

SB

73

April 14, 1987

Senator Paul Fischer,  
Health and Social Service  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Senator Fischer:

I am in favor of limiting the amount of time that teachers may transfer into the Alaska Teachers' Retirement Program. In fact, I would be in favor of extending the time it takes to become vested in the system from eight to ten years.

I began teaching for the University in 1968. For two years before that, I had worked part-time for the University while I attended graduate school. Then I went outside for two years to continue graduate school. At that time there were no State loans, no financial aids from the State. I simply had to pay and earn my own way. Then I returned and since that time, I have continued to teach for the University from 1971 to the present. All of this time, I have paid into the Retirement fund. Slowly, I have worked my way up until now I am a full professor. But during that time, I have continued to pay into the fund with the idea that when I do retire, that will be my only real income outside of Social Security.

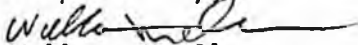
I see the fund endangered by the fact that we allow people to come here, and bring in several years of service, they become vested very soon, and then leave and draw upon the retirement fund. I have seen this happen particularly with the upper levels of the University administration. As you probably know, we have had high paid administrators - from the President on down - come here with inflated salaries, and as soon as they are vested they leave and draw upon the fund.

I think that by limiting the amount of time they can bring into the system, and extending the time it takes to become vested, we can encourage people to come here who really want to make a contribution to the State and its people. They would have to make a commitment rather than seize an convenient opportunity to reap the benefits and leave.

As a twenty-five year resident of Alaska, who plans to live here after retirement, and one who has given a major portion of my life to the State, I think that my feelings reflect those of many other long time teachers in Alaska.

Thank you.

Respectfully,

  
Wallace M. Olson  
Professor of Anthropology  
University of Alaska-Juneau

STATE OF ALASKA  
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

February 3, 1987

SUBJECT: Sectional analysis of SB 73  
(Repealing outside service credits under the  
Teachers' Retirement System)

TO: Senator Paul Fischer

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 prohibit a member of the Teachers' Retirement System (TRS) who first joins the system on or after July 1, 1987, from claiming creditable outside service under TRS. "Outside service" is defined at AS 14.25.220(25) as

(25) "outside service" means service for full years as defined by (4)(A)(x) and (4)(B)(xi) of this section

(A) as a certificated full-time elementary or secondary teacher or a certificated person in a full-time position requiring a teaching certificate as a condition of employment in an out-of-state public school within the United States, or in a school outside the United States supported by funds of the United States;

(B) as a certificated full-time elementary or secondary teacher or a certificated person in a full-time position requiring a teaching certificate as a condition of employment in an approved or accredited nonpublic school within the United States, or in a school outside the United States supported by funds of the United States;

Senator Fischer  
February 3, 1987  
Page 2

(C) in a full-time position requiring academic standing in an out-of-state institution of higher learning accredited by a nationally recognized accrediting agency as listed in the Education Directory - Colleges and Universities by the National Center for Education Statistics;

(D) as a full-time teacher in an approved or accredited nonpublic institution of higher learning in Alaska;

Section 3 directs that the Act take effect July 1, 1987.

If I may be of further assistance, please advise.

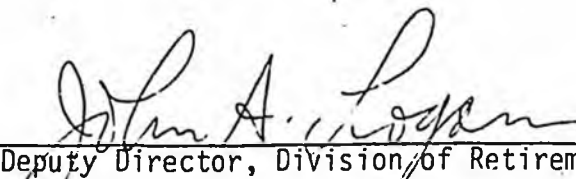
TC:mkr  
m8/088

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 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)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
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:

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.

*No letter attached 4/14  
SSD*

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

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

Approved by Commissioner: Garrey Peska *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

# 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]

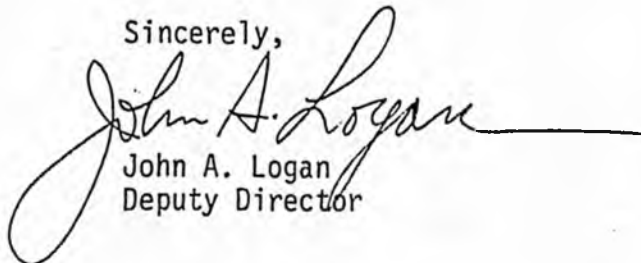
Total state FY 88 savings [\$157.5]

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 black ink and extends across the right side of the page.

John A. Logan  
Deputy Director

JAL/cam/7

STATE OF ALASKA  
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 3, 1987

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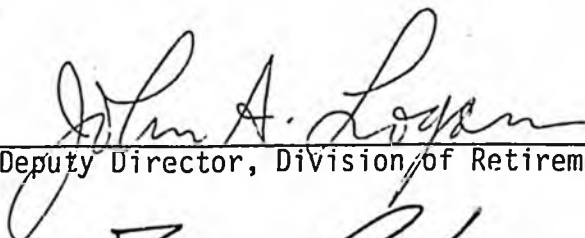
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POSITION PAPER

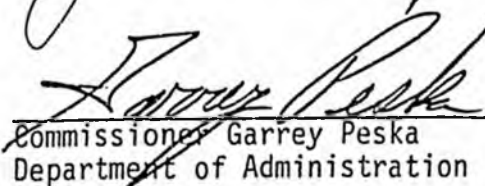
SB 73

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<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FUNDING: (Thousands of Dollars)

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