

HB

12

# 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 99503-2740  
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

*4/9/87 In State Affairs S)*

February 10, 1988

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

RECEIVED  
FEB 12 1988  
RH D  
(M)

Dear Senator Abood:

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 .04% decrease in the TRS contribution rate in FY 88. The state TRS payroll is estimated to be \$50,367,793 in FY 88 and to remain level each year thereafter.

The savings of \$20.1 is calculated as follows:

The decrease in the TRS contribution rate (.04%) times the estimated FY 88 University of Alaska TRS payroll (\$44,753.9) equaling:	[\$17.9]
Plus the decrease in the TRS contribution rate (.08%) times the estimated FY 88 Department of Education TRS payroll (\$5,613,930) equaling:	[ 2.2]
Total state FY 89 savings	<u>[\$20.1]</u>

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 \$128.0 for FY 88 and each year thereafter. The FY 88 estimated school district TRS payroll is \$319,882,344 and projected to remain level each year thereafter.

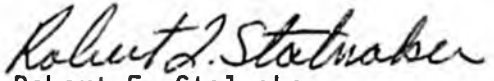
The Honorable Mitch Abood

-2-

February 10, 1988

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

Sincerely,

  
Robert F. Stalnaker  
Acting Director

RFS/cam/7

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

*ce*

Bill Version: HB 12  
Publish Date: HOUSE 2/9/87

REQUEST \_\_\_\_\_

Revision 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 Benefits  
Components: Retirement and Benefits

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
<b>OPERATING</b>						
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
<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)

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
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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. Logan *John A. Logan* Phone: (907) 465-4470  
Division: Retirement and Benefits Date: February 3, 1987  
Approved by Commissioner: Garrey Peska *Garrey Peska* Date: 2/5/87  
Agency: Department of Administration

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

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Public Employers Social Security Contributions

STEVE COWPER, GOVERNOR

February 5, 1987

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

HB 12 Page 2 of 3 2/9/87

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>[\$ 78.7]</u>

2/9/87

The Honorable Fran Ulmer

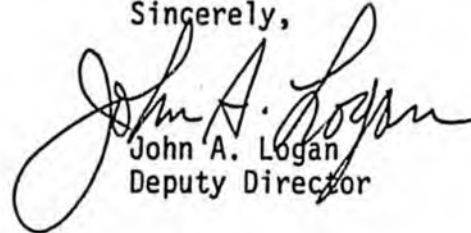
-2-

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

Re: Possible amendment to HB 12 Senate State Affairs

Concept:

There is an apparent need to restrict the ability of certificated employees of school districts from purchasing up to 10 years of outside service credit in the TRS for reasons which apparently pertain to:

- \* Cost savings to state
  - however, this purchase is paid at the full actuarial rate by the employee
- \* To discourage people from outside from taking the advantage of the TRS benefit program by staying in the system only long enough to become eligible for the benefits

Suggest that the concept of "earning" the right to purchase outside service by virtue of longevity in Alaska be established, rather than the right to purchase the full ten (10) years on the first day of employment.

- starting during the 5th year of employment the individual becomes eligible to purchase one year, during the 6th year purchase a second year, and so on so that in the 14th year of employment a person would become eligible to purchase the 10th and final year of outside service credit.

This kind of approach would assure that people would not be staying just long enough to utilize their outside service credit to become vested and eligible for access to the benefit system and, at the same time, would not unfairly penalize those who come into the system for the purpose of making teaching in Alaska their career.

Also, it is appropriate to remind ourselves that purchase of outside service credit is not a casual and small investment for the average person since the requirement is that the person pay the full actuarial cost plus interest. Currently this figure is well over 20% of the entry salary for each year of outside service credit purchased.

Pecora Excuse Types

# Alaska State Legislature



Session Address:  
STATE CAPITOL BUILDING  
BOX V  
JUNEAU, ALASKA 99811  
(907) 465-3727

Interim Address:  
BOX 53  
PALMER, ALASKA 99645  
(907) 745-3828 - Palmer  
(907) 376-8628 - Wasilla

Representative Ronald L. Larson  
District 16B

TO: Senator Mitch Abood, Chair  
State Affairs

FROM: Representative Ron Larson *R.L.*

RE: HB12

DATE: April 23, 1987

*C M*

RECEIVED  
APR 23 1987

I am requesting your assistance in scheduling HB12 as soon as possible in your committee. If you have any questions regarding this legislation, please do not hesitate to contact me or my staff.

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 1987 LEGISLATIVE SESSION  
FISCAL NOTE

Bill Version: HB 12  
Publish Date: HOUSE 2/9/87

REQUEST

Revision 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 Benefits  
Components: Retirement and Benefits

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
<b>OPERATING</b>						
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
<b>TOTAL OPERATING</b>	0	0	0	0	0	0
<b>CAPITAL</b>	0	0	0	0	0	0
<b>REVENUE</b>	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
<b>TOTAL</b>	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. Logan *John A. Logan* Phone: (907) 465-4470  
Division: Retirement and Benefits Date: February 3, 1987  
Approved by Commissioner: Garrey Peska *Garrey Peska* Date: 2/5/87  
Agency: Department of Administration

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
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**DEPARTMENT OF ADMINISTRATION**

**DIVISION OF RETIREMENT & BENEFITS**

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 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

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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>[\$ 78.7]</u>

The Honorable Fran Ulmer

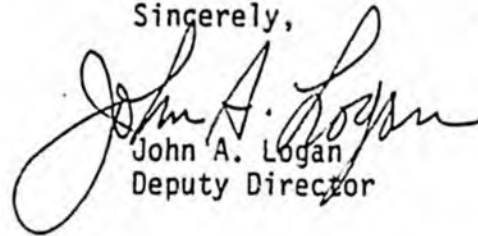
-2-

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

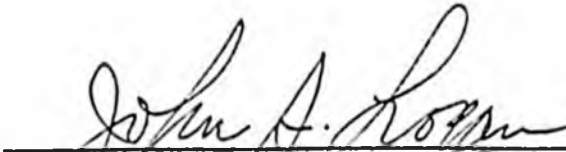
JAL/cam/7

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 on this Bill.

  
\_\_\_\_\_  
Deputy Director, Division of Retirement & Benefits

2-5-87  
Date

  
\_\_\_\_\_  
Commissioner Garrey Peska  
Department of Administration

2/5/87  
Date

# Alaska State Legislature



Session Address:  
STATE CAPITOL BUILDING  
BOX V  
JUNEAU, ALASKA 99811  
(907) 465-3727

Interim Address:  
BOX 53  
PALMER, ALASKA 99645  
(907) 745-3828 - Palmer  
(907) 378-8628 - Wasilla

Representative Ronald L. Larson  
District 16B

TO: Senator Mitch Abcod  
FROM: Representative Ron Larson *RL*  
RE: HB 12  
DATE: February 1, 1988

Would you please schedule HB 12, Limiting Credited Service Under TRS, in your committee as soon as possible.

I and my staff stand ready to assist you in any way possible.  
Thank you.

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Administration  
 Title: Limiting certain kinds of BRU: Retirement and Benefits  
credited service in the TRS  
 Sponsor: Larson Components: Retirement and Benefits  
 Requestor: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
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	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)

\_\_\_\_\_  
 \_\_\_\_\_

Prepared By: Robert F. Stalnaker Phone: 465-4470  
 Division: Retirement and Benefits Date: 01/28/88  
 Approved by Commissioner: John M. Andrews Date: 2/3/88  
 Agency: Department of Administration

Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION DIVISION OF RETIREMENT & BENEFITS

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STEVE COWPER, GOVERNOR

February 5, 1987

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Plus the decrease in the TRS contribution  
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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: [\$ 69.0]

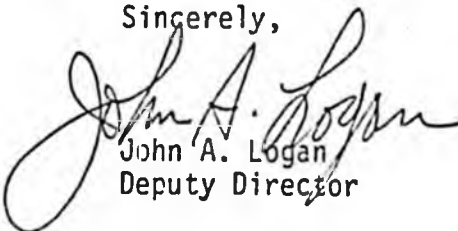
Total state FY 88 savings [\$ 78.7]

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