

HB

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HOUSE COMMITTEE REPORT

(11)

Date Referred: March 3, 1989

FURTHER REFERRALS:

Date of Committee Action: 3/23/89

The FINANCE Committee considered:

HB 23

HOUSE BILL NO. 23

[PERS & TRS CREDIT FOR PART-TIME SERVICE]

"An Act relating to credit for part-time service in the public employees' retirement system and the teachers' retirement system; and providing for an effective date."

RECOMMENDATIONS:

- be replaced with CS HB 23 (Fin) the same title
- a new title
- have attached amendment(s)
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- fiscal impact _____
- zero fiscal note _____
- zero with analysis W. Adm.
- fiscal note(s) _____
- zero fiscal note(s) _____
- zero fn/analysis _____

SIGNING DO PASS:

SIGNING:

(Check approp. column)

	Do Not Pass	No Rec	Amend
<u>Richard J. Larson</u> LARSON			
<u>Cliff Swackhammer</u> SWACKHAMMER		✓	
<u>John Limer</u> LIMER		✓	
<u>James P. Barnes</u> BARNES		✓	
<u>Debbie Shultz</u> SHULTZ		✓	
<u>Reed E. Phillips</u> PHILLIPS		✓	
<u>Steve Rieger</u> RIEGER		✓	
<u>Jay Brown</u> BROWN		✓	

Richard J. Larson

Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
 Title: Part-Time Service in Both the
Public Employees' Retirement System
and Teachers' Retirement System
 BRU: Retirement and Benefits
 Sponsor: Ulmer Components: Retirement and Benefits
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
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) This will not result in additional operations cost for the Division of Retirement and Benefits.

THIS BILL WILL NOT RESULT IN INCREASED FY 90 PERSONAL SERVICES COSTS TO STATE AGENCIES, SCHOOL DISTRICTS OR OTHER PARTICIPATING POLITICAL SUBDIVISIONS.

Prepared By: Sally Smith, Director *Sally Smith* Phone: 465-4470
 Division: Retirement and Benefits Date: Dec. 24, 1987

Approved by Commissioner: John M. Andrews *JM Andrews* Date: 3/28/89
 Agency: Department of Administration

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

Adopted

Committee Substitute for House Bill 23 (Finance)
Analysis of Fiscal Implications to the Retirement Funds
Prepared by Division of Retirement & Benefits
Department of Administration
March 23, 1989

Analysis: This bill will allow members to receive service credit in both the Teachers' (TRS) and Public Employees' Retirement System (PERS) concurrently, if they work at least 1/2 day in each. Under no circumstances can a member earning concurrent service under this bill earn more than one year of combined service during a school year. This bill will also provide a means for full-time teachers to receive PERS recognition for service as a municipal elected officer.

There would not be an adverse impact on the actuarial soundness of either the PERS or the TRS funds. The increase in the unfunded liability and the decrease in the funding ratio in each would be negligible.

Original sponsors: Ulmer and Koponen

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 23 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to credit for service as an elected
7 officer of a municipality or political subdivision
8 for certain members of the teachers' retirement
9 system, and to credit for part-time service in the
10 public employees' retirement system and the teachers'
11 retirement system; and providing for an effective
12 date."

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

14 * Section 1. AS 14.25.040 is amended by adding a new subsection to
15 read:

16 (d) A person who is employed at least half-time in the system
17 during the same period that the person is employed at least half-time
18 in a position in the public employees' retirement system under AS 39.-
19 35 shall receive credited service under each system for half-time
20 employment. However, the amount of credited service a person receives
21 under the public employees' retirement system during a school year may
22 not exceed the amount necessary, when added to the amount of credited
23 service earned during the school year under the system, to equal one
24 year of credited service. A person who was employed at least half-
25 time in a position in the public employees' retirement system under
26 AS 39.35 in the same period that the person was employed at least
27 half-time in a position in this system may claim credited service in
28 both systems for employment before the effective date of this Act. To
29 obtain this credited service, the person shall claim the service and

1 verify the period of half-time employment. When eligibility for
2 half-time service credit has been established, an indebtedness shall
3 be determined to the retirement system in which the person did not
4 participate. The amount of the indebtedness is the full actuarial
5 cost of providing benefits for the credited service claimed. Interest
6 as prescribed by regulation accrues on that indebtedness beginning on
7 the later of July 1, 1989, or the date on which the member is first
8 eligible to claim the service. Any outstanding indebtedness existing
9 at the time the person retires will require an actuarial adjustment to
10 the benefits payable based on that service.

11 * Sec. 2. AS 39.35 is amended by adding a new section to read:

12 Sec. 39.35.131. MEMBERSHIP IN TEACHERS' AND PUBLIC EMPLOYEES'
13 RETIREMENT SYSTEMS. (a) A person who is employed at least half-time
14 in the system during the same period that the person is employed at
15 least half-time in a position in the teachers' retirement system under
16 AS 14.25 shall receive credited service under each system for half-
17 time employment. However, the amount of credited service a person
18 receives under the system during a school year may not exceed the
19 amount necessary, when added to the amount of credited service earned
20 during the school year under the teachers' retirement system, to equal
21 one year of credited service.

22 (b) A person who was employed at least half-time in a position
23 in the teachers' retirement system under AS 14.25 in the same period
24 that the person was employed at least half-time in a position in this
25 system may claim credited service in both systems for employment
26 before the effective date of this Act. To obtain this credited ser-
27 vice, the person shall claim the service and verify the period of
28 half-time employment. When eligibility for half-time service credit
29 has been established, an indebtedness shall be determined to the

1 retirement system in which the person did not participate. The amount
2 of the indebtedness is the full actuarial cost of providing benefits
3 for the credited service claimed. Interest as prescribed by regu-
4 lation accrues on that indebtedness beginning on the later of July 1,
5 1989, or the date on which the member is first eligible to claim the
6 service. Any outstanding indebtedness existing at the time the person
7 retires will require an actuarial adjustment to the benefits payable
8 based on that service.

9 * Sec. 3. AS 39.35 is amended by adding a new section to read:

10 Sec. 39.35.381. ALTERNATE BENEFIT FOR ELECTED PUBLIC OFFICERS.

11 (a) An elected public officer is eligible for a public officer bene-
12 fit if the officer is retired under AS 14.25 (teachers' retirement
13 system). Only fully paid credited service as an elected public offi-
14 cer of a municipality or other political subdivision, earned while the
15 municipality or political subdivision was an employer under this
16 system and while the person was employed full-time under AS 14.25, may
17 be counted under this section.

18 (b) Credited service for which contributions were refunded is
19 not creditable under this section unless the refunded contributions
20 have been repaid. For purposes of (a) of this section, a member or
21 former member does not have to be reemployed under this system in
22 order to pay refunded contributions. Compound interest at the rate
23 prescribed by regulation must be added to the reinstatement indebted-
24 ness from the date of the refund to the date of repayment.

25 (c) The amount of the monthly elected public officer benefit is
26 two percent of the average monthly compensation for service eligible
27 under this section times those years of service.

28 (d) When an elected public officer eligible to receive credited
29 service under this section dies, the officer's designated beneficiary

1 is entitled to the balance in the officer's employee contribution
2 account.

3 (e) A person who retires under this section is not entitled to
4 disability or death benefits under AS 39.35.400 - 39.35.440, a minimum
5 benefit under AS 39.35.485, or to medical benefits under AS 39.35.535.
6 Service earned under this section may not be used for vesting under
7 this chapter.

8 (f) Benefits payable under this section accrue from the first
9 day of the month after which all of the following requirements are
10 met: (1) the elected public officer meets the eligibility require-
11 ments of this section; (2) the officer terminates employment under
12 this chapter; and (3) the officer applies for retirement. The bene-
13 fits are payable the last day of the month. If payment is delayed, a
14 retroactive payment shall be made to cover the period of the delay.

15 (g) An elected public officer may claim credit under this sec-
16 tion for service performed as an elected public officer before the
17 effective date of this Act. To claim the service, the elected public
18 officer must have been an elected public officer of a municipality or
19 political subdivision that was an employer under this system during
20 the elected service and must have been employed full-time under
21 AS 14.25 during that time. When the elected public officer claims
22 that service, an indebtedness to the system is established. The
23 amount of the indebtedness is the full actuarial cost of providing
24 benefits for the service claimed. Interest as prescribed by regu-
25 lation accrues on that indebtedness beginning on July 1, 1989. Any
26 outstanding indebtedness existing at the time the person retires will
27 require an actuarial adjustment to the benefits payable based on that
28 service.

29 * Sec. 4. AS 39.35.680(21) is amended to read:

1 (21) "member" or "employee"

2 (A) means a person eligible to participate in the
3 system and who is covered by the system;

4 (B) includes

5 (i) active member;

6 (ii) inactive member;

7 (iii) vested member;

8 (iv) deferred vested member;

9 (v) non-vested member;

10 (vi) disabled member;

11 (vii) retired member;

12 (viii) an elected public officer under AS 39.35.381;

13 (C) does not include

14 (i) former members;

15 (ii) persons compensated on a contractual or fee
16 basis;

17 (iii) casual or emergency workers or nonpermanent
18 employees as defined in AS 39.25.200;

19 (iv) persons covered by the Alaska Teachers'
20 Retirement System except as provided under AS 39.35.131 and
21 39.35.381;

22 (v) employees of the division of marine transpor-
23 tation engaged in operating the state ferry system who are
24 covered by a union or group retirement system to which the
25 state makes contributions;

26 (vi) justices of the supreme court or judges of
27 the court of appeals or of the superior or district courts
28 of Alaska;

29 (vii) the administrative director of courts

1 appointed under art. IV, sec. 16 of the state constitution
2 unless the director becomes a member under AS 39.35.158; and

3 (viii) members of the elected public officers'
4 retirement system (former AS 39.37);

5 (D) may include employees of the division of marine
6 transportation excluded under (C)(v) of this paragraph provided
7 that

8 (i) the State of Alaska formally agrees to their
9 inclusion through the process of collective bargaining; and

10 (ii) no collective bargaining agreement has the
11 effect of obligating contributions made by the state under
12 AS 39.30.150 in the event the state resumes participation in
13 the federal social security system;

14 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

Alaska State Legislature

Representative Fran Ulmer



P.O. Box V
Juneau, Alaska 99811
(907) 465-4947

HOUSE OF REPRESENTATIVES

MEMORANDUM

TO: Rep. Ron Larson, Co-chair
Rep. Lyman Hoffman, Co-Chair
Members, House Finance Committee

FROM: Rep. Fran Ulmer

DATE: March 14, 1989

RE: HB 23-credit for part-time service in TRS and PERS

HB 23 would allow persons who are employed part-time for the State of Alaska and part-time as teachers concurrently, to receive credited service in the public employees retirement system (PERS) and the teachers retirement system (TRS) at the same time.

Alaska statutes currently prohibit employees accruing retirement credit in both systems at the same time. A person who is working part-time as a state employee and part-time as a teacher is required to choose which retirement system they wish to participate in.

This legislation would allow them to accrue credited service in both systems at the same time after January 15, 1988.

One change was made to this bill in State Affairs. The Division of Retirement and Benefits proposed an amendment which would limit the total amount of credited service, when added together from both PERS and TRS, to no more than one year of credited service per each year worked. This amendment was adopted by the committee. No changes were made in the House HESS Committee

Item 4



NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

ANCHORAGE REGIONAL OFFICE

1411 W. 33RD AVENUE
ANCHORAGE, ALASKA 99503
(907) 274-0536

JUNEAU OFFICE

105 MUNICIPAL WAY, SUITE 302
JUNEAU, ALASKA 99801
(907) 586-3090

FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET
FAIRBANKS, ALASKA 99701
(907) 456-4435

January 23, 1989

To: Rep. Red Boucher, Chair
Members, House State Affairs Committee

Re: House Bill No. 23; "An Act relating to credit
in the public employees' retirement system
and the teachers' retirement system; and
providing for an effective date."

NEA-Alaska supports and encourages passage of HB 23.

This legislation addresses an equity question and we
encourage your favorable consideration of it.

Thank you for your consideration of our position

Respectfully submitted,

Bob Manners
Executive Secretary

cc: Rep. Fran Ulmer

FISCAL NOTE

REQUEST: _____

Revision Date: _____ Agency Affected: Administration
 Title: Part-Time Service in Both the BRU: Retirement and Benefits
Public Employees' Retirement System
and Teachers' Retirement System
 Sponsor: Ulmer Components: Retirement and Benefits
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
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
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REVENUE	0	0	0	0	0	0
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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) This will not result in additional operations cost for the Division of Retirement and Benefits.

THIS BILL IS ESTIMATED TO COST ALL STATE AGENCIES \$63.1 IN INCREASED FY 90 PERSONAL SERVICES COSTS.

THIS BILL IS ESTIMATED TO COST SCHOOL DISTRICTS AND OTHER PARTICIPATING POLITICAL SUBDIVISIONS \$103.3 IN INCREASED PERSONAL SERVICES COSTS IN FY 90.

See pages 2 and 3 for a detailed analysis.

Prepared By: Sally Smith, Director *R. L. Staluska* Phone: 465-4470
 Division: Retirement and Benefits Date: 1/25/89

Approved by Commissioner: John M. Andrews *JM* Date: 1/25/89
 Agency: Department of Administration

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

received
1-26-89

House Bill 23
 Analysis of Fiscal Implications to the Retirement Funds
 Prepared by Division of Retirement & Benefits
 Department of Administration
 January 19, 1989

Analysis: This bill will allow members to receive service credit in both the Teachers' (TRS) and Public Employees' Retirement System (PERS) concurrently, if they work at least 1/2 day in each.

The estimated increase to the FY90 TRS rate is .02% and the estimated increase in the FY90 PERS rate is .01%. The estimated FY90 state TRS payroll is \$55,085,786 - University of Alaska (U of A), \$50,060,086; and Department of Education (DOE), \$5,025,700. The estimated FY90 state PERS payroll is \$521,208,708. The State payroll is anticipated to remain stable for each year thereafter.

The estimated cost to the state in FY90 of \$63,138 is calculated as follows:

Fy90 DOE estimated salaries	\$ 5,025,700
Increase in the FY90 TRS rate	X <u> .02%</u>
Total DOE TRS cost...	\$ 1,005
FY90 U of A estimated salaries	\$ 50,060,086
Increase in FY90 TRS rate	X <u> .02%</u>
Total U of A TRS cost	\$ 10,012
FY90 estimated PERS salaries	\$ 521,208,708
Increase in FY90 PERS rate	X <u> .01%</u>
Total state PERS cost	\$ 52,121

In addition to the state cost, there would also be an increase in the political subdivisions' contribution rate of .02% in the TRS and .01% in the PERS. The estimated FY90 school district TRS payroll is \$339,201,043 and the total estimated political subdivision FY90 PERS payroll is \$354,521,366. The political subdivision/school district payroll is estimated to remain stable for each year thereafter.

The estimated FY90 cost for political subdivisions of \$103,292 is calculated as follows:

Fy90 School District estimated salaries	\$ 339,201,043
Increase in FY90 TRS rate	X <u> .02%</u>
Total TRS cost	\$ 67,840

FY90 Political Subdivision estimated salaries	\$ 354,521,366
Increase in FY90 PERS rate	X <u> .01%</u>
Total PERS cost	\$ 35,452

There would not be an adverse impact on the actuarial soundness of either the PERS or the TRS funds. The increase in the unfunded liability and the decrease in the funding ratio in each would be negligible.