

S

B

415

SENATE STATE AFFAIRS COMMITTEE

Date received \_\_\_\_\_

Bill Number \_\_\_\_\_ Title \_\_\_\_\_

Fiscal Note	Position Paper	Date requested	From	Amount	Date Rec'd	
					Note	Paper
4		4/15/84	Retirement	2,753,229.96		

CONTACTS

Backup list

Bob Stalroder (by monkey)  
 Paula Scavens / Monday  
 Called APTA 2/15/84

memo to 415  
~~position paper~~  
~~fy note~~  
 Sectional analysis  
 from Retirement  
 Statutes

HEARING INFORMATION

This Bill to include TRS  
 (take up on Tuesday)  
 Lynn Asper

fiscal note

NOTES:

- who is going to benefit.
- 1) people who are re-employed at a higher salary.
  - 2) early retirees
  - 3) level income option.

FINAL ACTION \_\_\_\_\_ DATE \_\_\_\_\_

Ken Humphries

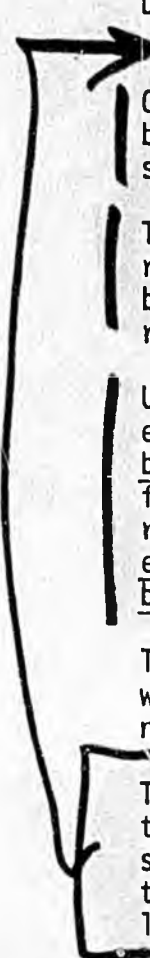
Senator Vic Fischer - Div. Retirement (907) 465-4954

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



MEMORANDUM

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



~~SEN. RAY agreed to SSA version~~

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.

Bob Stalvaker  
Div Ret

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.

# ALASKA STATE LEGISLATURE

SENATE STATE AFFAIRS COMMITTEE

SENATOR VIC FISCHER, CHAIRMAN

POUCH V, JUNEAU 99811

(907) 465-4954



*This was distributed  
to each legislator  
for their desks*

## MEMORANDUM

TO: All Senators

FROM: Senator Vic Fischer, Chair  
Senate State Affairs Committee

RE: CSSB 415 (SA) Employment benefits under PERS and TRS

DATE: April 26, 1984

**NEW TITLE**

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.

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 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.

All Senators  
May 8, 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.

## Sectional Analysis of CS SB 415 (State Affairs)

Section 1 would repeal and reenact AS 14.25.043 to allow a reemployed TRS 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 14.25.012) by encouraging qualified retirees to return to covered employment. In addition, this section would ensure that retirees who had selected early retirement 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 14.25.167(a) 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 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 4 would amend AS 39.35.450(e) to coincide with the new language in section 3 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 5 would make the bill effective July 1, 1984.

SENATE BILL NO. 415 by Senator Ray, entitled:

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

was read the first time and referred to the State Affairs Committee and the Finance Committee.

The State Affairs Committee considered SENATE BILL NO. 415 (employee benefits under the Alaska Employees' Retirement System) and recommended it be replaced with

CS FOR SENATE BILL NO. 415 (SA), entitled:

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

with a majority do pass. The report was signed by Senator Vic Fischer, Chairman and concurred in by Senators Sturgulewski and Ray.

Fiscal note appears in Senate Supplement No. 60.

SENATE BILL NO. 415 was referred to the Finance Committee.

The Finance Committee considered SENATE BILL NO. 415 (employee benefits under the Alaska Employees' Retirement System; efd) and recommended the State Affairs Committee Substitute be adopted. The report was signed by Senator Bennett, Co-Chairman and concurred in by Senators Vic Fischer and Sackett. Senators Josephson, Mulcahy, Ferguson and Faiks signed "no recommendation".

SENATE BILL NO. 415 was referred to the Rules Committee.

added in SSA #111.9  
Original Bill (#328.9)

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  
member's salary shall be made in accordance with AS 14.25.050. Upon  
subsequent retirement, the retired member's original benefit payments  
shall resume and the member shall receive an additional pension  
calculated under (b) of this section.

DISCONTINUES  
BENEFITS WHEN  
MEMBER IS  
REEMPLOYED

OUTLINES METHOD.  
FOR CALC. DEDUCTION

(7% OF BASE SALARY)

Orig. BENEFIT  
ADDITIONAL  
BENEFIT

OUTLINES  
WHAT THE  
ADDITIONAL  
PENSION  
WILL BE:

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:

*Technical Section*

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

*Section  
1 of Bill.*

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.

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: (in 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						
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 Phone: 465-4460  
Division: Retirement & Benefits Date: 2-16-84

Approved by Commissioner: Lisa Sudd 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.

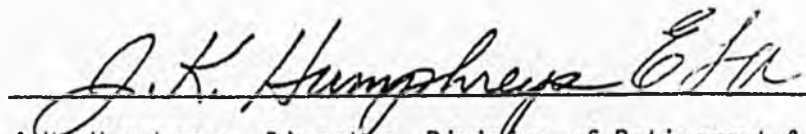
The present value of the cost of this bill is \$2,880,000.00; this would produce a .29% decrease in the funding ratio.

Position Paper

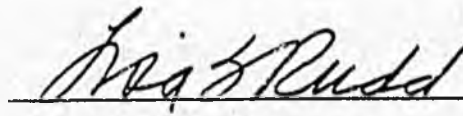
SB 415

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.

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

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

$$\$886.76 - \$780 + \$45.06 = \$151.82$$

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

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

# ALASKA STATE LEGISLATURE

SENATE STATE AFFAIRS COMMITTEE

SENATOR VIC FISCHER, CHAIRMAN

POUCH V, JUNEAU 99811

(907) 465-4954



## MEMORANDUM

TO: All Senators

FROM: Senator Vic Fischer, Chair  
Senate State Affairs Committee

RE: CSSB 415 (SA) Employment benefits under PERS and TRS

DATE: April 26, 1984

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.

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 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.

All Senators  
May 8, 1984  
CSSB 415 (SA)  
Page 2

Fiscal note dated 3/1/84

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## Sectional Analysis of CS SB 415 (State Affairs)

Section 1 would repeal and reenact AS 14.25.043 to allow a reemployed TRS 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 14.25.012) by encouraging qualified retirees to return to covered employment. In addition, this section would ensure that retirees who had selected early retirement 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.

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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 4 would amend AS 39.35.450(e) to coincide with the new language in section 3 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 5 would make the bill effective July 1, 1984.

MEMORANDUM

TO: Members, Senate Finance Committee  
FROM: Senator Vic Fischer  
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.

Sectional Analysis of Senate Bill 415

DIVISION OF RETIREMENT

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.

Average monthly compensation x 2% x credited service = Formula benefit

$$\$2,500 \times 2\% \times 17.0 \text{ years} = \$850$$

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.

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

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

$$\$886.76 - \$780 + \$45.06 = \$151.82$$

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

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

to claim credited service under this subsection unless he is reemployed as an active member and claims the credited service before February 1, 1982. Service as an elected official with an employer constitutes employment as an active member so long as no waiver of coverage under (a) of this section is in effect.

(c) An elected official included in the system and his employer are liable for contributions whenever he is an elected official unless a waiver of coverage under (a) of this section is in effect. (§ 2 ch 155 SLA 1966; am § 3 ch 159 SLA 1972; am § 1 ch 254 SLA 1976; am § 19 ch 128 SLA 1977; am §§ 8, 9 ch 82 SLA 1979; am § 28 ch 146 SLA 1980)

**Effect of amendments.** — The 1976 amendment added subsections (d) and (e).

The 1977 amendment substituted "an employer" for "a participating employer" at the end of subsection (b).

The 1979 amendment inserted "other than a state legislator who is an active member of the teachers' retirement system" in the introductory language of subsection (a) and in subsection (c).

The 1980 amendment, effective January 1, 1981, rewrote the section.

**Editor's note.** — Section 46, ch 146, SLA 1980, effective January 1, 1981, provides: "AS 39.35.125 (a), as reenacted in § 28 of this Act, applies to an elected official holding office on or after January 1, 1981, even though he may have assumed office before that date."

### **Sec. 39.35.130. Termination of participation.**

Repealed by § 55 ch 128 SLA 1977.

**Editor's note.** — The repealed section derived from § 5, ch. 143, SLA 1960.

### **Sec. 39.35.140. Re-employment of former employees.**

Repealed by § 55 ch 128 SLA 1977.

**Editor's note.** — The repealed section derived from § 6, ch. 143, SLA 1960.

**Sec. 39.35.150. Re-employment of retired employees.** If a retired employee subsequently becomes an active member, no benefit payments will be made during the period of re-employment. During the period of re-employment, deductions from the employee's salary will be made in accordance with AS 39.35.160. Upon subsequent retirement, the retired employee is entitled to receive an additional pension based on the credited service and the average monthly compensation earned during the period of re-employment in accordance with AS 39.35.370. (§ 7 ch 143 SLA 1960; am § 4 ch 109 SLA 1970; am § 4 ch 159 SLA 1972; am § 11 ch 1 SLA 1974; am § 20 ch 128 SLA 1977)

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

**Legislative history report.** — For report on ch. 159, SLA 1972 (FCCS HCS

CSSB 264), see 1972 House Journal, p. 92A.

**Election to state legislature.** — A retired state employee was considered

"re-employed" by the state on a "regular full-time basis" if he were elected to the state legislature. 1965 Op. Att'y Gen., No. 4, issued prior to the 1977 amendment. But see AS 39.35.125.

A former territorial employee, retired

under the Public Employees Retirement Act of 1949, was entitled to receive both his salary as a legislator and his retirement benefits while he served in the state legislature. 1965 Op. Att'y Gen., No. 4, issued prior to the 1977 amendment.

**Sec. 39.35.153. Army and air national guard employees.** Regular full-time civilian employees of the Alaska Army National Guard and Air National Guard, whose entire salary is paid from allotted federal funds, are included in this system, if the federal or state government pays the employer's contributions. If the amount which the federal government may legally contribute to the system is lower than the required employer's contribution, the state government shall contribute the difference. If the employer's contributions are not paid when due, no service credit for the period of delinquency will be granted until the contributions are paid. (§ 1 ch 53 SLA 1965)

**Sec. 39.35.154. North Pacific Fishery Management Council employees.** Employees of the North Pacific Fishery Management Council appointed under 16 U.S.C. 1852(f)(1) (§ 302(f)(1) of P. L. 94-265), whose compensation is paid from allotted federal funds, are included in the system if the council pays the employer's contributions. If the employer's contributions are not paid when due, no credited service for the period of delinquency may be granted until the contributions are paid. (§ 1 ch 86 SLA 1977)

**Legislative history report.** — For report on ch. 86, SLA 1977 (CSSB 135), see

1977 House Journal, p. 1206; 1977 Senate Journal, p. 535.

**Sec. 39.35.155. Former magistrates. [Obsolete]**

**Revisor's note.** — This section is obsolete. It reads as follows: "A magistrate who terminated his employment before July 1, 1977 may be included retroactively in the system and receive service credit for time previously served as a magistrate if,

before July 1, 1978, he makes retroactive contributions equal to what he would have made if he had been participating in the system."

**Editor's note.** — The obsolete section derived from § 21, ch. 128, SLA 1977.

**Sec. 39.35.157. Alaska State Office in Tokyo employees. [Obsolete]**

**Revisor's note.** — This section is obsolete. It reads as follows: "An employee of the Alaska State Office in Tokyo (AS 44.19.082) who, before July 1, 1979, was not treated as being included in the system may be included retroactively in the system and receive service credit time previously served as an employee if, before July 1, 1980, he authorizes the state to contribute to the system the amount held

**Office in Tokyo employees.**

by the state on his behalf in an individual account in the Far East severance account in the Department of Administration. If the employee does not elect to be included in the system retroactively, the state shall pay the employee the amount held by the state on the employee's behalf in the Far East severance account on July 1, 1980, at the rate of 300 yen to one dollar."

sentence, and added the third sentence. In subsection (c), the amendment substituted "surviving child's" for "survivor's" in the present first sentence, "for the month" for "on the first day of the month" in the present first and second sentences, and "surviving spouse or child" for "beneficiary" in the present second sentence.

The 1977 amendment in subsection (b), substituted "disabled" for "retired" and "benefit" for "pension" in the first sentence and "dependent children of the employee" for "children of the employee, including

those adopted, who are either under 19 years old or under 23 years old and registered at and attending on a full-time basis an accredited educational or technical institution recognized by the Department of Education" in the second sentence. The amendment also rewrote subsection (c), and repealed subsection (d), which read "Payment of benefits under this section shall be reduced by any workman's compensation or wage continuation payments which are available to the survivors and which are attributable to the employers."

**Sec. 39.35.450. Joint and survivor option.** (a) Benefits payable under this section are in place of benefits payable under AS 39.35.370. Upon filing an application with the administrator, an employee may designate his or her spouse or a dependent approved by the administrator as the contingent beneficiary. The benefit shall be determined in accordance with one of the following options elected:

(1) the employee is entitled to receive a reduced benefit payable for life, and payments in the amount of 75 percent of the reduced benefit shall, after the employee's death, be continued to the contingent beneficiary for life;

(2) the employee is entitled to receive a reduced benefit payable for life, and payments in the amount of 50 percent of the reduced benefit shall, after the employee's death, be continued to the contingent beneficiary for life;

(3) the employee is entitled to receive a reduced benefit payable during the joint lifetime of the employee and the contingent beneficiary, and payments in the amount of  $66\frac{2}{3}$  percent of the reduced benefit shall, after the death of either the employee or the contingent beneficiary, be continued to the survivor for life.

(b) The aggregate of the pension payments expected to be paid to an employee and his contingent beneficiary under the options set out in (a) of this section shall be the actuarial equivalent of the pension which the employee is otherwise entitled to receive upon retirement.

(c) An employee may elect, change, or revoke an option without the approval of the administrator if his election, change, or revocation is filed in writing with the administrator before the effective date of his retirement.

(d) A member, including a deferred vested member, may, regardless of his age, elect a joint and survivor option any time before appointment to receive a retirement benefit.

(e) If either the employee or contingent beneficiary dies before the employee is appointed to retirement, the election becomes inoperative. Once the employee is appointed to retirement, the election is irrevocable. If a retired employee is reemployed and is subsequently reappointed to retirement, those benefits earned during the period of

§ 39.35.401 PUBLIC OFFICERS AND EMPLOYEES § 39.35.470

reemployment are subject to the initial election made under this section, unless the contingent beneficiary is deceased. If the contingent beneficiary is deceased, the benefits earned during the period of reemployment are subject to AS 39.35.370 or this section if another contingent beneficiary was elected during the period of reemployment. All other benefits earned during prior periods of employment are subject to the election at the time the employee was appointed to retirement. If death occurs from nonoccupational causes during the period of reemployment, those benefits earned while reemployed are subject to AS 39.35.420(b). All other benefits earned during prior periods of employment are subject to the election at the time the employee was appointed to retirement. If death occurs from occupational causes during the period of reemployment, all benefits earned during all periods of employment are subject to AS 39.35.430(b) and (c). (§ 26 ch 143 SLA 1960; am § 8 ch 235 SLA 1968; am § 12 ch 159 SLA 1972; am §§ 24 — 26 ch 1 SLA 1974; am § 6 ch 81 SLA 1976; am § 45 ch 128 SLA 1977)

**Effect of amendments.** — The 1976 amendment repealed subsection (e), providing when an election made under this section becomes inoperative. The 1977 amendment rewrote this section.

**Sec. 39.35.451. Spouse survivor benefits under Public Employees Retirement Act of 1949.** A person whose spouse is receiving retirement benefits under the Public Employees Retirement Act of 1949 on July 1, 1972 is entitled to survivor benefits for life in the amount of the retirement benefits received by the retired employee. (§ 13 ch 159 SLA 1972)

**Sec. 39.35.460. Level income option.** If the payment of an early retirement pension begins before the earliest age as of which the employee becomes eligible for a primary social security benefit, the amount of pension payable before and after that age may be adjusted so that an increased amount will be paid before the time that social security benefits become available and a reduced amount after that time, so that the employee will receive a level retirement income. The aggregate value of all adjusted payments, however, shall not exceed the actuarial equivalent of the value of the pension otherwise payable to the employee. (§ 27 ch 143 SLA 1960)

**Sec. 39.35.470. Other forms of payment.** If a pension payable under the system is less than \$25 a month, the board may direct that, instead of the pension, the actuarial equivalent of it shall be paid in a lump sum, or in a series of uniform monthly, quarterly, or annual amounts for less than for a designated period of time. (§ 28 ch 143 SLA 1960)

Bob Stalnek

explanation of B.

reempl.

benefit stops

re retire

① formula benefit ( ) what normal  
(# 4) (↑ salary highest) (2%) retirement  
would =

if the person had not previously  
retired.

② subtract what their former  
benefit was,

difference =

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)

	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						
TOTAL OPERATING	-0-	328.9	355.2	383.7	414.4	447.5
<u>CAPITAL</u>						
<u>REVENUE</u>						

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 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)

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.

Draft

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 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.

Average monthly compensation x 2% x credited service = formula benefit

$$\$2,500 \times 2\% \times 17.0 \text{ years} = \$850$$

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

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

Draft

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

The employee works for four years after becoming reemployed at an annual 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 \$3350.

$$\text{New Formula Benefit} = \$3350 \times 2\% \times 21.0 \text{ years} = \$1407$$

$$\begin{aligned} \text{Additional Benefit} &= \text{New Formula Benefit} - \text{Old Formula Benefit} \\ &\quad (\text{including PRPA's}) + \text{Adjustment (if appropriate)} \end{aligned}$$

$$\$487.64 = \$1407 - \$919.36$$

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

$$\$1407 = \$919.36 + \$487.64$$

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,

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

Draft

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.

Since the formula benefits are the same, the additional pension is the same and the new, actual benefit is

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

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

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT & BENEFITS

POUCH CR

JUNEAU, ALASKA 99811

Public Employees' Retirement System  
Teachers' Retirement System  
Judicial Retirement System  
Elected Public Officers Retirement System  
National Guard Retirement System  
Territorial Retirement System  
Retirees' Voluntary Dental-Vision-Audio Plan  
Supplemental Benefits System  
Group Health/Life Insurance Benefits  
Deferred Compensation Plan  
Public Employees Social Security Contributions

Bill Sheffield, Governor

(907) 465-4460

February 27, 1984

Honorable Vic Fischer  
Chairman  
State Affairs Committee  
Pouch V  
Juneau, AK 99811

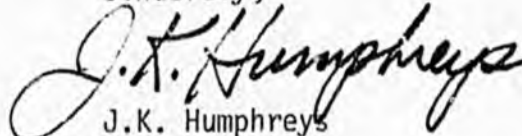
Dear Mr. Chairman:

This letter is to supply you with an estimate of the fiscal impact of including Teachers' Retirement System (TRS) members under the provisions of SB 415. These figures are tentative pending receipt draft substitute bill for review.

As in our current fiscal note to SB 415, we have estimated that approximately 2½% of all retirees in both PERS and TRS would exercise this option and that it would result in an average increase of 20% of their benefit. This is estimated to result in a .07% increase in the PERS employer contribution rate for an FY 85 cost of \$328,900.00 based on an estimated FY 85 PERS salary of \$469,878,512.00. The TRS employer contribution rate would increase by approximately .1% of FY 85 TRS estimated State salaries of \$379,349,180.00, yielding an FY 85 TRS cost of approximately \$443,000.00. The total FY 85 estimated state cost would be \$771,900.00.

If we can be of any further assistance, please contact me.

Sincerely,

  
J.K. Humphreys  
Director

JKH/sf

cc: Commissioner Lisa Rudd  
Eleanor Andrews  
Rebecca Burch



# Alaska State Legislature

## Senate Committee on State Affairs

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

Official Business

### MEMORANDUM

TO: Senate State Affairs Committee

FROM: Senate State Affairs Committee Staff ✓

RE: SB 415 Reemployment of retired PERS members

DATE: February 21, 1984

SB 415 addresses reemployment of retired members of the PERS by any participating employer. This bill would allow contributions made by those members during their period of reemployment to be calculated along with their original contributions to determine benefits for their second retirement. Upon retiring the second time, the employee would receive a pension adjusted to reflect their second period of retirement outlined on page 1, (b) of the bill.

The employee would not be able to change their original retirement option, but may choose a different retirement option for the period of reemployment.

The 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 bill has a July 1, 1984 effective date clause.

### Fiscal information

During FY '85, the impact of this bill is \$328.9 thousand dollars.

### Back-up information

A sectional analysis with appendix from the Division of Retirement.  
A fiscal note from the department of Administration.  
A copy of relevant statutes.



Official Business

# Alaska State Legislature

## Senate Committee on State Affairs

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

### MEMORANDUM

TO: Senate State Affairs Committee

FROM: Senate State Affairs Committee Staff

RE: CSSB 415 (state affairs) reemployment benefits for TRS and PRS members

DATE: February 28, 1984

This bill was carried over from last Thursday's meeting. The Committee requested the Division of Retirement to provide the costs of including TRS members under this bill (see attached letter from the division).

The proposed committee CS expands SB 415 to include the reemployment of retired persons under TRS.

Section 1 and 2 address reemployment and benefits for TRS. Sections 3 and 4 which parallel sections 1 and 2 contain the original language on the reemployment of PERS members.

### New fiscal information

The estimated cost for including TRS members is \$443,000 thousand for FY '85.

### New back-up information

Letter from the Division of Retirement

## 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 retiree period.

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

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

$$\$886.76 - \$780 + \$45.06 = \$151.82$$

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

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

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT & BENEFITS

POUCH CR

JUNEAU, ALASKA 99811

Public Employees' Retirement System  
Teachers' Retirement System  
Judicial Retirement System  
Elected Public Officers Retirement System  
National Guard Retirement System  
Territorial Retirement System  
Retirees' Voluntary Dental-Vision-Audio Plan  
Supplemental Benefits System  
Group Health/Life Insurance Benefits  
Deferred Compensation Plan  
Public Employers Social Security Contributions

Bill Sheffield, Governor

(907) 465-4460

March 12, 1984

Honorable Vic Fischer  
Chairman  
Senate State Affairs Committee  
Pouch V  
Juneau, AK 99811

Dear Chairman Fischer:

Following the hearing on CSSB 415(SA) in the Senate State Affairs Committee, you requested a letter that would show how an employer can save money on retirement by reemploying a retiree rather than a new employee. The following example will not only show how the employer can save but also how the reemployed retiree would benefit from the provisions of CSSB 415(SA).

Assume that a 60 year old retiree with 20 years of service in the Public Employees' Retirement System (PERS) and a final average salary of \$3,000 per month is reemployed in the PERS at a salary of \$4,000 per month. The employee's monthly benefit of \$1,200 ( $20 \times 2\% \times \$3,000$ ) is stopped upon reemployment under both the current law and CSSB 415(SA). The major medical coverage, with a current monthly premium of \$156, is also stopped during reemployment. If we further assume that the employee works for five years, until age 65, and then retires again, the present value of the savings to the system at the second retirement resulting from the benefit and medical coverage being stopped would be \$71,453. To show the amount saved, we need to compare this figure with the present value of the benefit increase resulting from the period of reemployment under current law and under the provisions of CSSB 415(SA).

Under current law, the additional monthly benefit would be computed by multiplying the five additional years of service times 2% times the \$4,000 monthly salary; this \$400 additional monthly benefit would have a present actuarial value at the time of reemployment of \$26,595. Taking the difference between the \$71,453 of savings from stopping benefits, we see that the net savings for the system is \$44,858.

Under the provisions of CSSB 415(SA), the additional benefit resulting from the period of reemployment would be greater because the higher, \$4,000 monthly salary during the period of reemployment can be "applied" to the earlier service. Under CSSB 415(SA), the additional monthly benefit would be:

Honorable Vic Fischer  
March 12, 1984  
Page 2

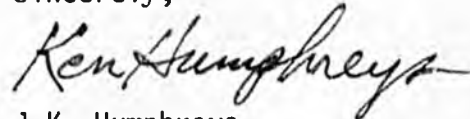
(total service) 25 years x 2 % x (salary) \$4,000 = \$2,000	
<u>less</u> the amount of the original benefit	<u>-\$1,200</u>
additional monthly benefit from reemployment	\$ 800

The actuarial present value of this benefit at the time of reemployment, over the expected life of the retiree, is \$53,184. Again taking the difference between this figure and the savings resulting from stopping the benefit during the period of reemployment, we see that the system has still saved \$18,289.

The point that I hope this example illustrates is that the reemployment of retirees can result in savings under both the current law and CSSB 415(SA). If other factors are equal, the same or greater savings would result under current law; however, if more retirees reentered service in the system as a result of the proposed change, savings there could reduce the estimated fiscal impact.

Please let me know if you would like further information.

Sincerely,



J.K. Humphreys  
Director

JKH/mm

cc: Members of the Senate State Affairs Committee  
Eleanor Andrews  
Rebecca Burch

ST

March 29, 1984

Honorable Vic Fischer  
Chairman  
Senate State Affairs Committee  
Pouch V  
Juneau, AK 99811

Dear Mr. Chairman:

The Public Employees' Retirement Board, at its spring meeting in Juneau on March 28, 1984, unanimously passed a motion in support of CSSB 415 (SA).

The Board believes that this bill will not only further the purpose of the Public Employees' Retirement System (PERS) but will also remove an existing inequity. The bill would remove some of the disincentive for qualified retirees to return to PERS employment by allowing them to apply their highest earnings to the total period of credited service, not just to the reemployment period. It would preserve the irrevocability of retirement options, thereby keeping the cost of joint and survivor options at an affordable level for members, and allow members freedom to select a different retirement option for the period of reemployment. In addition, the bill would remove an existing inequity in the law which disadvantages early retirees who return to employment during the early retirement period and those who have chosen a level income option who return to employment before age 65.

We respectfully request your support of CSSB 415 (SA) which we believe is beneficial for the members and fiscally responsible for the system.

Thank you.

Sincerely,

*C.R. "Steve" Hafling*  
C.R. "Steve" Hafling, Chairman  
Public Employees' Retirement Board

Board Members:

Ben Humphries  
Marlene Johnson  
Mary Notar  
J.P. "Pat" Wellington

cc: PERS Board Members  
Rob Johnson  
Eleanor Andrews  
Ken Humphreys

MEMORANDUM

TO: Senate State Affairs Committee  
FROM: Senate State Affairs Committee Staff  
RE: SB 415 Reemployment of retired PERS members  
DATE: February 21, 1984

SB 415 addresses reemployment of retired members of the PERS by any participating employer. This bill would allow contributions made by those members during their period of reemployment to be calculated along with their original contributions to determine benefits for their second retirement. Upon retiring the second time, the employee would receive a pension adjusted to reflect their second period of retirement outlined on page 1, (b) of the bill.

The employee would not be able to change their original retirement option, but may choose a different retirement option for the period of reemployment.

The 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 bill has a July 1, 1984 effective date clause.

Fiscal information

During FY '85, the impact of this bill is \$328.9 thousand dollars.

Back-up information

A sectional analysis with appendix from the Division of Retirement.  
A fiscal note from the department of Administration.  
A copy of relevant statutes.

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 128 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 1976 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.

Section	Section
370. Retirement benefits	480. Cost-of-living allowance
380. [Repealed]	485. Minimum benefit
385. Conditional service retirement benefits	490. Designation of beneficiary
390. [Repealed]	495. Time limit for application
395. Voluntary contribution benefit	500. Safeguard of employee funds held by the system
400. Nonoccupational disability pensions	510. Voluntary waiver of benefits
410. Occupational disability pensions	520. Adjustments
420. Nonoccupational death benefits	522. Waiver of adjustments
430. Occupational death benefit	525. Limitation on use of credited service as peace officer or fireman
440. Death after occupational disability	530. Limit on pension
450. Joint and survivor option	535. Medical benefits
451. Spouse survivor benefits under Public Employees Retirement Act of 1949	540. Minimum benefit
460. Level income option	545. [Repealed]
470. Other forms of payment	546. Tax exemption
475. Post-retirement pension adjustment	547. Effect of amendments

**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.

When disability ceases, it is the responsibility of the administrator immediately. Occupational disability pension shall be paid to an employee first attains eligibility for retirement. At that time, his retirement benefit will be determined by the provisions of AS 39.35.370(c). (§ 22 ch 143 SLA 1970; am §§ 18—21 ch 1 SLA 1974; am § 13 ch 9—13 ch 123 SLA 1976; am §§ 38, 39 ch 128 SLA 1980)

**b.** Amendments. — The 1976 amendment substituted subsections (b), (d), and (g), substituted "disabled employee becomes ineligible to receive occupational disability benefits" for "retired employee recovers from the occupational disability" and "disabled employee shall" for "retired employee shall" in the first sentence of subsection (c), deleted "for all employees" from the end of the second sentence of subsection (c), and repealed subsection (e), which read "An employee's occupational disability pension shall be reduced by any workmen's compensation or wage continuation payments which are available to the employee and which are attributable to the employers."

The 1977 amendment in subsection (b), deleted "pension" following "occupational disability" in the first sentence, added "and are payable the last day of the month" to the end of the first sentence, substituted "benefit" for "pension" and for "first month's pension" in the second sentence, substituted "employee" for "person" in the third sentence, and substituted "payments" for "benefits" in

the fourth sentence. In subsection (g), the amendment substituted "benefit" for "pension" and "benefits" for "retirement" in the first sentence, substituted "a social security payment" for "social security" and "payments" for "benefits" in the second sentence, substituted "benefit" for "payments" in the third sentence, inserted "benefit" preceding "payments" in the fourth sentence, and deleted the former sixth sentence, which read "Upon notification, the administrator shall cease making disability payments."

The 1980 amendment substituted "disabled employee's" for "retired employee's" at the beginning of subsection (h), and inserted "disabled" preceding "employee" near the middle of the first sentence of subsection (h).

**Editor's note.** — Chapter 205, SLA 1975, which amended this section, was submitted to the voters by referendum and was rejected.

The Social Security Act, referred to in subsections (b) and (g), may be found in 42 U.S.C. § 301 et seq.

**Sec. 39.35.420. Nonoccupational death benefits.** (a) If the death of an employee occurs from nonoccupational causes after completing less than one year of credited service, the employee's beneficiary shall be paid the balance of: (1) the employee's contribution account; and (2) the employee's savings account. If the death of an employee occurs from nonoccupational causes after completing at least one year but less than five years of credited service, a lump sum death benefit shall be paid to the beneficiary of the employee. The amount of the lump sum death benefit shall be \$100 times years of credited service plus \$1,000. The lump sum death benefit is in addition to the balance of the employee's contribution account and savings account.

(b) If the death of a vested member or deferred vested member occurs from nonoccupational causes, the surviving spouse may at his or her discretion receive either the benefits described in (a) of this section or

a 50 per cent joint and survivor option based upon credited service to the date of the employee's death or termination. Benefits accrue from the first day of the month following the employee's death and are payable the last day of the month. (§ 23 ch 143 SLA 1960; am § 12 ch 109 SLA 1970; am § 11 ch 159 SLA 1972; am § 22 ch 1 SLA 1974; am §§ 14, 15 ch 123 SLA 1976; am § 40 ch 128 SLA 1977)

**Effect of amendments.** — The 1976 amendment substituted "from nonoccupational causes before appointment to retirement, and after completing" for "before his retirement, but after he has completed" in the present second sentence of subsection (a), deleted "and the employee's survivor is not entitled to a surviving spouse's pension under § 430 of this chapter" following "credited service" in that sentence, and rewrote subsection (b).

The 1977 amendment deleted "before appointment to retirement, and" following "nonoccupational causes" in the present second sentence, substituted "\$100 times years of credited service plus \$1,000" for "\$1,000 plus \$100 for each year of credited service" in the third sentence, deleted "a

refund of" following "in addition to" in the fourth sentence, and substituted "employee's contribution account and savings account" for "employee contribution account of the deceased employee under § 210 of this chapter" in the fourth sentence. In subsection (b), the amendment substituted "a vested member" for "an employee" in the first sentence, deleted "before appointment to retirement and after completing at least five years of credited service" following "nonoccupational causes" and "and payable to the surviving spouse commencing for the month following the death of the employee" following "employee's death or termination" in the first sentence, and added the second sentence.

**Sec. 39.35.430. Occupational death benefit.** (a) Repealed by § 16 ch 123 SLA 1976.

(b) If (1) the death of an employee occurs before his retirement and before his normal retirement date, and (2) the proximate cause of death is a bodily injury sustained or a hazard undergone while in the performance and within the scope of his duties, and (3) the injury or hazard is not the proximate result of wilful negligence of the employee, a monthly survivor's pension equal to 40 per cent of his monthly compensation in the month in which he dies shall be paid to his surviving spouse. If there is no surviving spouse the monthly survivor's pension shall be paid in equal parts to the dependent children of the employee. On the date the normal retirement of the employee would have occurred if he had lived, monthly payments shall equal the monthly amount of the normal retirement benefit to which the employee, had he lived and continued his employment until his normal retirement date, would have been entitled with an average monthly compensation as existed at his death and the credited service to which he would have been entitled.

(c) The first payment of the surviving spouse's pension or of a dependent child's pension shall be made for the month following the month in which the employee dies and payment shall cease to be made beginning with the month in which there is no surviving spouse or no dependent child.

(d) Repealed by § 19 ch 123 SLA 1976.

(e) Repealed by § 19 ch 123 SLA 1976. (§ 24 ch 143 SLA 1960; am § 13 ch 109 SLA 1970; am § 23 ch 1 SLA 1974; §§ 16—19 ch 123 SLA 1976; am §§ 41, 42 ch 128 SLA 1977; am § 39 ch 13 SLA 1980)

**Effect of amendments.** — The 1976 amendment repealed subsections (a), (d) and (e), and in subsection (b), substituted "an employee" for "a peace officer or a fireman" in clause (1) of the first sentence, inserted "40 per cent of" in clause (3) of the first sentence, deleted "his surviving spouse remarries or if" preceding "there is no surviving spouse" and substituted "19 years old" for "18 years old" in the second sentence, and deleted "as a peace officer or a fireman" following "continued his employment" and substituted "to which he would have been entitled" for "which he would have had" in the third sentence. In subsection (c) as it existed prior to the 1980 amendment, the amendment substituted "surviving child's" for "survivor's" in the

first sentence, "for the month" for "on the first day of the month" in the first and second sentences, and "surviving spouse or child" for "beneficiary" at the end of the second sentence.

The 1977 amendment substituted "dependent children of the employee" for "children of the employee, including those adopted, who are either under 19 years old or under 23 years old and registered at and attending on a full-time basis an accredited educational or technical institution recognized by the department of education" at the end of the second sentence of subsection (b) and rewrote subsection (c).

The 1980 amendment rewrote subsection (c).

**Sec. 39.35.440. Death after occupational disability.** (a) Repealed by § 19 ch 123 SLA 1976.

(b) Upon the death of a disabled employee who is receiving or is entitled to receive an occupational disability benefit, a surviving spouse's pension equal to 40 per cent of his average monthly compensation shall be paid to his surviving spouse. If there is no surviving spouse, the survivor's pension shall be paid in equal parts to the dependent children of the employee. On the date the normal retirement of the employee would have occurred if he had lived, monthly payments shall equal the monthly amount of the normal retirement benefit to which the employee, had he lived and continued his employment until his normal retirement date, would have been entitled with an average monthly compensation as existed at his death and the credited service to which he would have been entitled.

(c) The first payment of the surviving spouse's pension or of a dependent child's pension shall accrue from the first day of the month following the employee's death and is payable the last day of the month. The last payment shall be made for the last month in which there is an eligible surviving spouse or child.

(d) Repealed by § 55 ch 128 SLA 1977. (§ 25 ch 143 SLA 1960; am §§ 14, 15 ch 109 SLA 1970; am §§ 19—21 ch 123 SLA 1976; am §§ 43, 44, 55 ch 128 SLA 1977)

**Effect of amendments.** — The 1976 amendment repealed subsection (a), and in subsection (b), deleted "was a peace officer or a fireman on the date of his retirement and who" following "retired employee

who" and substituted "40 per cent" for "two-thirds" in the first sentence, deleted "his surviving spouse remarries or if" following "if" and substituted "19 years old" for "18 years old" in the second

reemployment are subject to the initial election made under this section, unless the contingent beneficiary is deceased. If the contingent beneficiary is deceased, the benefits earned during the period of reemployment are subject to AS 39.35.370 or this section if another contingent beneficiary was elected during the period of reemployment. All other benefits earned during prior periods of employment are subject to the election at the time the employee was appointed to retirement. If death occurs from nonoccupational causes during the period of reemployment, those benefits earned while reemployed are subject to AS 39.35.420(b). All other benefits earned during prior periods of employment are subject to the election at the time the employee was appointed to retirement. If death occurs from occupational causes during the period of reemployment, all benefits earned during all periods of employment are subject to AS 39.35.430(b) and (c). (§ 26 ch 143 SLA 1960; am § 8 ch 235 SLA 1968; am § 12 ch 159 SLA 1972; am §§ 24 — 26 ch 1 SLA 1974; am § 6 ch 81 SLA 1976; am § 45 ch 128 SLA 1977)

**Effect of amendments.** — The 1976 amendment repealed subsection (e), providing when an election made under this section becomes inoperative. The 1977 amendment rewrote this section.

**Sec. 39.35.451. Spouse survivor benefits under Public Employees Retirement Act of 1949.** A person whose spouse is receiving retirement benefits under the Public Employees Retirement Act of 1949 on July 1, 1972 is entitled to survivor benefits for life in the amount of the retirement benefits received by the retired employee. (§ 13 ch 159 SLA 1972)

**Sec. 39.35.460. Level income option.** If the payment of an early retirement pension begins before the earliest age as of which the employee becomes eligible for a primary social security benefit, the amount of pension payable before and after that age may be adjusted so that an increased amount will be paid before the time that social security benefits become available and a reduced amount after that time, so that the employee will receive a level retirement income. The aggregate value of all adjusted payments, however, shall not exceed the actuarial equivalent of the value of the pension otherwise payable to the employee. (§ 27 ch 143 SLA 1960)

**Sec. 39.35.470. Other forms of payment.** If a pension payable under the system is less than \$25 a month, the board may direct that, instead of the pension, the actuarial equivalent of it shall be paid in a lump sum, or in a series of uniform monthly, quarterly, or annual amounts for life or for a designated period of time. (§ 28 ch 143 SLA 1960)

provides that after January 1, 1981 each employee eligible for a benefit under AS 39.35.370 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

the monthly cost-of-living allowance, commencing with the first monthly benefit payment made after notification of the person's return.

(c) While residing in the state, a public employee of the Territory of Alaska who participated in the Public Employees' Retirement Act established by ch. 41 SLA 1949, and who retired before the effective date of ch. 102 SLA 1951, is entitled to the cost-of-living allowance equal to 25 per cent of the amount received under ch. 41 SLA 1949.

(d) 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." (§ 29 ch 143 SLA 1960; am § 1 ch 109 SLA 1967; am § 27 ch 1 SLA 1974; am § 108 ch 127 SLA 1974; am § 46 ch 128 SLA 1977; am §§ 12, 13 ch 82 SLA 1979)

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

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 (d).

**Sec. 39.35.485. Minimum benefit. (a)** [Effective until January 1, 1981] An employee who is eligible for a benefit calculated in accordance with AS 39.35.370(c) is entitled to a benefit of at least \$17.50 a month for each year of credited service, not including adjustments made under AS 39.35.380, 39.35.410, 39.35.450, 39.35.475 and 39.35.480.

[Effective January 1, 1981] An employee who is eligible for a benefit calculated in accordance with AS 39.35.370(c) is entitled to a benefit of at least \$25 a month for each year of credited service, not including adjustments made under AS 39.35.380, 39.35.410, 39.35.450, 39.35.475 and 39.35.480.

(b) Repealed by § 55 ch 128 SLA 1977. (§ 15 ch 159 SLA 1972; am § 16 ch 47 SLA 1974; am § 14 ch 205 SLA 1975; am § 24 ch 123 SLA 1976; am § 55 ch 128 SLA 1977; am § 35 ch 146 SLA 1980)

**Effect of amendments.** — The 1976 amendment in subsection (a), deleted "whose termination occurs before July 1, 1972 and" following "An employee" and substituted "\$17.50" for "\$13.25."

The 1977 amendment repealed subsection (b), which read "An employee who retired under this section before July 1, 1975 shall be paid a benefit amount computed under § 370(c) of this chapter or under this section, whichever is greater."

The 1980 amendment, effective January 1, 1981, substituted "\$25" for "\$17.50" preceding "a month" near the middle of subsection (a).

**Editor's note.** — Chapter 205, SLA 1975, which amended this section, was submitted to the voters by referendum and was rejected.

AS 39.35.380, referred to in subsection (a), was repealed by § 55, ch. 128, SLA 1977.

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service under the public employees' retirement system (AS 39.35). An election of membership under (b) of this section is retroactive to the date the state legislator took the oath of office. A state legislator may not receive membership credit under (b) of this section for legislative service performed before the legislative session during which the state legislator elected membership under (b) of this section. In order to continue in membership service under (b) of this section, the state legislator must earn at least 0.3 years of membership service under other sections of this chapter during each five-year period. (§ 5 ch 145 SLA 1955; am § 1 ch 86 SLA 1963; am § 1 ch 151 SLA 1966; am § 1 ch 85 SLA 1971; am § 1 ch 66 SLA 1973; am § 1 ch 169 SLA 1976; am § 1 ch 82 SLA 1979)

**Effect of amendments.** — The 1979 amendment added subsections (b) and (c).

**Editor's notes.** — In subsection (b), the revisor of statutes, pursuant to AS 01.05.031 and § 4, ch. 58, SLA 1982, deleted "his" preceding "election" and preceding "office," substituted "the state legislator" for "he" in the introductory lan-

guage and in paragraph (1), substituted "the" for "his" in paragraph (1), and substituted "the state legislator's" for "his" in paragraph (1)(B). Also in subsection (c), the revisor substituted "the state legislator" for "he" in the first and second sentences and deleted "his" preceding "office" in the first sentence.

**Sec. 14.25.043. Reemployment of retired members.** If a retired member again becomes an active member, benefit payments may not be made during the period of reemployment. The retirement benefit must be suspended for the entire school year if the teacher is reemployed as an active teacher for a period equivalent to a year of service. During the period of reemployment, deductions from the member's salary will be made in accordance with AS 14.25.050. Upon subsequent retirement, the retired member is entitled to receive an additional benefit based on the credited service and the average base salary during the period of reemployment in accordance with AS 14.25.110. (§ 4 ch 13 SLA 1980)

**Sec. 14.25.045. Participation by National Education Association employees.** (a) An employee or former employee of the National Education Association of Alaska may participate in the retirement fund under this chapter if

(1) the employee or former employee possesses or is eligible to possess a teacher certificate under AS 14.20.020 and

(2) the employee or former employee of the National Education Association of Alaska pays all retroactive contributions required to be made under this chapter.

(b) For purposes of computing the period of time for which retroactive contributions may be due, an employee or former employee may count employment with the National Education Association of Alaska since July 1, 1956. (§ 4 ch 99 SLA 1974; am § 1 ch 98 SLA 1975)

**Sec. 14.25.050. Contributions by teachers.** (a) Beginning July 1, 1970, each teacher shall contribute to the retirement fund an amount equal to seven per cent of the teacher's base salary accrued from July 1 to the following June 30. The contribution shall be deducted by the employer at the end of each payroll period.

(b) Each teacher is entitled to receive credit for unrefunded contributions paid into the retirement fund of 1945. (§ 6 ch 145 SLA 1955; am § 4 ch 89 SLA 1960; am § 3 ch 78 SLA 1962; am § 1 ch 84 SLA 1969; am § 1 ch 138 SLA 1970; am § 1 ch 128 SLA 1977)

**Editor's notes.** — In the first sentence of subsection (a), "the teacher's" was substituted for "his" by the revisor of statutes under AS 01.05.031 and § 4, ch. 58, SLA 1982.

**Sec. 14.25.055. Supplemental contributions by teachers.** If a teacher first joined the system before July 1, 1982, and is married or has a minor child and wishes to make a spouse or minor child eligible for a spouse's pension or a survivor's allowance, the teacher may elect to make a supplemental contribution of an additional one percent of the teacher's base salary within 90 days of the teacher's entry into participation in the system, or within 90 days of marriage, or within 90 days of the birth or adoption of a child dependent upon the teacher. Once an election is made under this section, supplemental contributions must be made whenever contributions are required under AS 14.25.050 unless the teacher executes a written waiver with the administrator. The execution of a waiver relinquishes all rights and benefits previously accrued under AS 14.25.162 and 14.25.164. (§ 2 ch 151 SLA 1966; am § 1 ch 45 SLA 1967; am § 2 ch 84 SLA 1969; am § 2 ch 138 SLA 1970; am § 2 ch 66 SLA 1973; am § 2 ch 128 SLA 1977; am § 5 ch 13 SLA 1980; am § 4 ch 137 SLA 1982)

**Effect of amendments.** — The 1980 amendment added the present second and third sentences.

The 1982 amendment, in the first sentence, inserted "first joined the system before July 1, 1982, and," substituted "the teacher may elect" for "he may elect," and deleted "or during any open enrollment period authorized by the Teachers' Retirement System Board" from the end.

**Editor's notes.** — In the first sentence, the word "a" was substituted for "his," the words "the teacher's" were substituted for "his," the word "his" was deleted preceding "marriage" and the words "the teacher" were substituted for "him" by the revisor of statutes pursuant to AS 01.05.030 and § 4, ch. 58, SLA 1982.

**Sec. 14.25.060. Arrearage indebtedness.** (a) If a member has military service or Alaska Bureau of Indian Affairs (BIA) service, or if a member joined the system before July 1, 1978, and has creditable outside service, the member is indebted to the retirement fund as follows:

(1) At the time of first becoming a member of the system, the arrearage indebtedness is seven percent of the base salary multiplied by the total number of years of creditable outside, military and Alaska

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

(d) A person receiving benefits under this chapter shall be granted a 10 per cent increase in the current base benefit if the person was receiving benefits on July 1, 1976. The increase shall be effective July 1, 1977.

(e) If at the time of first receiving a retirement benefit a member was receiving a disability benefit, 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.

(f) An increase in benefit payments under this section is effective July 1 of the year for which the increase is granted. (§ 11 ch 151 SLA 1966; am § 5 ch 86 SLA 1971; am § 19 ch 66 SLA 1973; am § 3 ch 99 SLA 1974; am § 7 ch 128 SLA 1977; am § 17 ch 13 SLA 1980; am §§ 3 — 6 ch 146 SLA 1980; am § 13 ch 137 SLA 1982)

**Revisor's notes.** — Subsection (a) was amended by sec. 17, chapter 13, SLA 1980, and repealed and re-enacted by sec. 3, chapter 146, SLA 1980. Since chapter 146 was enacted later, it repeals the earlier amendment.

**Effect of amendments.** — The first 1980 amendment in subsection (a), as it existed prior to the second 1980 amendment, substituted "the administrator" for "he" preceding "may increase" near the middle of the subsection, substituted "annuitant's" for "service retirement" following "may increase all" near the middle of the subsection, and deleted "salaries" following "survivor's benefits" near the end of the subsection.

The second 1980 amendment rewrote subsections (a) through (c), and added subsections (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 be credited to each teacher's account at the end of each school year at the 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 78 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)

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Effect of amendments. — The 1982 and (2) his indebtedness principal amendment substituted "the member contributions" at the end of the first sentence. contribution account" for "(1) his mandatory contributions and accrued interest.

**Sec. 14.25.155. Nonoccupational death benefits.** (a) If the death of a member occurs after completing less than one year of membership service and the proximate cause of death is not a bodily injury sustained or hazard undergone while in the performance and within the scope of the member's duties of employment, the member's designated beneficiary shall be paid the balance of the member contribution account.

(b) If the death of a member occurs after completing at least one year of membership service but before becoming a vested member, and the proximate cause of death is not a bodily injury sustained or hazard undergone while in the performance and within the scope of the member's duties of employment, the lump-sum death benefit described in AS 14.25.160(b) and (c) shall be paid to the designated beneficiary of the member.

(c) If the death of a vested member or deferred vested member occurs and the proximate cause of death is not a bodily injury sustained or hazard undergone while in the performance and within the scope of the member's duties of employment, the surviving spouse may elect to receive either the benefits described in (b) of this section or a 50 percent joint and survivor option as provided under AS 14.25.167(a)(2) based on credited service to the date of the member's termination. If no spouse survives a vested or deferred vested member, or if a person other than the spouse is designated as beneficiary, the designated beneficiary shall be paid the benefits described in AS 14.25.160(b) and (c). Benefits accrue from the first day of the month following the member's death and are payable the last day of the month.

(d) Benefits are not payable under this section if benefits are payable under AS 14.25.157, 14.25.160, 14.25.162, 14.25.164, or 14.25.167. (§ 15 ch 137 SLA 1982)

**Sec. 14.25.157. Occupational death benefits.** (a) If (1) the death of a member occurs before the member first attains eligibility for normal retirement, and (2) the proximate cause of death is a bodily injury sustained or hazard undergone while in the performance and within the scope of the member's duties of employment, and (3) the injury or hazard is not the proximate result of wilful negligence on the part of the member, a monthly survivor's pension equal to 40 percent of the member's base salary at the time of termination of employment, divided by 12, shall be paid to the member's surviving spouse. If there is no surviving spouse, the monthly survivor's pension shall be paid in equal parts to the dependent children of the member. On the date the normal retirement of the member would have occurred if the member had lived, monthly payments shall equal the monthly amount of the

normal retirement benefit to which the member, had the member lived and continued employment until the member's normal retirement date, would have been entitled with an average base salary as existed at the member's death and the credited service to which the member would have been entitled. If no surviving spouse or dependent children exist at the time of death or if the member designates as beneficiary someone other than the surviving spouse or dependent children, the member's designated beneficiary shall be paid those benefits available to a beneficiary under AS 14.25.160(b) and (c) and no benefit will be paid to the surviving spouse or dependent children.

(b) The first payment of the surviving spouse's pension or of a dependent child's pension shall accrue from the first day of the month following the member's death and is payable the last day of the month. The last payment shall be made for the last month in which there is an eligible surviving spouse or dependent child.

(c) Benefits are not payable under this section if benefits are payable under AS 14.25.155, 14.25.160, 14.25.162, 14.25.164, or 14.25.167. (§ 15 ch 137 SLA 1982)

**Sec. 14.25.160. Death benefits.** (a) A death benefit will be paid and any supplemental contributions will be refunded to the designated beneficiary, upon receipt of a valid claim and proof of the death of a member who

(1) is not retired and is not eligible for benefits under AS 14.25.162 or 14.25.164; and

(2) either

(A) has made supplemental contributions under AS 14.25.055 since the date one year immediately preceding the member's death or since July 1, 1983, whichever is later; or

(B) is making supplemental contributions under AS 14.25.055 but has made them for less than one year.

(b) Upon the death of an active member who meets the conditions specified in (a) of this section, the amount of the death benefit is the sum of the following less any retirement benefit previously received by the member:

(1) the member contribution account;

(2) \$100 times the years of membership service;

(3) \$1,000; and

(4) \$500 if the deceased member is survived by one or more dependent children at the time of death.

(c) If the sum of (b)(2) and (3) of this section exceeds \$3,000, only \$3,000 may be added to amounts under (b)(1) and (4) in calculating the death benefit under (b) of this section.

(d) Upon the death of an inactive member who meets the conditions specified in (a) of this section, the death benefit is the amount determined in (b)(1) of this section.

(3) when no further benefits are payable under this section, the difference between the amount that would have been paid under AS 14.25.160 and any payments made to the member, spouse, guardian, or dependent children under this section shall be paid to those beneficiaries described in AS 14.25.160(a);

(4) benefits are not payable under this section if benefits are payable under AS 14.25.155, 14.25.157, 14.25.164, or 14.25.167.

(c) The survivor's allowance accrues from the first day of the month following the death of a member and is payable on 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 is for the month in which a benefit is payable under this section. (§ 16 ch 151 SLA 1966; am §§ 7—9 ch 84 SLA 1969; am §§ 11, 12 ch 138 SLA 1970; am § 15 ch 32 SLA 1971; am § 1 ch 52 SLA 1972; am §§ 24, 25 ch 66 SLA 1973; am §§ 9, 10, 55 ch 128 SLA 1977; am § 19 ch 13 SLA 1980; am §§ 18, 19 ch 137 SLA 1982)

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

The 1982 amendment in subsection (b), substituted "the member's death" for "his death" near the middle of paragraph (1) and deleted "if a dependent child who is at least 19 years old but less than 23 years old is out of school for more than one semester, payments of the dependent

child's benefits terminate permanently" following "deceased accordingly" in paragraph (1), and substituted "payable under AS 14.25.155, 14.25.157, 14.25.164, or 14.25.167" for "being paid under AS 14.25.164" in paragraph (4).

**Legislative history reports.** — For report on ch. 32, SLA 1971 (HB 111 am), see 1971 House Journal, p. 138.

**Sec. 14.25.164. Spouse's pension.** (a) If an active or disabled member dies, a pension is payable to the member's spouse if the member made supplemental contributions under AS 14.25.055 for at least one year of credited service. If a retired member or deferred vested member dies, a pension is payable to the member's spouse if the member made supplemental contributions under AS 14.25.055 for at least five years of credited service. Application for the spouse's pension must be made in writing to the administrator.

(b) A spouse's pension is payable under this section as follows:

(1) a spouse's pension is equal to 50 percent of the retirement benefit that the deceased member was receiving; if the member was not receiving a retirement benefit, the spouse's pension is equal to 50 percent of the amount the member would have received, based on the member's average base salary and credited service to the date of the member's death and assuming that the member would have been eligible for a normal retirement benefit as of that date;

(2) in the event of the death of a member's spouse who is receiving a spouse's pension, the difference between the amount that would have been paid under AS 14.25.160 and any payments made to the member, spouse, guardian, or dependent children shall be paid to those beneficiaries described in AS 14.25.160;

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(3) benefits are not payable under this section if benefits are payable under AS 14.25.155, 14.25.157, 14.25.162, or 14.25.167.

(c) The spouse's pension accrues from the first day of the month following the death of a member and is payable on 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 is for the month in which the spouse dies. (§ 17 ch 151 SLA 1966; am §§ 10 — 12 ch 84 SLA 1969; am § 19 ch 69 SLA 1970; am §§ 26 — 28 ch 66 SLA 1973; am § 11 ch 173 SLA 1975; am § 11 ch 128 SLA 1977; am § 20 ch 13 SLA 1980; am § 20 ch 13 SLA 1982)

Effect of amendments. — The 1980 14.25.162, or 14.25.167" for "being paid amendment rewrote the section. under AS 14.25.162" in paragraph (3) of The 1982 amendment substituted "pay- subsection (b). able under AS 14.25.155, 14.25.157,

Sec. 14.25.166. Designation of beneficiary. (a) Each member shall designate the beneficiary or beneficiaries to whom benefits payable under this chapter as a consequence of the member's death shall be distributed.

(b) The designation may be changed or revoked by the member without notice to the beneficiary or beneficiaries at any time. If a member designates more than one beneficiary, each shall share equally unless the member specifies a different allocation or preference. The designation of a beneficiary and a change or revocation of a beneficiary shall be made on a form provided by the administrator and is not effective until filed with the administrator.

(c) If a member fails to designate a beneficiary, or if no designated beneficiary survives the member, the death benefit shall be paid (1) to the surviving spouse or, if there is none surviving, (2) to the surviving children in equal parts or, if there are none surviving, (3) to the surviving parents in equal parts or, if there are none surviving, (4) to the estate. (§ 21 ch 137 SLA 1982)

Sec. 14.25.167. Joint and survivor option. (a) Benefits payable under this section are in place of benefits payable under AS 14.25.155, 14.25.157, 14.25.160, 14.25.162, or 14.25.164. Upon filing an application for retirement with the administrator, a member may designate the member's spouse or a dependent approved by the administrator as the contingent beneficiary. The benefit shall be determined in accordance with one of the following options elected:

(1) the member is entitled to receive a reduced benefit payable for life, and payments in the amount of 75 percent of the reduced benefit shall, after the member's death, be continued to the contingent beneficiary for life;

(2) the member is entitled to receive a reduced benefit payable for life, and payments in the amount of 50 percent of the reduced benefit shall, after the member's death, be continued to the contingent beneficiary for life; or



Official Business

# Alaska State Legislature

## Senate Committee on State Affairs

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

### MEMORANDUM

TO: Senate State Affairs Committee

FROM: Senate State Affairs Committee Staff

RE: CSSB 415 (state affairs) reemployment benefits for TRS and PRS members

DATE: February 28, 1984

This bill was carried over from last Thursday's meeting. The Committee requested the Division of Retirement to provide the costs of including TRS members under this bill (see attached letter from the division).

The proposed committee CS expands SB 415 to include the reemployment of retired persons under TRS.

Section 1 and 2 address reemployment and benefits for TRS. Sections 3 and 4 which parallel sections 1 and 2 contain the original language on the reemployment of PERS members.

#### New fiscal information

The estimated cost for including TRS members is \$443,000 thousand for FY '85.

#### New back-up information

Letter from the Divisor of Retirement



# 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 415 Reemployment of retired PERS members

DATE: February 21, 1984

SB 415 addresses reemployment of retired members of the PERS by any participating employer. This bill would allow contributions made by those members during their period of reemployment to be calculated along with their original contributions to determine benefits for their second retirement. Upon retiring the second time, the employee would receive a pension adjusted to reflect their second period of retirement outlined on page 1, (b) of the bill.

The employee would not be able to change their original retirement option, but may choose a different retirement option for the period of reemployment.

The 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 bill has a July 1, 1984 effective date clause.

### Fiscal information

During FY '85, the impact of this bill is \$328.9 thousand dollars.

### Back-up information

A sectional analysis with appendix from the Division of Retirement.  
A fiscal note from the department of Administration.  
A copy of relevant statutes.

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)

	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						
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 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)

FY NOTE

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.

*Also  
Pursue*

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.

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

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

$$\$886.76 - \$780 + \$45.06 = \$151.82$$

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

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

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT & BENEFITS

POUCH CR

JUNEAU, ALASKA 99811

Public Employees' Retirement System  
Teachers' Retirement System  
Judicial Retirement System  
Elected Public Officers Retirement System  
National Guard Retirement System  
Territorial Retirement System  
Retirees' Voluntary Dental-Vision-Audio Plan  
Supplemental Benefits System  
Group Health/Life Insurance Benefits  
Deferred Compensation Plan  
Public Employers Social Security Contributions

ST

Bill Sheffield, Governor

(907) 465-4460

February 27, 1984

Honorable Vic Fischer  
Chairman  
State Affairs Committee  
Pouch V  
Juneau, AK 99811

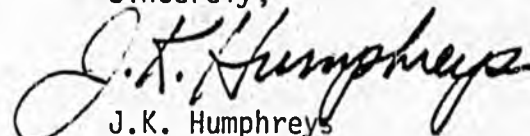
Dear Mr. Chairman:

This letter is to supply you with an estimate of the fiscal impact of including Teachers' Retirement System (TRS) members under the provisions of SB 415. These figures are tentative pending receipt draft substitute bill for review.

As in our current fiscal note to SB 415, we have estimated that approximately 2½% of all retirees in both PERS and TRS would exercise this option and that it would result in an average increase of 20% of their benefit. This is estimated to result in a .07% increase in the PERS employer contribution rate for an FY 85 cost of \$328,900.00 based on an estimated FY 85 PERS salary of \$469,878,512.00. The TRS employer contribution rate would increase by approximately .1% of FY 85 TRS estimated State salaries of \$379,349,180.00, yielding an FY 85 TRS cost of approximately \$443,000.00. The total FY 85 estimated state cost would be \$771,900.00.

If we can be of any further assistance, please contact me.

Sincerely,



J.K. Humphreys  
Director

JKH/sf

cc: Commissioner Lisa Rudd  
Eleanor Andrews  
Rebecca Burch

COMMITTEE REPORT  
SENATE

FURTHER:

FINANCE

2/7/84

Date

2/28/84

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
- 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

[Signature]

[Signature]

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[Signature]  
Chairman

do pass  
Chairman recommendation