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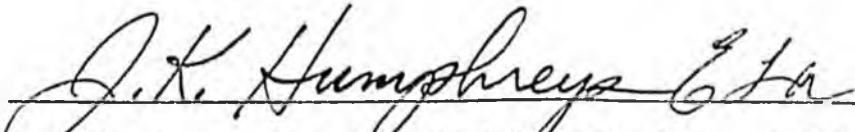
545

Position Paper

SB 545

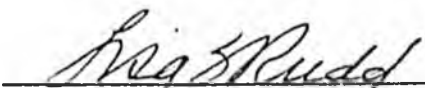
This bill would remove the deadline of February, 1983 for elected officials to claim credit for service as an elected official prior to January 1, 1981.

The Division of Retirement and Benefits publicized the original change in the law which made it possible to claim such service but it was not possible to identify and positively notify all members who were eligible to claim credit before the deadline. We estimate that 20 eligible members have asked to apply for service after the current deadline and we estimate that there would be 20 more eligible members. The department supports this bill.



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

4/ 13/ 84
Date



Lisa Rudd, Commissioner, Department of Administration

4/17/84
Date

Position Paper

HB 586 / SB 545

This bill would remove the deadline of February, 1983 for elected officials to claim credit for service as an elected official prior to January 1, 1981.

The Division of Retirement and Benefits publicized the original change in the law which made it possible to claim such service but it was not possible to identify and positively notify all members who were eligible to claim credit before the deadline. There are currently 20 eligible members who have applied for service after the current deadline and we estimate that there are an additional 20 eligible members who have not yet applied. The department supports this bill.

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

2/22/84
Date

Lisa Rudd
Lisa Rudd, Commissioner, Department of Administration

2/22/84
Date

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

(Page 1 of 2)

REQUEST

545 FISCAL DETAIL

Bill/Resolution No.: HB 586/58 Agency Affected: All State Agencies
Title: "An Act relating to PERS" Program Category Affected: PERS

Sponsor: Zharoff 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	-0-	47.0	50.7	54.8	59.2	63.9
200 Travel						
300 Contractual						
400 Supplies						
500 Equipment						
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	47.0	50.7	54.8	59.2	63.9
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

General Fund	42.5	45.9	49.6	53.5	57.8
Federal Funds	2.2	2.4	2.6	2.8	3.0
Other	2.3	2.4	2.6	2.9	3.1
Total	47.0	50.7	54.8	59.2	63.9

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, Director Phone: 465-4460
Division: Retirement & Benefits Date: 2-22-84

Approved by Commissioner: Lisa Rudd Date: 2/22/84
Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

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

Fiscal Note

SB 545 TITLE & SPONSOR SUMMARY

16:48 6/04/84 PAGE 1 OF 2

RENDED TITLE:

AN ACT RELATING TO BENEFITS FOR ELECTED OFFICIALS UNDER
THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM,
AND PROVIDING FOR AN EFFECTIVE DATE

PRIME SPONSOR: SENATE LABOR&COMM COMMITTEE.

CO-SPONSORS:

CURRENT STATUS: 4/18/84 IN (S) FINANCE

SB 545 SENATE ACTION

16:48 6/04/84 PAGE 2 OF 2

DATE	SEQ	PAGE	LEGISLATIVE ACTION
6/09/84	01	2668	FIRST READING -- COMMITTEE REPORTS
6/18/84	02	2761	L&C -- DPO4
4/18/84	03	2761	L&C F/NOTE SEN SUPPL #74 FINANCE RULES

XXXX X X XXX XXX XXX

COMMITTEE REPORT

SENATE

FURTHER: FINANCE

4/9/54

Date 4/17/54

Mr. President

The Committee on FINANCE & CREDIT considered SB 545

benefits for elected officials under the public employees' retirement system, 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

 Chairman

 Chairman recommendation

Fred C. Brechan

BOX 1275
KODIAK, ALASKA 99615
(907) 486-3215

January 26, 1984

Mr. Fred Zharoff
State Representative for
13th District
Juneau, Alaska 99811

Dear Fred:

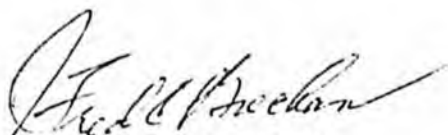
Enclosed is a copy of my most recent correspondence regarding the nine years service in Borough and City government.

I would have paid contributions and made my claim if I had ever been notified of my eligibility.

I feel that I am entitled to participate in the Public Employees Retirement program; or is this just a program for the chosen few.

I appreciate anything you can do in this regard.

Sincerely yours,



Fred C. Brechan

FCB:njm
Enclosures

Reason for Introduction

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT & BENEFITS

POUCH CR

JUNEAU, ALASKA 99811

(907) 465-4463

Public Employees Retirement System
Teachers' Retirement System
Judicial Retirement System
Elected Public Officers Retirement System
National Guard Retirement System
Tribal Retirement System
Retired Volunteer State Game Auditor Plan
Supplemental Benefits System
Group Health Life Insurance Benefits
Deferred Compensation Plan
Public Employers Social Security Contributions

Bill Sheffield, Governor

January 24, 1984

Mr. Fred Brechan
P.O. Box 1275
Kodiak, AK 99615

Dear Mr. Brechan:

This is in reply to your request for information on claiming your nine prior years service as an elected official with Kodiak Island Borough and the Kodiak City Council before January of 1974.

At this time, the PERS statutes do not allow retroactive credit for service prior to January 1, 1981. This was possible if you had made your claim and paid the contributions prior to February 1, 1983. Unfortunately, you missed that deadline and prior elected official service is not currently creditable.

Sincerely,



Sue Palmer
Retirement Field Representative

SF/je
20/801/0123-01
Enclosure

Fred C. Breehan
BOX 1275
KODIAK, ALASKA 99515
(907) 886-3215

December 23, 1983

State of Alaska
Dept. of Administration
Division of Public Account Services
Pouch CR
Juneau, Alaska 99811

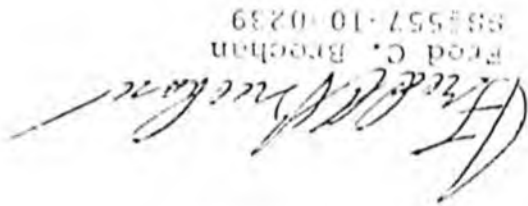
Attention: Ms. Sue Palmer

Dear Ms. Palmer:

To answer your letter of December 19, 1983, I am not an elected official at present. I am interested in prior service. Enclosed are letters pertaining to my years of service in Borough and City government.

I served two three-year terms on the City Council and one three-year term on Kodiak Island Borough.

Sincerely yours,



Fred C. Breehan
887557-10-0239

rvb:njm

Enclosure

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT & BENEFITS

POUCH CR

JUNEAU, ALASKA 99811

(907) 465-4463

Teachers' Retirement System
Judicial Retirement System
Elected Public Officers Retirement System
National Guard Retirement System
Trustees Retirement System
Retirees Voluntary Dental Medical Insurance Plan
Supplemental Health Insurance System
Group Health Life Insurance Benefits
Deferred Compensation Plan
Public Employees Social Security Coverage

Bill Sheffield, Governor

December 19, 1983

Mr. Fred C. Brechan
P.O. Box 1275
Kodiak, AK 99815

Dear Mr. Brechan:

This is in response to your letter received November 16 regarding Public Employee Retirement System (PERS) credit for your service as an elected official with both the City of Kodiak and the Kodiak Island Borough, both of which participate in PERS.

For your information I am enclosing a copy of the PERS statute 39.05.125 which deals with participation of elected officials.

If you were a compensated (by City or Borough) elected official after January 1, 1981, you are required to participate in PERS unless you filed a waiver of participation with your employer.

Elected official service prior to January 1, 1981 could have been credited if it had been claimed and paid for by February 1, 1983.

You did not state whether you are currently an elected official or if you were only interested in prior service. This information should help clarify your situation in regard to PERS.

Sincerely,



Sue Palmer

Retirement Field Representative

SP/sn
27/CD3/1216-15

TRANSCRIPT - House State Affairs Committee, HB 586
Testimony by Ken Humphries

check with municipal leaders for support!

Humphries: Thank you Mr. Chairman, for the record my name is Ken Humphries, I'm Director for the Division of Retirement and Benefits. Briefly, what HB 586 does is to instead of extending again a deadline which was imposed in the law, it removes it altogether. We're willing to support this primarily because we were unable, even though we made as good an effort as we could, we were unable to positively contact all of the people who might claim such service. What it basically is, is prior to 1981, elected officials could either elect to be covered by the PERS or not as they chose. This caused problems in the system so in 1981, participation was made mandatory for elected officials unless they execute a waiver of coverage. An employer basically has to have something in the file or else go ahead and submit the contributions. It takes some of the doubt out of it and at the same time officials were allowed to claim service prior to that date. The original deadline was February 1982, that was subsequently extended to February 1983 and as of right now, we have received about 20 applications since that time which are after the deadline. People have failed to claim that service because we were unable to send all of them a letter and advise them. We ran ads in the newspapers, we notified employers, we asked people who knew people that might have such service to get in touch with them, but clearly it was just not possible to get them all. For this reason, if it's equitable to allow somebody to claim this service, its reasonable to allow them to claim it either now or two years down the road or at the time of retirement. The only thing we suggested was that at least let's establish a date certain here from which interest will accrue so that somebody is not advantaged by waiting by five years down the line to claim the service over someone who did hear about it and claimed it within the deadline, basically. So, for these reasons and the fact that the fiscal impact is not great, we're supporting the bill.

Rep. Lacher: Would this be costing the municipalities at all?

Humphries: This cost shown here is State costs and I apologize for not having that in the analysis, but I would estimate that the cost spread over all the municipalities would probably be \$40,000. Not an appreciable cost, it would probably be about the ratio of the membership, approximately 50/50, a little over 50% of the members are State, so I would say somewhat less than the 47,000 spread over all the municipalities. It's not substantial at this point.

Rep. Lacher: Would the municipalities pay that plus interest?

Humphries: Well, no, the interest that's spoken to in the bill refers only to the employee contributions. That is what is required in the member to pay at the time he claims the service. The cost to employers is reflected only in the experience as it percolates through the actuarial evaluational process.

Rep. Lacher: Then what you're saying is that your program would be deficient some dollars, whatever..

Humphries: Yes.

House Minutes on identical bill

Rep. Lacher: That's true? And so you're allowing it to be deficient the amount of dollars the municipalities might have been accumulating in interest but not the amount of dollars that the employer has to pay.

Humphries: Exactly. The actuary would increase the contribution rate by .01 percent to reflect this and then over time as is done with any other type of retroactive benefit change that has retroactive effect, after that initial rate-setting then rates are always set on the experience anyway. In other words, on an employer-by-employer basis, the actuary will go through, look at the proportionate assets that are allocated to that particular employer, the liabilities for that particular employer based on the age and service mix and so forth for that employer and determine the rate that will be applicable in the next fiscal year for that employer. So it's an experience-rated plan and not only can legislation like this make a difference, of course this is a slight difference, but for small employers as you are probably aware if you deal with the municipalities, the composition of the workforce for a small employer like that can make a lot more difference in the rate than a small change in the benefit structure.

Rep. Lacher: Just one more thing. Last year, if I remember correctly, we appropriated funds in order to make the retirement program well, or at least some retirement programs. It was necessary because over time there was not enough money to pay the benefits to all the people. Is that correct? Representative Miller was instrumental in that. Okay. I'm wondering if, in fact, the \$47,000 does indicate [pause] will this change anything for the program by adding this many more people and just getting the \$47,000 plus whatever the municipalities have to pay, would we then be reducing the costs of the benefits for other people?

Humphries: No. There's no way. We could produce a very, very slight decrease in the so-called funding ratio. There is no possibility that it could have any effect on anyone's benefits except to slightly increase it or maybe more than slightly increase the benefit of some former elected official who might claim this service.

Rep. Cowdery: Yes, does this, uh, we talked about former municipals, does this distinguish which elected officials we're talking about?

Humphries: I believe it applies to elected officials, period. And it could be former legislators as well who were not covered prior to 1981.

Rep. Cowdery: Does the other body or the Senate retirement program come under this:

Humphries: Yes. Unless its members are covered under EOFFRS (word unclear) I think there are still some 26 legislators who are active now who are covered under that system, but under PERS it would.

Rep. Larson: Basically, in relation to the fiscal note, it's my understanding the State will have to come up with an additional \$47,000 and the municipal government will have to come up with approximately \$40,000. But the individuals themselves, in order to claim prior time will also have to come with the amount that they would have had to pay if they in fact were in the system at that time.

Humphries: Yes.

Rep. Larson: But on their portion, their interest does not start until July 1, 1984.

Humphries: That's correct.

(No further questions.)