

HB

12

HOUSE COMMITTEE REPORT

file

(11)

Date referred: 3/20/87

FURTHER REFERRALS:

DATE: 4/1/87

The Finance Committee has considered HB 12

"An Act relating to limiting certain kinds of credited service in the Teacher's Retirement System; and providing for an effective date."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published 2/9/87
- zero with analysis

SIGNING DO PASS:

Steve King

Ronald J. [unclear]

Key Wallis

SIGNING OTHER RECOMMENDATIONS:

Mike Davis

Ray Brown - No Rec

[unclear] - No Rec

Steve [unclear] No Rec

[unclear] No Rec

[unclear] No Rec

[Signature]

 Chairman's signature

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTEBill Version: HB 12
Publish Date: HOUSE 2/9/87REQUESTRevision Date: Bill/Res No: HB 12
Title: An Act relating to limiting
certain kinds of credited service in the TRS
Sponsor: Larson
Requestor: _____Agency Affected: Administration
BRU: Retirement and BenefitsComponents: Retirement and Benefits

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER I/A & PGM RCPTS	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

An analysis of the impact of this bill on the actuarial soundness of the Teachers' Retirement System (TRS) funds is provided in the attached letter to Representative Ulmer.

Prepared By: John A. LoganDivision: Retirement and Benefits

Phone: (907) 465-4470

Date: February 3, 1987Approved by Commissioner: Garrey PeskaAgency: Department of AdministrationDate: 2/5/87

Distribution (by preparer):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

Senate Secretary

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

DEPARTMENT OF ADMINISTRATION
DIVISION OF RETIREMENT & BENEFITS

PLEASE REPLY TO:

P.O. BOX CR
 JUNEAU, ALASKA 99811-0203
 PHONE: (907)465-4460

2600 DENALI ST. SUITE 401
 ANCHORAGE, ALASKA 99503
 PHONE (907) 277-7504

STEVE COWPER, GOVERNOR

February 5, 1987

HB 12 Page 2 of 3 2/9/87

The Honorable Fran Ulmer
 Chairman, House State Affairs Committee
 Alaska State Legislature
 P.O. Box V
 Juneau, AK 99811

Dear Representative Ulmer:

Re: House Bill 12

In accordance with AS 24.08.036, I am providing the analysis below on House Bill 12. The analysis includes the long-term and short-term savings to the state if the bill is adopted and the impact the bill will have on the actuarial soundness of the Teachers' Retirement System (TRS) funds.

This bill would reduce the amount of non-membership service that may be claimed in the TRS to a maximum of three years for members first hired on or after July 1, 1987. It is estimated to result in a .02% decrease in the TRS state contribution rate in FY 88. The state TRS payroll is estimated to be \$48,498,325 in FY 88 and to remain level each year thereafter. The TRS state match contribution rate would also decrease by .02% in FY 88. The TRS state match payroll is estimated to be \$345,200,891 in FY 88 and to remain level each year thereafter.

The savings of \$78.8 is calculated as follows:

The decrease in the TRS contribution rate (.02%) times the estimated FY 88 University of Alaska TRS payroll (\$43,057,037) equaling:	[\$ 8.6]
Plus the decrease in the TRS contribution rate (.02%) times the estimated FY 88 Department of Education TRS payroll (\$5,441,288) equaling:	[\$ 1.1]
Plus the decrease in the TRS state match contribution rate (.02%) times the estimated FY 88 TRS state match payroll (\$345,200,891) equaling:	<u>[\$ 69.0]</u>
Total state FY 88 savings	<u><u>[\$ 78.7]</u></u>

The Honorable Fran Ulmer

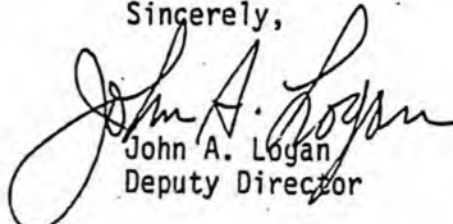
-2-

February 5, 1987

In addition to the state savings described above, there would be a decrease in the school districts' contribution rates of .02% which would result in savings of \$59.3 for FY 88 and each year thereafter.

There will not be any adverse impact on the actuarial soundness of the retirement systems funds if this bill becomes law.

Sincerely,



John A. Logan
Deputy Director

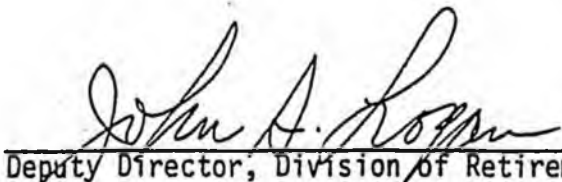
JAL/cam/7

POSITION PAPER

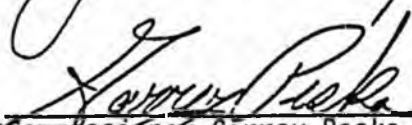
HB 12

This bill applies to members of the Teachers' Retirement System (TRS) who are first hired on or after July 1, 1987. It would reduce the amount of non-membership service that may be claimed in the TRS to a maximum of three years. This bill represents cost savings to the state and school districts. Cost containment measures in the TRS such as this could be used to help offset the cost associated with a change to the TRS statutes for an actuarially funded post retirement pension adjustment mechanism.

Because of the reasons stated above, the Department is neutral in this Bill.


Deputy Director, Division of Retirement & Benefits

2-5-87
Date


Commissioner Garrey Peska
Department of Administration

2/5/87
Date

Introduced: 1/19/87
Referred: State Affairs, Health,
Education & Social Services and
Finance

1 IN THE HOUSE

BY LARSON AND MENARD

2

HOUSE BILL NO. 12

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to limiting certain kinds of cred-
7 ited service in the Teachers' Retirement System; and
8 providing for an effective date."

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

10 * Section 1. AS 14.25.060(b) is amended to read:

11 (b) If a member joins the system on or after July 1, 1978, and
12 has creditable outside service, the member may claim this service in
13 accordance with (c) of this section. If claimed, the member is in-
14 debted to the retirement fund as follows:

15 (1) The arrearage indebtedness is the full actuarial cost
16 of providing benefits for the service being claimed. Compound inter-
17 est at the rate prescribed by regulation shall be added to the arrear-
18 age indebtedness beginning the date the actuarial cost is established
19 to the date of payment or the date of retirement, whichever occurs
20 first.

21 (2) If a member terminates from the system and is subse-
22 quently reemployed as a member, the arrearage indebtedness for outside
23 service during the interim is the full actuarial cost of providing
24 benefits for the interim service being claimed. Compound interest at
25 the rate prescribed by regulation shall be added to the arrearage
26 indebtedness beginning the date the actuarial cost is established to
27 the date of payment or the date of retirement, whichever occurs first.

28 [(3) REPEALED]

29 * Sec. 2. AS 14.25.060(c) is amended to read:

1 (c) For a member who first joined the system before July 1,
2 1987, the [THE] total military service claimed may not exceed five
3 years. For a member who first joined the system before July 1, 1987,
4 the [THE] combined total of outside and military service may not
5 exceed 10 years, except that, if entry into the armed forces is imme-
6 diately preceded by membership service and within one year after
7 discharge is continued by membership service, that service will not be
8 counted for purposes of determining the applicability of the 10-year
9 limitation on the combined total of outside and military service. For
10 a member who first joins the system on or after July 1, 1987, the
11 total combined territorial service, military service, outside service,
12 and Alaska BIA service claimed may not exceed three years.

13 * Sec. 3. AS 14.25.100(a) is amended to read:

14 (a) A member who served as an active member of the armed forces
15 of the United States and who first joined the system before July 1,
16 1987, may receive credited service under this system up to a maximum
17 of five years. A member who served as an active member of the armed
18 forces of the United States and who first joins the system on or after
19 July 1, 1987, may receive a maximum of three years of credited service
20 for combined military service, territorial service, outside service
21 and Alaska BIA service. Each 12 months of military service equals one
22 school year, and lesser military periods will be determined for credit
23 purposes in a proportionate ratio to a year. To receive credited
24 service under this section, the member must have received a discharge
25 other than dishonorable. Credit for service in the armed forces shall
26 be granted only if the member makes contributions for the service in
27 the same manner as required for outside service under AS 14.25.060.
28 For a member who first joined the system before July 1, 1987, the
29 [THE] military service credited under this section shall be included

1 in the 10-year limitation of outside service as specified in AS 14.-
2 25.060, except if entry into the armed forces is immediately preceded
3 by Alaska membership service and following discharge is continued by
4 Alaska membership service within one year thereafter, service may not
5 be counted for purposes of determining the applicability of the 10-
6 year limitation on outside service.

7 * Sec. 4. AS 14.25.105(a) is amended to read:

8 (a) A teacher who completes 15 years of membership service under
9 this chapter may elect to receive credited service for employment
10 rendered to the Territory of Alaska before January 3, 1959, regardless
11 of the office, department, division or agency of the territory in
12 which employed. For a teacher who first joined the system before
13 July 1, 1987, credited [CREDITED] service allowed under this section
14 may not exceed five years. A teacher who first joins the system on or
15 after July 1, 1987, may receive credited service for a maximum of
16 three years of combined territorial service, outside service, military
17 service, and Alaska BIA service.

18 * Sec. 5. AS 14.25.107 is amended to read:

19 Sec. 14.25.107. CREDIT FOR ALASKA BIA SERVICE. A member who
20 joins the system on or after July 1, 1978, and before July 1, 1987,
21 who has Alaska BIA service may claim all of that service as credited
22 service. A member who joins the system on or after July 1, 1987, who
23 has Alaska BIA service may claim a maximum of three years of combined
24 Alaska BIA service, territorial service, outside service, and military
25 service as credited service. A retirement benefit payable under this
26 chapter for Alaska BIA service shall be reduced by an amount equal to
27 the retirement benefits paid to the member by the United States gov-
28 ernment for the same service.

29 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA
THE LEGISLATURE

POUCH Y. STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 23, 1987

SUBJECT: Sectional analysis of HB 12
(Limiting credited service in TRS)

TO: Representative Ron Larson

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have requested a sectional analysis of the above described bill. As a preliminary matter, note that a sectional analysis or summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Sections 1 and 2 reduces the total of combined territorial service, military service, outside service and Alaska BIA service that may be claimed by a member of the Teachers' Retirement System who was hired after June 30, 1987, from five years to three years.

Section 3 amends the military service section to reflect the three year limit.

Section 4 amends the territorial service section to reflect the three year limit.

Section 5 amends the BIA service section to reflect the three year limit.

Section 6 is an immediate effective date clause.

If I may be of further assistance, please advise.

TC:mkr
m8/046

Introduced: 1/19/87
 Referred: State Affairs, Health,
 Education & Social Services and
 Finance

1 IN THE HOUSE

BY LARSON AND MENARD

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HOUSE BILL NO. 12

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FIFTEENTH LEGISLATURE - FIRST SESSION

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