

HB

12

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

STATE OF ALASKA

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

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

STEVE COWPER, GOVERNOR

February 2, 1987

The Honorable Mitch Abood
Chairman, Senate State Affairs Committee
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Abood:

Re: Senate Bill 73

In accordance with AS 24.08.036, I am providing the analysis below on Senate Bill 73. 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 prohibit the claiming of outside service in the TRS for members first hired on or after July 1, 1987. It is estimated to result in a .04% 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 .04% in FY 88. The TRS state match payroll is estimated to be \$345,200,891 and to remain level each year thereafter.

The savings of \$157.5 is calculated as follows:

The decrease in the TRS contribution rate
(.04%) times the estimated FY 88 University
of Alaska TRS payroll (\$43,057,037) equaling: [\$17.2]

Plus the decrease in the TRS contribution
rate (.04%) times the estimated FY 88 Department
of Education TRS payroll (\$5,441,288) equaling: [\$ 2.2]

Plus the decrease in the TRS state match
contribution rate (.04%) times the
estimated FY 88 TRS state match payroll
(\$345,200,891) equaling: [\$138.1]

Total state FY 88 savings [\$157.5]

The Honorable Mitch Abood

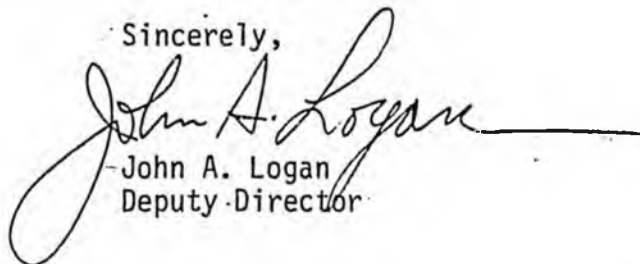
-2-

February 2, 1987

In addition to the state savings described above, there would be a decrease in the school districts' contribution rates of .04% which would result in savings of \$118.7 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,

A handwritten signature in cursive script that reads "John A. Logan". The signature is written in dark ink and extends across the line of the typed name below it.

John A. Logan
Deputy Director

JAL/cam/7

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 73
Publish Date: _____

REQUEST _____

Revision Date: Bill/Res No: SB 73
Title: An Act relating to repealing
outside service credits under the TRS.
Sponsor: Fischer
Requestor: _____

Agency Affected: Administration
BRU: Retirement and Benefits
Components: 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)

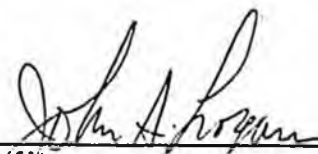
GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER I/A & PGM RCPTS	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

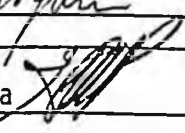
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

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 Senator Abood.

Prepared By: John A. Logan 
Division: Retirement and Benefits

Phone: (907) 465-4470
Date: February 2, 1987

Approved by Commissioner: Garrey Peska 
Agency: Department of Administration

Date: _____

Distribution (by preparer):

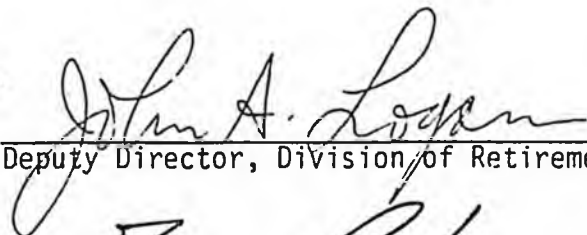
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

POSITION PAPER


SB 73

This bill applies to members of the Teachers' Retirement System (TRS) who are first hired on or after July 1, 1987.. It would prohibit TRS members from claiming credit for Outside service. 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 on this Bill.


Deputy Director, Division of Retirement & Benefits

2-3-87
Date


Commissioner Garrey Peska
Department of Administration

2/3/87
Date

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 SB 42
(Early retirement program)

TO: Senator Jim Duncan

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have requested a sectional analysis of SB 42, relating to the early retirement program.

Title. Due to an oversight, the title refers to the "early retirement program" instead of the "retirement incentive program."

Section 1 extends the application period for the retirement incentive program by one year for each category.

Section 2 permits members of the Teachers' Retirement System to use credited service for territorial service employment, Alaska BIA service, and outside service to satisfy the qualifications for the retirement incentive program. Members of the Public Employees' Retirement System are not permitted to use other kinds of service.

Section 3 extends the period within which application forms may be received to conform to the changes in Sec. 1.

Section 4 requires the Office of Management and Budget to report on the program in 1989 as well as in the prior two years.

Sections 5 and 6 permit a member of the Teachers' Retirement System who retires under the incentive program to work for an employer covered by the Public Employees' Retirement System without having to pay the penalty or the value of the incentives received from TRS and without having to give up the TRS monthly benefits. The bill continues to penalize

all PERS retirees who are reemployed by either a PERS or a TRS employer as well as TRS retirees who accept reemployment with a TRS employer.

These differences in treatment raise constitutional questions based on the state's equal protection clause, which requires that a classification that creates different treatment for persons be reasonable, not arbitrary, and be based on a difference that bears a fair and substantial relation to the object of the legislation, so that all persons similarly circumstanced are treated alike. Isakson v. Rickey, 550 P.2d 568 (Alaska 1976).

For this provision to withstand a constitutional challenge, there would need to be information that justified treating TRS retirees differently from PERS retirees and also that justified treating TRS retirees finding reemployment with a PERS employer differently from those reemployed by a TRS employer. The justification would need to show that the different treatment was related to the purpose of the legislation.

Section 7 extends the program one year.

Section 8 makes section 5 retroactive. It would be appropriate to make section 6 retroactive as well.

Section 9 is an immediate effective date clause.

If I may be of further assistance, please advise.

TC:csh
c7/024

Alaska State Legislature

SENATE ADVISORY COUNCIL



Pouch V
State Capital
Juneau, Alaska 99811
Phone: (907) 465-3114

MEMORANDUM

TO: Senator Jim Duncan
Alaska State Legislature

ATTN: Roxanne Stewart

FROM: Paula d. Scavera
Researcher

DATE: January 27, 1987

RE: Public Employee Early Retirement Incentive Program
Status

As requested, attached are two tables which show the number of filled positions in state government by department and also the number of people who actually retired under the Early Retirement Incentive Program by department.

The first chart (1/27/87) is an update of the second chart which was done in December 1986. As the Division of Retirement and Benefits could not tell me the number of public employees by department who were eligible for the Early Retirement Incentive Program yesterday, those numbers will be forwarded to you at a later date.

If you have any questions, please contact me.

1/27/87

PUBLIC EMPLOYEE EARLY RETIREMENT INCENTIVE PROGRAM STATUS

AGENCY	NUMBER OF FILLED POSITIONS 11/1986	ACTUAL RETIRES 1/1/87
Governor's Office	187	7
Administration	1,060	29
Commerce & Economic Dev.	378	11
Community & Regional Affairs	175	2
Corrections	969	12
Education	439	13
Environmental Conservation	221	3
Fish & Game	356	30
Health & Social Services	1,551	71
Labor	664	13
Law	345	3
Military & Veteran Affairs	97	2
Natural Resources	722	25
Public Safety	740	31
Revenue	323	11
Transportation & Public Fac.	2,155	147
Ombudsman	12	0
Legislative Affairs **	249	4
Legislative Finance	43	0
Legislative Audit	30	1
Alaska Court System	601	0
TOTAL	11,817	425

* This does not include Marine Highway operations, the University of Alaska, the Alaska Power Authority, the National Guard, or Emergency Firefighters.

** Filled positions in the Legislative Affairs Agency includes 60 legislators and 85 leadership positions.

SOURCE: Department of Administration
Division of Personnel
Division of Retirement and Benefits

and other various state agencies

Prepared by the Senate Advisory Council 1/27/87

PUBLIC EMPLOYEE EARLY RETIREMENT INCENTIVE PROGRAM STATUS

AGENCY	NUMBER OF FILLED POSITIONS 6/1986*	NUMBER ELIGIBLE	PERCENTAGE FILLED POSITIONS ELIGIBLE	ACTUAL RETIREEES 12/1/86	PERCENTAGE OF ELIGIBLE
Governor's Office	193	34	18	5	15
Administration	1,130	240	21	26	11
Commerce & Economic Dev.	399	90	23	8	9
Community & Regional Affairs	187	23	12	2	9
Corrections	969	154	16	12	8
Education	477	117	25	15	13
Environmental Conservation	232	36	16	2	6
Fish & Game	1,109	161	15	29	18
Health & Social Services	1,603	332	21	66	20
Labor	679	155	23	12	8
Law	362	41	11	5	12
Military & Veteran Affairs	95	29	31	2	7
Natural Resources	994	158	16	23	15
Public Safety	832	192	23	37	19
Revenue	349	55	16	10	18
Transportation & Public Fac.	2,401	658	27	135	21
Ombudsman	24	1	4	0	0
Legislative Affairs**	279	54	19	4	7
Legislative Finance	54	2	4	0	0
Legislative Audit	35	5	14	0	0
Alaska Court System	571	99	17	0	0
TOTAL	12,974	2,636	20	393	15

*This does not include Marine Highway operations, the University of Alaska, or the Alaska Power Authority.

**Filled positions in the Legislative Affairs Agency includes 80 year-round leadership positions.

SOURCE: Communications with State agencies.

Prepared by the House Research Agency, December 1986.

RETIREMENT INCENTIVE PROGRAM (RIP)
(AS OF JANUARY 1, 1987)

PARTICIPATION

The Division of Retirement and Benefits has entered into 151 agreements with state agencies designating 2213 of the 2844 eligible employees as eligible to participate. The Division has also entered into agreements with 24 of 61 Teachers' Retirement System (TRS) employers designating 1266 of the 2278 eligible employees as eligible to participate. The University of Alaska commenced participation on October 1, 1986 and has designated all eligible 380 teachers and 388 public employees as eligible to participate. Political subdivisions commenced participation effective January 1, 1987 and to date have designated 97 of the 2673 eligible employees as eligible to participate in the RIP.

So far 425 state employees have retired under the program. The remaining state employees and TRS members have until October 1, 1987 to retire. Employees of the University of Alaska have until January 1, 1988 to retire. PERS non-state employees have until April 1, 1988 to retire.

One hundred seventy seven TRS members and 29 University of Alaska PERS employees have already retired under the program. In addition 230 PERS and 157 TRS members have retired this fiscal year without the benefit of the RIP.

The impact of the RIP on the total number of retirements so far this fiscal year has been tremendous.

SAVINGS

Participation in RIP requires state agencies to be able to demonstrate and the Office of Management and Budget certify that a savings will result over the fiscal year in which an employee retires and the subsequent three fiscal years. Based on projections of total savings in OMB format contained in completed agreements, net savings would exceed \$18.9 million. The savings amount is over and above the cost of participation of \$51.7 million. Participation below 100% will reduce both costs and net savings. We do not have cost savings information on the school districts, university or political subdivisions.

PROBLEMS

RIP has had a significant impact on the workload of the Division of Retirement and Benefits. There were 67% more retirements processed during the first seven months of FY 87 than the entire calendar year of 1985. The staff answered 15,862 telephone calls over a nine month period concerning the RIP. In addition, they calculated 5,554 projections of benefits for members contemplating a RIP retirement.

The most frequent employee question is whether the program will continue beyond the current window period. Many employees in addition to those who have already applied intend to retire as late as possible in the window period to take maximum advantage of their service time plus the incentive benefit.

RETIREMENT INCENTIVE PROGRAM
NUMBER OF RETIREMENTS THROUGH JANUARY 1, 1987

SYS	EMP	EMPLOYER	DEPT	DEPARTMENT	RETIRED
P	01	STATE	01	GOV. OFFICE	7
			02	ADMIN	29
			03	LAW	3
			04	REVENUE	11
			05	EDUCATION	13
			06	H & SS	71
			07	LABOR	13
			08	COMM & EC DE	11
			09	H & V AFF.	2
			10	D H R	25
			11	A D F & G	30
			12	PUB. SAFE	11
			18	ENVIRON CON	3
			20	CORRECTIONS	12
			21	COMM & REG A	2
			25	D O T & P F	147
			30	OMBUDSMAN	0
			31	LEG. AFFAIRS	4
			32	LEG. FINANCE	0
			33	LEG. AUDIT	1
			41	OK COURT SYS	0

TOTAL STATE PERS

425

ALASKA TEACHERS

T	37	STATE-DOE	5
T	01	ANCH SCH DIS	80
T	06	F N S B S D	16
T	07	HAINS BSD	2
T	10	JUNEAU SD	3
T	16	KING COVE SD	1
T	18	KODIAK SD	4
T	19	NENANA SD	4
T	22	MAT-SUSITNA B	9
T	30	VALDEZ CSD	2
T	31	WRANGELL SD	1
T	33	U of A	8
T	36	N S B S D	5
T	44	DILLINGHAM	1
T	46	KENAI FBSD	11
T	51	NORTHWEST ASD	8
T	53	LOWER YUKON	2
T	62	Y. KOYUKUK	1
T	63	YUKON FLATS	2
T	67	COPPER RIVER	7
T	71	CHUGACH SD	1

TOTAL TEACHERS

177

POLITICAL SUBDIVISIONS
PERS

P	13	U OF A	29
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TOTAL POLITICAL SUBDIVISIONS

29

TOTAL RIF

31