matching Contribution Rate
1976-77	7%	7.09%	7.09%
1977-78	7%	6.70%	6.70%
1978-79	7%	7.06%	7.06%
1979-80	7%	7.45%	7.45%
1980-81	7%	7.87%	7.87%
1981-82	7%	8.42%	8.42%
1982-83	7%	8.45%	8.45%
1983-84	7%	8.71%	8.71%

* Contribution rate not actuarially determined

Public Employees' Retirement System (PERS):

Under AS 39.35.010, the PERS became effective January 1, 1961, with a purpose "...to encourage qualified personnel to enter and remain in the service of the state or a political subdivision or public organization of the state by establishing a system for the payment of retirement, disability, and death benefits to or on behalf of the employees."

The PERS is composed of two subsystems: Peace Officer/Fireman (P/F) coverage and All Other (PERS) coverage. Qualified members of the PERS include:

a) All permanent state employees unless included in another retirement system, and

b) All permanent employees of participating political subdivisions and public organizations in compliance with their participation agreement, and

c) peace officers, chiefs of police, correctional officers, correctional superintendents, and firemen and fire chiefs.

An administrator is appointed by the Commissioner of Administration and serves as secretary to the Alaska Public Employees' Retirement Board. The Board is composed of five members, three of whom are members of the state personnel board and the other two are members of the system and are elected by the members of the system.

A. Significant Events in the PERS

1961	PERS created PERS normal retirement age 65, P/F 60
1968	Employee contribution rate set at 3.5% Multiplier 1% (1-10 yrs.), 1¼% (11-20 yrs.), 1½% (over 20 yrs.) Ad hoc PRPA's - maximum 1½%
1970	P/F contribution rate separated and increased to 5% P/F multiplier separated and increased to 2% (1-10 yrs.), 2½% (over 10 years) PERS multiplier increased to 1% (1-10 years), 1½% (11-20 yrs.), 2% (over 20 yrs.) PERS normal retirement age reduced to 60, P/F reduced to 55
1972	PERS employee contribution rate increased to 4.25% Ad hoc PRPA maximum increased to 4% Vesting requirement reduced from 8 years to 5 years PERS multiplier increased to 1½% (1-10 yrs.), 1 3/4% (11-20 yrs.), 2% (over 20 yrs.)
1974	PERS multiplier increased to 2% for all years of service
1975	PERS normal retirement age reduced to 55 Health insurance provided for benefit recipients and their dependents

B. State PERS Contribution Rates

	Peace Officer/Fireman		All Other	
Effective Date	Employee Rate	Employer Rate	Employee Rate	Employer Rate
01/01/61	1.5%*	4.000	1.5%*	4.000
01/01/62	1.375%*	3.875	1.375%*	3.875
01/01/63	0.875%*	3.375	0.875%*	3.375
01/01/66	0.3%*	2.800	0.3%*	2.800
01/01/67	0.1%*	2.600	0.1%*	2.600
07/01/67	0.1%*	4.363	0.1%*	4.363
07/01/68	3.5%	7.000	3.5%	7.000
07/01/69	3.5%	3.500	3.5%	3.500
07/01/70	5.0%	8.000	3.5%	8 000
07/01/71	5.0%	7.840	3.5%	7.840
07/01/72	5.0%	11.210	4.25%	11.210

B. State PERS Contribution Rates (continued)

	Peace Officer/Fireman		All Other	
Effective Date	Employee Rate	Employer Rate	Employee Rate	Employer Rate
07/01/73	5.0%	5.410	4.25%	5.410
07/01/75	5.0%	8.320	4.25%	8.320
07/01/76	5.0%	11.180	4.25%	11.180
07/01/77	5.0%	11.580	4.25%	11.580
07/01/78	5.0%	12.580	4.25%	12.580
07/01/79	5.0%	12.240	4.25%	12.240
07/01/80	5.0%	13.660	4.25%	13.660
07/01/81	5.0%	14.000	4.25%	14.000
08/01/81	5.0%	22.350	4.25%	12.690
07/01/82	5.0%	22.360	4.25%	12.710
07/01/83	5.0%	19.990	4.25%	13.200

* The total employee rate of 4.5% included FICA contributions; the rate shown in this table is net of FICA contributions.

Judicial Retirement System (JRS):

The JRS became effective July 1, 1963. No statement of purpose was enacted. Members of the JRS include all supreme court justices, judges of the court of appeals, superior court or district court, and the Administrative Director of the Alaska Court System appointed under art. IV, sec. 16 of the state constitution.

Responsibility for the administration of the JRS has been delegated by the Commissioner of Administration to the Director of the Division of Retirement and Benefits. The Commissioner of Administration adopts regulations as required for the JRS.

A. Significant Events in the JRS

1963 JRS created
Employee contribution rate of 5%
Normal retirement at age 65 with 10 years of service or when age plus service equals 75
Benefit Multiplier 4% with maximum 50% of salary at retirement
Vesting requirement 5 years

1967 Employee contributions repealed
Multiplier increased to 5% with maximum 75% of authorized salary; benefits automatically increase with salaries

1972 Normal retirement age decreased to 60
Health insurance provided for benefit recipients and their dependents

1978 Employee contributions reinstated; 7% for members appointed on or after 7-1-78

1981 System placed under administrative responsibility of Division of Retirement & Benefits
System placed on actuarially funded basis; employer contribution rate figured on gross salary

1982 Employer contribution rate figured on base salary

B. JRS Contribution Rates

Year	Employee Rate	Employer Rate
1963	5.0%	*
1964	5.0%	*
1965	5.0%	*
1966	5.0%	*
1967	0	*
1968	0	*
1969	0	*
1970	0	*
1971	0	*
1972	0	*
1973	0	*
1974	0	*
1975	0	*
1976	0	*
1977	0	*
1978	7.0%**	*
1979	7.0%**	*
1980	7.0%**	*
1981	7.0%**	*
1981	7.0%**	96.02%
1982	7.0%**	104.78%

* Employer contribution funded through a single Court System operating appropriation each year

** Employee contribution rate applies only to members appointed after 7-1-78

Elected Public Officers Retirement System (EPORS):

The EPORS became effective January 1, 1976, and was repealed by referendum in October 1976. The system covers a defined group of elected officials and is closed to new members. Members of the EPORS included the governor, lieutenant governor, and members of the legislature during the period between January and October 1976. Elected public officers are now covered under the PERS.

Responsibility for the administration of the EPORS has been delegated by the Commissioner of Administration to the Director of the Division of Retirement and Benefits. The Commissioner of Administration adopts regulations as required for the EPORS.

A. Significant events in the EPORS

1976 EPORS created effective in January
Employee contribution rate of 7%
Normal retirement at age 60
Benefit Multiplier 5% for membership service; 2% for other credited service
Vesting requirement 5 years of membership service
Benefits automatically increase with salaries
Health insurance provided for benefit recipients and their dependents
EPORS repealed by referendum effective in October

1981 System reinstituted by State Supreme Court for all members participating when the repeal became effective

B. EPORS Contributions

Year	Employee Rate	Appropriations for Benefits
1976	7.0%	$ 15,900
1977-1980	7.0%	$ 15,900/yr
1981	7.0%	$225,100

B. EPORS Contributions (continued)

Year	Employee Rate	Appropriations for Benefits
1982	7.0%	$225,900
1983	7.0%	$292,900
1984	7.0%	$547,400

Minimum Eligibility For Normal Retirement

Most public retirement systems require a combination of age and service credit to qualify for normal (unreduced) retirement benefits. Basic requirements in the Alaska systems are:

PERS	Age 55 and vested or any age with 30 years of service.
PERS-P/F	Age 55 and vested or any age with 20 years of P/F service.
TRS	Age 55 and vested or any age with 20 years of membership service.
EPORS	Age 60 and vested.
JRS	Age 60 and vested.

Retirement Benefit Formula

Most retirement systems use a straightforward formula which uses a benefit multiplier, years of service, and salary. The exact meaning of salary is important and varies from system to system.

PERS	(2%) X (years of service) X (salary)

PERS-P/F	(2%) X (years of service) X (salary) for years 1-10 plus (2½%) X (years of service) X (salary) for all years greater than 10
TRS	(2%) X (years of service) X (salary)
EPORS	(5%) X (years of EPORS service) X (salary) plus (2%) X (years of other service) X (salary)
JRS	(5%) X (years of service) X (salary)

Emplovee Contribution Rate

Employee contribution rates for the Alaska systems are as follows:

PERS	4.25%
PERS-P/F	5%
TRS	7%
EPORS	7%
JRS	7% only for judges appointed on or after 7/1/78

Post Retirement Pension Adjustment (PRPA)

Ad hoc PRPA's in the PERS and TRS are provided if the cost of living has increased and if the condition of the fund permits. Alaska JRS and, in most cases, EPORS retirement benefits automatically increase as salaries for judges and elected officials increase.

Health Insurance

Health insurance is provided to benefit recipients and their dependents in the PERS, TRS, EPORS and JRS. The current monthly cost is $156.07 for each benefit recipient.

Comparison with Systems in other States:

This section compares the PERS and TRS with systems in other states. Twenty-four states have a single retirement system covering both teachers and public employees. We have used data from the "1982 Comparative Survey of Major Public Pension Plans" which is Appendix II. A recent survey comparing Judicial Systems in sixteen western states is included as Appendix III. The majority of states (39) provide benefits to judges that are more generous than the benefits provided to regular state employees. Only six states provide judges the same benefits as regular state employees.

Vesting

In comparing the Alaska PERS with other state employee systems, twenty-five states allow employees to vest after ten years of service.

Nineteen states, including Alaska, allow employees to vest with five years of service. The remaining states vest employees after 15 years (one state), eight years (one), four years (three) and one state allows employees to vest immediately.

In comparing the Alaska TRS with other separate state teacher systems, fourteen states allow employees to vest after ten years of service. Ten states vest employees after five years with New Jersey vesting after fifteen years and Alaska vesting after eight years.

Minimum Eligibility For Normal Retirement

The Alaska PERS standard for normal retirement is among the most liberal in the country. Half the states set normal retirement at age 65 with minimum service requirements ranging from four years to ten years. Another five states allow employees to retire without reduction at age 62; 17 states at age 60; and one state at age 58. Only Alaska and Hawaii allow normal retirement at age 55 with minimum service of five years. Other states which allow normal retirement at age 55 require service of 25 or 30 years. Of the 50 public employee retirement plans, 16 have a "30-and-out" provision, and four have a "35-and-out" provision.

The Alaska TRS is the most liberal of all the teachers' systems with retirement at age 55 or with only 20 years of service. Thirteen of the other teacher systems have a minimum eligibility requirement of age 60 with six of those requiring five years service, four requiring ten years, one requiring 20 years, and two having no service requirements. Eight systems have age 65 with from five to ten years service. Four systems have age 52 with two of those requiring ten years, one requiring 20 years, and one having no service requirement.

Retirement Benefit Formula

Comparing benefit formulas nationwide is not straightforward. Many state retirement plans are integrated with Social Security. Currently, 43 states participate in Social Security. Twenty-three of these have a benefit multiplier of less than 2%, one has a 2.0125 multiplier, and the remainder have variable multipliers. Of the seven states which do not participate in Social Security, three have a multiplier of 2.5%; three, including Alaska, use a multiplier of 2%; and one uses a variable multiplier with a maximum of 2.5%. Of the four states with a fixed multiplier higher than Alaska's, three do not provide Social Security or other supplemental benefits. Most employees of the State of Alaska are eligible to receive additional retirement income through the Supplemental Benefits System.

The benefit multipliers in other state teachers' systems range from 1% to 2.5%. Twelve states have benefit multipliers less than 2%, twelve (including Alaska) have multipliers equal to 2%, and two have multipliers greater than 2%. Please refer to Appendix II for more information.

Employee Contribution Rate

Employee contribution rates in Public Employees' systems vary from .25% to 8.95%. Six states do not require any employee contributions and one has a variable rate based on age. Of the states which require employee contributions, 30 have rates greater than 4.25%, and 12 have rates less than 4.25%.

Contribution rates in systems for teachers only range from 3% to 9.5% with one state having a variable rate. Five of the states having a defined rate have rates greater than 7%, and 19 have rates less than 7%.

Appendix II contains information about employee rates and also has information about the rates which employers pay.

Post Retirement Pension Adjustments

With the runaway inflation of the '70's, a major concern of most public retirement systems was to protect the purchasing power of benefits. Most public plans have adopted some method of increasing benefits. Twenty-two states increase benefits annually in response to changes in the Consumer Price Index (CPI). Seven states increase benefits annually from 1% to 6% independent of changes in the CPI. The remaining 21 states, Alaska included, provide ad hoc increases which depend on available funding.

Most teachers' systems have also adopted some method of increasing benefits. Ten of the systems increase benefits annually based on changes in the CPI; most of these place a maximum on the increase of 2% through 5% with one state, New Jersey, having a 66% of CPI formula. Three systems have automatic increases ranging from 1% to 3% with one state adjusting benefits annually in proportion to investment returns. The remaining twelve states, Alaska included, have ad hoc PRPA provisions.

Health Insurance

According to a survey published by Martin E. Segal Co., Alaska ranks at the top of the thirteen states which pay the full cost of at least one option of insurance coverage for retirees. In sixteen states the retiree pays the full cost while the state pays nothing.

Conclusions and Recommendations

Overall, benefits for employees in the retirement systems of the State of Alaska are more generous than those provided in the majority of other states. In general, the Alaska systems seem to be achieving the goal of attracting and retaining qualified employees but equity and efficiency could be improved. The results of our survey of PERS and TRS employers (see Appendix IV) support the conclusion that current benefits in those systems are adequate to achieve their purposes. We feel that consideration should be given to legislation in the following areas:

1. Post Retirement Pension Adjustments (PRPA's). Continuing to grant "ad hoc" PRPA's in the PERS and TRS will result in continuing increases in employer contribution rates, growth in unfunded liabilities, and reduced actuarial soundness of the funds. Also, we feel that retirees have a right to know in advance what protection they may expect from inflation. PRPA's should be automatic and actuarially funded. In order to contain costs, they should be provided to older retirees rather than those who are able to continue working or who are actually pursuing second careers. Enacting an automatic PRPA to replace 75% of the loss from inflation for retirees 65 and older would require approximately 6.65% of payroll in the PERS and 9.8% in the TRS.

   The JRS contains a provision (AS 22.25.020) which ties benefits to the salary of office and amounts to full cost of living protection. Considerable cost savings would result from applying the same automatic PRPA mechanism to the JRS that might be enacted for the PERS and TRS.

2. Cost Containment. We feel retirement cost savings could be achieved in the following areas to at least partially offset the cost of an automatic PRPA with the least impact on the systems' ability to attract and retain qualified employees About half of the PERS employers responding to our survey felt some cutbacks could be accomplished without unduly impairing effectiveness, but most TRS employers felt that benefit/cost reductions would unduly impair effectiveness.

- Requirements for normal retirement. Requirements for normal retirement in the Alaska PERS and TRS are lower than those in virtually all systems in other states. Providing lifetime retirement benefits to relatively young retirees is very expensive, particularly when medical coverage is included. Early retirement options provide an incentive for members to seek employment outside the system rather than remaining in the system. Life expectancy is increasing and the Social Security system is increasing the normal retirement age from 65 to 67. In light of all this, it is difficult to understand what public purpose is served by paying a retiree benefits for thirty or forty years in consideration of as little as twenty years of service.

  Increasing normal retirement age from 55 to 60 (early retirement at age 55) would cut costs by approximately 3.54% of pay in the PERS and 5.25% in the TRS. Eliminating the 20-and-out and other provisions which allow normal retirement at any age in the TRS with less than 30 years of service would reduce costs by about 1.65%.

Peace officers and firemen in the PERS also have the option to retire at any age with 20 years of service. While it is common to have special retirement provisions for police and fire members, a 20-and-out provision still counters the retention objective and consideration should be given to a temporary, retraining benefit in lieu of a lifetime benefit.

- Employee Contributions. Increasing the share of system costs borne by employees is an obvious way to help contain employer costs in a retirement system. Until 1971, the employee rate in the TRS equaled the sum of the employer and state matching rates; now it is less than half that amount. The employee contribution rate in the PERS was half the employer rate in 1968 when the FICA contribution was separated; now it is less than a third as much.

If an employer "pick up" arrangement were instituted, employee contributions could be increased quite a bit without any significant decrease in current take-home pay for the average employee. Appendix V shows the projected impact on take-home pay at various contribution rates under a "pick up" scheme. Taxes on picked up employee contributions would usually be deferred until retirement when the retiree is typically in a lower tax bracket.

- Cost of Living Allowance (COLA). The 10% COLA paid to retirees who reside in Alaska should at least be limited to retirees over the age of 65. This would save about 0.5% in the TRS and 0.8% in the PERS. Depending on the solution that emerges for the Longevity Bonus Program, the COLA might be eliminated altogether and reduce costs by 0.9% in the TRS and 1.2% in the PERS.

- Military Service Credit. Employees can now claim military service in the PERS and the TRS regardless of when the service was rendered, and even if a federal pension is being paid for the same service. Eliminating the "double dipping" on military service would improve equity and save an estimated 0.5% of pay in the PERS and 0.1% in the TRS.

- Medical Benefits. The premium paid in Alaska to provide lifetime major medical coverage for retirees in the PERS, TRS, JRS and EPORS is among the highest in the nation. These costs could be reduced by 1.8% of pay in the PERS and 2.0% in the TRS if these benefits were not provided until age 65; a retiree could be allowed to purchase insurance at the group rate prior to age 60, or at one-half the group rate between the ages of 60 and 65, or with 20 years of service.

3. Unified system. Ideally, members of the PERS, TRS and JRS should be covered by a single retirement system that incorporated an automatic, funded PRPA and cost-containment features such as those mentioned in this report. At this juncture, there do not appear to be any compelling reasons why the same basic features - PRPA, vesting,

contributions and qualifications for retirement - should not apply to all public employees. In the long run, a unified system would be more efficient and avoid questions of service portability and "leap-frogging". The political consensus necessary to create such a system would be difficult to achieve.

It is hoped that the background and recommendations in this report will prove useful to those concerned with legislation affecting state retirement systems in Alaska. The most desirable legislative proposal would feature an automatic, actuarially funded PRPA with an acceptable cost achieved by using some of the cost containment suggestions discussed in this report. It should be emphasized that the cost containment figures given are an indication of potential savings, but accurate fiscal information can't be produced until a specific proposal is formulated. For example, the cost savings for increasing the normal retirement age and increasing the age at which medical benefits begin are not additive because the benefits are interdependent. The Division of Retirement and Benefits will continue to provide whatever assistance it can in resolving the difficult issues that confront the legislature and the State of Alaska.