

HB

83

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 17, 1985

SUBJECT: Employee benefits under PERS and TRS
(Work Order No. 14-0174)

TO: Representative Robin Taylor

FROM: Teresa B. Cramer *Terry Cramer*
Legislative Counsel

You have asked for a sectional analysis of Work Order 14-0174.

Section 1 repeals and reenacts AS 14.25.043 to allow a re-employed TRS retiree to take advantage of higher salaries earned during the period of reemployment. The bill retains the requirement that the original retirement option selected is irrevocable. However, in computing the total benefit payable on reappointment to retirement, the employee's highest earnings apply to the total period of credited service not merely the period of reemployment. In many instances an employee's highest earnings occur during the period of reemployment. As is the case now, benefit payments cease and mandatory contributions resume during the period of reemployment.

Section 2 amends AS 14.25.167(e) to incorporate the changes made to AS 14.25.043 by section 1 of the bill. Although the options selected at the time of initial retirement remain irrevocable for the initial period of employment, members may select a different retirement option for the benefits based on the period of reemployment.

Section 3 makes the same amendments to the Public Employee's Retirement System that section 1 makes to the Teachers' Retirement System.

Section 4 makes the same amendments to PERS that section 2 makes to TRS.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: HB 83
 Title: An Act Relating to the
Public Employees and Teachers' Ret. System
 Sponsor: Taylor
 Requestor: Hurley
 Date of Request: 1/30/86

FISCAL DETAIL

Agency Affected: All State Agencies
 Program Category Affected: PERS, TRS
 BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 Personal Svcs		451.4	487.5	526.5	568.6	614.1
100 Ptmnt & Bnfts						
200 Travel						
300 Contractual						
400 Supplies						
500 Equipment						
600 Land & Struct						
700 Grants, Claims						
700 TRS Match		208.1	224.8	242.8	262.2	283.2
TOTAL OPERATING	-0-	659.5	712.3	769.3	830.8	897.3

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND		616.2	665.5	718.7	776.2	838.3
FEDERAL FUNDS		20.8	22.5	24.3	26.2	28.3
OTHER		22.5	24.3	26.3	28.4	30.7
TOTAL	-0-	659.5	712.3	769.3	830.8	897.3

POSITIONS: -0- -0- -0- -0- -0- -0-

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director *J.K. Humphreys* ^{HR} Phone: 465-4470
 Division: Retirement & Benefits Date: 1/31/85

Approved by Commissioner: Lisa Rudd *LJR* Date: 2/3/85
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

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

House Bill 83
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

January 31, 1985

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

This is estimated to result in a .0764% increase in the PERS employer contribution rate and a .1% increase in the TRS employer contribution rate. The PERS state salaries for FY 86 are estimated to be \$544,046,592.00 and the TRS state salaries for FY 86 are estimated to be \$71,490,744.00. The FY 86 TRS State Match salaries are estimated to be \$416,297,654.00

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

<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
\$499.9	\$539.9	\$583.0	\$629.7	\$680.1

The present value of the cost of this bill in PERS is \$2,750,000.00 resulting in a .22% decrease in the funding ratio. The present value of the cost of this bill in TRS is \$1,800,000.00 resulting in a .26% decrease in the funding ratio.

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Representative Robin Taylor
January 18, 1985
Page 2

Section 5 makes the bill effective July 1, 1985.

If I may be of further assistance, please let me know.

TC:ojb
J11/007

17 * Sec. 5. AS 39.35.340(a) is amended to read:

18 (a) A vested employee is entitled to credited service for active
19 military service in the armed forces of the United States, either by
20 enlistment or induction, if the employee did not receive a dishonor-
21 able discharge and is not entitled to receive benefits from the United
22 States government for the same service. The credited service allowed
23 may not exceed an aggregate period of five years. Benefits are not
24 payable on credited service for military service unless the employee
25 makes retroactive contributions to the system for the period of time
26 that service credit is claimed. However, if the employee was in the
27 employ of an employer on the date of entry into the armed forces and
28 returned to the employ of an employer within 90 days after the date of
29 [HIS] discharge from military service, the employee [HE] is not

1 required to make retroactive contributions under this system for the
2 period of credited service.
3

24 * Sec. ~~2~~ AS 14.25.060(a) is repealed and reenacted to read:

25 (a) *Sec. 2* If a member has military service or Alaska Bureau of Indian
26 Affairs (BIA) service, or if a member joined the system before July 1,
27 1978, and has creditable outside service, the member is indebted to
28 the retirement fund as follows:

(1) For a member first hired before July 1, 1978, the
-1- CSS: 110(SA)

2 arrearage indebtedness for creditable outside service is seven percent
3 of the base salary multiplied by the total number of years of credit-
4 able outside service. Compound interest at the rate prescribed by
5 regulation shall be added to the arrearage indebtedness beginning
6 July 1, 1963, or at the time of first becoming employed as a member,
7 whichever is later, to the date of payment or the date of retirement,
8 whichever occurs first.

9 (2) For a member first hired before July 1, 1984, the
10 arrearage indebtedness for creditable military and Alaska BIA service
11 is seven percent of the base salary multiplied by the total number of
12 years of military and Alaska BIA service. For a member first hired on
13 or after July 1, 1984, the arrearage indebtedness for military and
14 Alaska BIA service is nine percent of the base salary multiplied by
15 the total number of years of creditable military and Alaska BIA ser-
16 vice. Compound interest at the rate prescribed by regulation shall be
17 added to the arrearage indebtedness beginning July 1, 1963, or at the
18 time of first becoming employed as a member, whichever is later, to
the date of payment.



Official Business

Alaska State Legislature

Pouch V
State Capitol
Juneau, Alaska 99811

January 29, 1985

TO: Representative Katie Hurley
FROM: Representative Robin Taylor
RE: H.B. 83

A handwritten signature in dark ink, appearing to be "R. Taylor", written over the "RE:" line of the memo.

Please amend Section 5 of House Bill 83 to read,
"This act takes effect February 1, 1985."

Thank you.

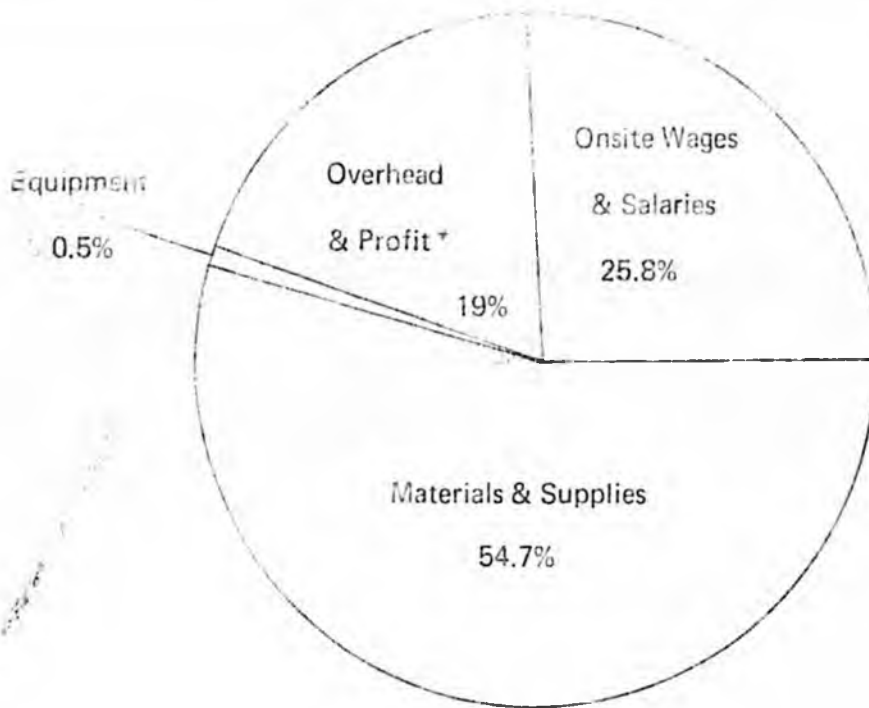


Figure 1. Distribution of Contract Costs for Public Schools

*Includes off-site wages, fringe benefits, construction financing, inventory, other overhead, and profit.

Source: U.S. Department of Labor, Bureau of Labor Statistics, "Labor and Material Requirements for Sewer Works Construction," Bulletin 2003, January 1979, Tables 12, 13, and 14.

payments, although some workers state only until the job is finished with their earnings. Subsequent impacts are primarily when workers spend their wages in the economy. Most money spent on commodity goes out of the local economy to the place those commodities are produced. Money for services, however, remains within the economy to generate an additional round of

Economic Impacts

In addition to those effects described and above, there may be other effects before, during, and after construction which add to the impact. These are:

Announcement Effects. The announcement of a project may cause the business sector to expand or contract. Preconstruction planning and construction may also impact the economy.

Investment Effects. Investment in the business sector (new stores) or household sector

(new housing) may result if the general level of economic activity strains the capacity of existing infrastructure.² This is a major factor in generating business cycles.

- **Government Effects.** Growth in the private sector generally increases the demand for goods and services provided by the public sector.
- **Operation and Maintenance Effects.** The operation and maintenance of new capital facilities require labor, commodities, and services. Operations and maintenance also generate indirect and induced effects.
- **Structural Change Effects.** The existence of a new capital facility may produce an increase or even a decrease in economic activity because it changes the structure of the econ-

²Economic infrastructure is the underlying foundation upon which an economy is built. It includes the basic supporting services required by an economy to operate, such as communications, transportation, and public utilities.



Alaska Public
Employees Association **APEA**

State Headquarters: 340 N. Franklin, Juneau, AK 99801 (907) 586-2334

MEMORANDUM

TO: Representative Katie Hurley, Chairperson
House State Affairs Committee

FROM: Cherie Shelley, Executive Director
Alaska Public Employees Association

SUBJECT: HB 83 PERS/TRS Benefits After Reemployment

DATE: February 5, 1985

The Alaska Public Employees Association supports House Bill 83. This legislation will eliminate the penalty imposed upon employees who return to public service after retirement.

This legislation will allow the state and local governments to utilize the experience and abilities of long-term employees without penalizing these employees for an earlier decision to retire.

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