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HOUSE COMMITTEE REPORT

File

(11)

Date Referred: April 20, 1990

FURTHER REFERRALS:

Date of Committee Action: _____

The FINANCE Committee considered:

CSSB 53 (HESS)

CS SB NO. 53 (HESS)

COLA ADJUSTMENT FOR RETIRED TEACHERS

"An Act relating to the teachers' retirement system; and providing for an effective date."

RECOMMENDATIONS:

- [] be replaced with HCS CS SB 53 (HESS) [] 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 _____

- [] fiscal note(s) DoA 3/26/90
- [] zero fiscal note(s) _____
- [] zero fn/analysis _____

SIGNING DO PASS:

SIGNING:

(Check approp. column)

Do Not Pass No Rec Amend

[Signature] Hoffman
[Signature] Larson
[Signature] Swackhamm
[Signature] Phillips
[Signature] Koonen

Name	Do Not Pass	No Rec	Amend
<i>[Signature]</i> BROWN	X		
<i>[Signature]</i> SHULTZ	X		
<i>[Signature]</i> ULMU	X		
<i>[Signature]</i> RIEGER	✓		
<i>[Signature]</i>			
<i>[Signature]</i> BARNES	X		

[Signature] Larson
 Chairman's Signature
[Signature] Hoffman

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
 Title: An Act relating to Post Retirement BRU: Retirement and Benefits
Pension Adjustments in TRS
 Sponsor: Duncan Components: Retirement and Benefits
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	55.5	55.5	55.5	55.5	55.5	55.5
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	233.7	.3	.3	.3	.3	.3
SUPPLIES	.2	.1	.1	.1	.1	.1
EQUIPMENT	44.5	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	333.9	55.9	55.9	55.9	55.9	55.9
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	333.9	55.9	55.9	55.9	55.9	55.9
TOTAL	333.9	55.9	55.9	55.9	55.9	55.9

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary) THESE ADMINISTRATIVE COSTS WILL BE

BORNE BY THE TEACHERS' RETIREMENT FUND. THEY WILL NOT IMPACT THE GENERAL FUND.

Please refer to page 2 for a detailed discussion of the administrative costs.

THIS BILL IS ESTIMATED TO SAVE THE STATE \$29.1 IN PERSONAL SERVICES COSTS IN FY 91 AND EACH YEAR THEREAFTER. THIS BILL IS ESTIMATED TO SAVE SCHOOL DISTRICTS \$172.1 IN PERSONAL SERVICES COSTS IN FY 91 AND EACH YEAR THEREAFTER. Please refer to page 3 for discussion.

Prepared by: Sally Smith, Director Phone: 465-4460
 Division: Retirement and Benefits Date: 3/22/90
 Approved by Commissioner: Frank S. Baxter Date: 3/23/90
 Agency: Department of Administration

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

Committee Substitute for Senate Bill 53
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration
March 9, 1990

Analysis: This bill would establish a pre-funded automatic post retirement pension adjustment (PRPA) and several other cost containment measures in the Teachers' Retirement Systems (TRS). A savings to employers of \$200,000 each year is estimated, after considering the costs for automated systems enhancements and ongoing maintenance.

The PRPA would be granted from July 1 of each year if the Consumer Price Index for Anchorage (CPI-W) increased during the prior calendar year. The bill would also increase the benefit formula to encourage members who accumulate 20 years of membership service to continue teaching. The cost containment provisions implemented by this bill would parallel the Public Employees Retirement System.

The total estimated administrative cost to the division of \$333.9 for FY 91 is for personal and contractual services. During the first year, a permanent programmer/analyst IV would develop the changes to the TRS automated system in cooperation with a firm contracted to assist. In the second and subsequent years the A/P IV would complete the project and provide ongoing maintenance for the automatic PRPA system and benefit calculation systems for both the TRS and the Public Employees Retirement System. Current staff would not be able to absorb this increased workload.

Committee Substitute for Senate Bill 53
 Analysis of Financial Impact to the Retirement Fund
 Prepared by Division of Retirement & Benefits
 Department of Administration
 March 9, 1990

Analysis: This bill would decrease the state Teachers' Retirement System (TRS) contribution rate by 0.05% in FY 91. The state TRS payroll is estimated to be \$58,159,258 in FY 91 and remain stable thereafter.

The state savings of \$29,080 are calculated as follows:

Department of Education FY 91 estimated salary	\$5,673,729	
Decrease in TRS rate	X <u>0.05%</u>	
Total savings.....	\$ 2,837	
University of Alaska FY 91 estimated salary	\$52,485,529	
Decrease in TRS rate	X <u>0.05%</u>	
Total savings.....	\$ 26,243	
<u>TOTAL STATE SAVINGS...</u>		<u>\$29,080</u>

In addition to these state savings, the school districts' contribution rates would likely decrease by 0.05% in FY 91. The school districts' salaries are estimated to be \$ 344,238,828 in FY 91 and remain stable each year thereafter.

The school districts' savings of \$103,272 are calculated as follows:

School district FY 91 estimated salaries	\$344,238,828	
Decrease in TRS rate	X <u>0.05%</u>	
<u>TOTAL SCHOOL DISTRICT SAVINGS...</u>		<u>\$172,119</u>

Passage of this bill will have no measurable impact on the TRS unfunded liability. It will not affect the TRS funding ratio.

Position Title Analyst/Programmer IV		No. of Positions 1	Range/Step 19A	Barg. Unit GG
Time Status PE/FT	Staff Months 12.0	Location Juneau		Election District 4
Type of Expenditure		Justification		
		This position will be responsible for the analysis, design, programming, implementation, maintenance, and enhancement of systems and subsystems mandated by CSSB 53. This includes tracking and overseeing contract analyst/programmer work during the first year of the development effort, continuing development to completion in the second or third year, interfacing and maintaining interfaces of the newly developed systems with all other State systems and other systems as appropriate, and maintaining all systems developed by this project as they become operational.		
Amount				
1	2	3		
Salary	40,032			
Benefits	15,480			
Premium Pay				
Other				
Total Personal Services		55,512		
Travel		0		
Contractual		350		
Commodities		100		
Equipment		22,250		
Other				
Total Cost		79,212		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004			
I-A Receipts	1006			
CIP Receipts	1061			
Other	Teachers' Retirement 1034	79,212		

8/6B1/030709-0

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 4 of 4
 Revised Date

FY 91

Gen Senate in admin 3/26/90

Original sponsor(s): SEN. DUNCAN, Zharoff, Kerdtula, Sturgulewski, Kelly, Uehling

1 IN THE SENATE

BY THE HESS COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 53 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the teachers' retirement system;
7 and providing for an effective date."

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

9 * Section 1. AS 14.25.050(a) is amended to read:

10 (a) Beginning January 1, 1991 [JULY 1, 1970], each teacher shall
11 contribute to the system an amount equal to 8.65 [SEVEN] percent of
12 the teacher's base salary accrued from July 1 to the following
13 June 30. The employer shall deduct the contribution from the teach-
14 er's salary at the end of each payroll period. The contributions
15 shall be deducted from employee compensation before the computation of
16 applicable federal taxes and shall be treated as employer contribu-
17 tions under 26 U.S.C. 414(h)(2).

18 * Sec. 2. AS 14.25.060(a) is amended to read:

19 (a) If a member first joined the service before July 1, 1990,
20 and has military service or Alaska Bureau of Indian Affairs (BIA)
21 service, or if a member joined the system before July 1, 1978, and has
22 creditable outside service, the member is indebted to the system as
23 follows:

24 (1) At the time of first becoming a member of the system,
25 the arrearage indebtedness is seven percent of the base salary multi-
26 plied by the total number of years of creditable outside, military,
27 and Alaska BIA service. The administrator shall add compound interest
28 at the rate prescribed by regulation to the arrearage indebtedness
29 beginning July 1, 1963, or at the time the member first becomes

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1 eligible to claim the service, whichever is later, to the date of
2 payment or the date of retirement, whichever occurs first.

3 (2) If a member terminates from the system and is subse-
4 quently reemployed as a member, the arrearage indebtedness to the
5 system for outside, military, or Alaska BIA service accumulated in the
6 interim is seven percent of the base salary upon reentering membership
7 service, multiplied by the number of years of interim outside, mili-
8 tary, and Alaska BIA service. Compound interest at the rate pre-
9 scribed by regulation shall be added to the arrearage indebtedness
10 beginning July 1, 1963, or the date of reemployment as a member,
11 whichever is later, to the date of payment or the date of retirement,
12 whichever occurs first.

13 * Sec. 3. AS 14.25.060 is amended by adding a new subsection to read:

14 (d) If a member first joined the system on or after July 1,
15 1990, and has military service or Alaska BIA service, the member's
16 indebtedness shall be determined under (a) of this section except that
17 the percentage multiplier is 8.65 percent.

18 * Sec. 4. AS 14.25.100(a) is amended to read:

19 (a) A member who served as an active member of the armed forces
20 of the United States may receive credited service under this system up
21 to a maximum of five years if the member received a discharge under
22 other than dishonorable conditions and is not entitled to receive
23 retirement benefits from the United States government for the same
24 service. Each 12 months of military service equals one school year,
25 and lesser military periods will be determined for credit purposes in
26 a proportionate ratio to a year. [TO RECEIVE CREDITED SERVICE UNDER
27 THIS SECTION, THE MEMBER MUST HAVE RECEIVED A DISCHARGE OTHER THAN
28 DISHONORABLE.] Credit for service in the armed forces shall be grant-
29 ed only if the member makes contributions for the service in the same

1 manner as required for outside service under AS 14.25.060. The mili-
2 tary service credited under this section shall be included in the
3 10-year limitation of outside service as specified in AS 14.25.060,
4 except if entry into the armed forces is immediately preceded by
5 Alaska membership service and following discharge is continued by
6 Alaska membership service within one year thereafter, service may not
7 be counted for purposes of determining the applicability of the 10-
8 year limitation on outside service.

9 * Sec. 5. AS 14.25.110(a) is amended to read:

10 (a) Subject to AS 14.25.167, a member is eligible for a normal
11 retirement benefit if the member

12 (1) was first hired before July 1, 1975, has attained the
13 age of 55 years, and has at least 15 years of credited service, the
14 last five of which have been membership service;

15 (2) has attained the age of 60 [55] years and has at least
16 eight years of membership service;

17 (3) has attained the age of 60 [55] years, has at least
18 five years of membership service, and has at least three years of
19 Alaska BIA service;

20 (4) has at least 25 years of credited service, the last
21 five of which have been membership service;

22 (5) has at least 20 years of membership service;

23 (6) has at least 20 years of combined membership service
24 and Alaska BIA service, the last five of which have been membership
25 service; or

26 (7) has at least one-half year of membership service as a
27 part-time teacher for each of 20 school years.

28 * Sec. 6. AS 14.25.110(b) is amended to read:

29 (b) Subject to AS 14.25.167, a member is eligible for an early

1 retirement benefit upon completing [ANY ONE OF] the service require-
2 ments in (a)(1) [, (2), OR (3)] of this section and attaining the age
3 of 50 years or upon completing the service requirements in (a)(2) or
4 (3) of this section and attaining the age of 55 years.

5 * Sec. 7. AS 14.25.110(d) is amended to read:

6 (d) The monthly amount of a retirement benefit for a member who
7 has paid the full amount of any indebtedness is one-twelfth [TWO
8 PERCENT] of the member's average base salary during any three school
9 years of membership service multiplied by

10 (1) two percent of [TIMES] the years of credited service
11 earned before June 30, 1990, including credited fractional years, and
12 the years of credited service through a total of 20 years; plus

13 (2) two and one-half percent of the years of credited
14 service earned after June 30, 1990, that are more than 20 years of
15 total credited service [DIVIDED BY 12. AN ACTUARIAL ADJUSTMENT MUST
16 BE MADE FOR EARLY RETIREMENT].

17 * Sec. 8. AS 14.25.110 is amended by adding a new subsection to read:

18 (j) An actuarial adjustment must be made to benefits payable
19 under (d) of this section for early retirement.

20 * Sec. 9. AS 14.25.125(a) is amended to read:

21 (a) Subject to AS 14.25.167, a member is eligible for a normal
22 retirement salary at age 60 [55] with at least two years membership
23 service if the member also is eligible for a normal retirement benefit
24 under the public employees' retirement system (AS 39.35).

25 * Sec. 10. AS 14.25.125(b) is amended to read:

26 (b) Subject to AS 14.25.167, a member is eligible for an early
27 retirement salary at age 55 [50] with at least two years of membership
28 service if the member also is eligible for an early retirement benefit
29 under the public employees' retirement system (AS 39.35).

1 * Sec. 11. AS 14.25.142(a) is amended to read:

2 (a) While residing in the state, a person receiving a benefit
3 under this chapter who is at least 65 years of age or who is receiving
4 a disability benefit under this chapter is entitled to receive a
5 monthly cost-of-living [COST OF LIVING] allowance in addition to the
6 basic benefit. The amount of this allowance is 10 percent of the
7 basic benefit.

8 * Sec. 12. AS 14.25.143 is repealed and reenacted to read:

9 Sec. 14.25.143. POST RETIREMENT PENSION ADJUSTMENT. (a) Once
10 each year, the administrator shall increase benefit payments to eligi-
11 ble disabled members, to persons age 60 or older receiving benefits
12 under this system in the preceding calendar year, and to persons who
13 have received benefits under this system for at least eight years who
14 are not otherwise eligible for an increase under this section.

15 (b) The increase in benefit payments applies to total benefit
16 payments except for the cost-of-living allowance under AS 14.25.142.
17 The amount of the increase is a percentage of the current benefit
18 equal to

19 (1) the lesser of 75 percent of the increase in the cost of
20 living in the preceding calendar year or nine percent, for recipients
21 who on July 1 are at least 65 years old and for members receiving
22 disability benefits; and

23 (2) the lesser of 50 percent of the increase in the cost of
24 living in the preceding calendar year or six percent, for recipients
25 who on July 1 are at least 60 but less than 65 years old or for recip-
26 ients who on July 1 are less than 60 years old but who have received
27 benefits from the system for at least eight years.

28 (c) If a recipient was not receiving benefits during the entire
29 preceding calendar year, the increase in benefits under this section

1 shall be adjusted by multiplying it by the fraction whose numerator is
2 the number of months for which benefits were received in the preceding
3 calendar year and whose denominator is 12.

4 (d) If at the time of first receiving a retirement benefit, a
5 member was receiving a disability benefit under this system, the
6 administrator shall, at the time the member is appointed to retire-
7 ment, increase the retirement benefit by a percentage equal to the
8 total cumulative percentage increase that has been applied to the
9 member's disability benefit under this section.

10 (e) When computing a death benefit under AS 14.25.155, 14.25.-
11 157, or 14.25.160 or a survivor's benefit under AS 14.25.162, 14.25.-
12 164, or 14.25.167, adjustments granted to the deceased member or
13 survivor under this section shall be included in the computation.

14 (f) An increase in benefit payments under this section is effec-
15 tive July 1 of each year and is based on the percentage increase in
16 the consumer price index for urban wage earners and clerical workers
17 for Anchorage, Alaska during the previous calendar year as determined
18 by the United States Department of Labor, Bureau of Labor Statistics.

19 * Sec. 13. AS 14.25.168(a) is amended to read:

20 (a) Except as provided in (c) of this section, the following
21 persons are entitled to major medical insurance coverage if a benefit
22 recipient elects coverage under this section:

23 (1) a person receiving a monthly benefit from the system;

24 (2) the spouse of a person receiving a monthly benefit from
25 the system;

26 (3) a natural or adopted child of a person receiving a
27 monthly benefit, if the child is a dependent child as defined in
28 AS 14.25.220.

29 * Sec. 14. AS 14.25.168(b) is amended to read:

1 (b) After an election of coverage under [EXCEPT AS PROVIDED IN
2 (c) OF] this section, major medical insurance coverage takes effect on
3 the same date as retirement benefits begin and stops when the member
4 [RETIRED PERSON] or survivor is no longer eligible to receive a month-
5 ly benefit. The coverage for persons [OVER] age 65 or older is the
6 same as that available for persons under age 65. The benefits payable
7 to those persons age 65 or older supplement any benefits provided
8 under the federal old age, survivors and disability insurance program.

9 * Sec. 15. AS 14.25.168 is amended by adding a new subsection to read:

10 (d) A benefit recipient may elect major medical insurance cover-
11 age in accordance with regulations and under the following conditions:

12 (1) a person who is younger than 60 years of age must pay
13 an amount equal to the full monthly group premium for retiree major
14 medical insurance coverage;

15 (2) a person who is at least 60 years of age but is younger
16 than 65 years of age must pay an amount equal to one-half of the full
17 monthly group premium for retiree major medical insurance coverage;

18 (3) a disabled member or a person 65 years of age or older
19 is not required to make premium payments.

20 * Sec. 16. APPLICABILITY. This Act, other than secs. 1, 7, 8, and 12,
21 applies only to members first hired under the teachers' retirement system
22 on or after July 1, 1990. Changes in the teachers' retirement system
23 enacted in this Act that require a reduction in benefits to members of the
24 retirement system apply only to members who are first hired under the
25 retirement system after June 30, 1990. Sections 1, 7, 8, and 12 of this
26 Act apply to all members of the teachers' retirement system regardless of
27 the date of hire.

28 * Sec. 17. This Act takes effect July 1, 1990.
29



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

March 15, 1990

To: Senator Paul Fischer, Chair
Members, Senate HESS Committee

Re: Senate Bill No. 53
"An Act relating to the teachers' retirement system, and providing for an effective date."

NEA-Alaska strongly supports and encourages your favorable consideration of SB 53. Establishing an annual post retirement pension adjustment is a legislative priority of NEA-Alaska and its 6,000+ members.

It is our understanding that the CS for SB 53 which will be before the Committee makes the annual post retirement pension adjustment (PRPA) revenue neutral and may in fact show a slight savings for the state and school district employers by increasing employee contributions and making some prospective changes in the benefit system.

As evidenced by Section 1 in the CS current active members are willing to share in a portion of the cost increase in order to provide for an annual post retirement pension adjustment and that it will be based on sound actuarial funding.

Provision for an annual adjustment to their fixed retirement income will obviously provide some help to retirees relative to the adverse effects of inflation. It should also be noted that teachers in Alaska do not have access to Social Security or any other supplemental benefit system except as they are able to provide for same on their own initiative.

The CS for SB 53 improves and makes the TRS a better system. As such it will make teaching in Alaska more attractive as a professional career and should mitigate some against excessive employee turnover. This contributes to the overall quality of our collective effort in public education.

In 1986 similar legislation was passed relative to the Public Employee's Retirement System. It is time to do the same for the TRS.

Thank you for your consideration of our position.

Respectfully submitted,

Bob Manners
Executive Director

Don Oberg
President

cc: Senator Jim Duncan

Probable Components

CS for SB 53 - PRPA

* new - means for people employed after effective date

1. PRPA

- a. age 65 and over the lessor of 75% CPI or 9%
- b. age 60-65. the lessor of 50% CPI or 6%
- c. Ad hoc PRPA up to 4%

Retirees:

- a, b, or c, whichever is greater

Current active:

- a, b, or c, whichever is greater
- minimally eligible for b eight years after retirement

New:

- minimally eligible for b eight years after retirement

2. Health Insurance Premium Cost

Retirees/Current active:

- no change

New:

- retiree pays premium to age 60
- pays 50% between age 60 and 65
- age 65 or over, fully paid by TRS

3. Normal retirement changed from age 55 to age 60
Early retirement changed from age 50 to 55

- applies to New employees only

4. No changes on 20 and out

5. 10% Alaska cost of living differential (COLA)

Retirees/Current active:

- no change

New:

- not available until age 65

6. Employee Contribution Rate

Retirees:

- no effect

Current active/New:

- changes from 7% to 8.65% on 1/1/91
- becomes a before tax contribution

7. Benefit Formula

Retirees:

- no change

Current active/New:

- 2%/year for first 20 years
- 2 1/2%/year for each year over 20 years which is earned after the effective date

(if the effective date is 7/1/90, a teacher has on that date 25 years of credited service, teaches one more year for a total of 26, retirees on 7/1/91; formula is 25 years @ 2% + one year @ 2 1/2%)

8. Elimination of Military Double Dip

Retirees/Current active:

- no change

New:

- cannot use military time as credited service in the TRS if using those same years to draw a military pension

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
707 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 4, 1990

SUBJECT: Sectional analysis of CSSB 53 (HESS)
(Teachers' retirement system)

TO: Senator Jim Duncan

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.

Section 1 increases the contribution rate for members of the Teachers' Retirement System from seven percent to 8.65 percent beginning on January 1, 1991 and directs that contributions be deducted before federal taxes are computed.

Secs. 2 and 3 change the contribution rate by which members of the Teachers' Retirement System first hired on or after July 1, 1990, may buy in military service or Alaska Bureau of Indian Affairs service from seven percent to 8.65 percent.

Sec. 4 requires that a member have received an honorable discharge to be entitled to claim military service in TRS. The section also prohibits a member from receiving TRS retirement benefits for military service for which the member is entitled to receive retirement benefits from the United States government.

Secs. 5 and 6 change the retirement age for members of TRS. Eligibility for normal retirement is changed from 55 years to 60 years, and eligibility for early retirement is changed from 50 years to 55 years.

Sec. 7 increases the multiplier for computing certain benefits payable to TRS members. Benefits for years of service greater than 20 which were earned after July 1, 1990, will be figured by multiplying by two and one-half percent instead of by two percent. Benefits for all service earned before July 1, 1990, and for that part of the benefits that are figured on fewer than 20 years of service are figured at two percent.

Sec. 8 restores language to AS 14.25.110 that was removed from AS 14.25.110(d) by sec. 7.

Secs. 9 and 10 repeat the changes in eligibility for normal and early retirement made by secs. 5 and 6. AS 14.25.125 is the section that grants members eligible to retire under the Public Employees' Retirement System the right to retire under TRS with only two years of membership service in TRS.

Sec. 11 limits eligibility for the cost-of-living allowance (COLA) to retired members of TRS who are state residents and at least 65 years of age or disabled. The COLA is currently payable to retirees of any age who are living in the state.

Sec. 12 changes the post retirement pension adjustment (PRPA) statute to parallel the provisions of PERS, found at AS 39.35.475. Subsection (a) makes the PRPA mandatory if the cost of living, as determined under (f) of the section, has increased during the previous calendar year and limits eligibility to receive the PRPA. Subsections (b) and (c) set out the formula for determining the amount of the PRPA and for figuring fractional benefits for those not retired for the full year. Subsection (d) retains the amount of PRPA's granted while a member was receiving disability benefits for the member's retirement benefit. Subsection (e) includes adjustments granted to deceased members or survivors when figuring death benefits or survivor's benefits under TRS.

Secs. 13 - 15 change eligibility for major medical insurance coverage. Under sec. 15, benefit recipients who choose to be covered and who are younger than 60 must pay the full cost of the insurance premium, benefit recipients between the ages of 60 and 65 must pay one-half the cost, and disabled members and persons 65 years of age or older receive coverage without paying for the premium.

Page 3
April 4, 1990

Sec. 16 applies the changes that reduce the value of TRS benefits or limit eligibility for TRS benefits to employees first hired on or after the effective date of the Act. The increase in the contribution rate and the corresponding increase in benefit calculations, including the post retirement pension adjustment, apply to all employees.

Sec. 17 gives the Act an effective date of July 1, 1990.

If I may be of further assistance, please advise.

TC:mi
wkmi6/069

1990 LEGISLATION
POSITION PAPER
DEPARTMENT OF ADMINISTRATION

Division Retirement and Benefits Bill Number CS SB 53

Bill Title An Act relating to Post Retirement Pension Adjustment to TRS.

Position Statement: Explain briefly what bill does, its impacts and Departments' position, i.e. a) support, b) do not support, c) neutral or d) oppose.

SB 53 provides a tremendous opportunity to guarantee teachers that retirement benefits will keep pace with cost-of-living increases, and at the same time, guarantee employers of a related reduction in employer contributions.

This Committee Substitute was developed to provide retired teachers with an automatic, pre-funded, post retirement pension adjustment (PRPA) and an increased benefit multiplier. Cost containment provisions are included to off-set the pre-funding expense.

The current ad hoc PRPA was established on a pay-as-you-go basis. Every time an ad hoc PRPA is issued, the system's unfunded liability is increased, which, in turn, increases the employers' contribution rate--after the fact. The most important aspect of this bill is that it provides for prefunding the PRPAs. The funding of future PRPAs would be incorporated into the plan, with monies set aside in advance. Employer contribution rates would no longer have to "react" to a pension adjustment, and retirees could enjoy some retirement security.

If passed, effective January 1, 1991 teachers' contributions would increase from 7% to 8.65% of salary. These contributions would be with pre-tax, instead of the current after-tax, dollars. Additionally, for those teachers first hired after this bill's effective date, the following provisions would apply:

1. depending on age, each will share in the cost of the health premium after retirement. (For those already hired, the premium is fully paid);
2. none will be eligible for the Alaska cost of living allowance (COLA) until age 65. If the retiree is an Alaska resident, the COLA is an additional 10% of the retirement benefit; and

3. normal retirement age will be 60 instead of 55.

There are administrative costs to implement the provisions of the bill. These costs would be funded by an appropriation from the Teachers' Retirement System; no general fund monies are needed. On the other hand, employer contributions are made with the support of general fund dollars. Under this legislation the employer contribution rate would be REDUCED by .05%, saving an estimated \$200 thousand each year.

The Department of Administration and the Division of Retirement and Benefits fully support this legislation. It responsibly adjusts the priorities to ensure an automatic pension adjustment for living cost increases. This enhancement should serve well to attract and retain the best of the teaching profession.

APPROVED:

Director Sally Smith Division Retirement and Benefits

Signature Sally Smith Date 3/23/90

Commissioner Frank S. Baxter

Signature Frank Baxter Date 3/23/90

(For more information, call Sioux Plummer 465-2200)

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