

HB

23



HANLEY:

The combined $\frac{1}{2}$ time credit
accrued under 14 + 39
shall NOT exceed ONE
YR OF RETIREMENT CREDIT
IN A FY.

HOUSE COMMITTEE ON STATE AFFAIRS

RECAP OF HB 23

PERS & TRS Credit for Part-Time Service

Received January 9, 1989
by Reps. Ulmer and Koponen

Heard January 26, 1989
Heard January 31, 1989

Committee Substitute adopted January 31, 1989

Passed Out of Committee January 31, 1989

4 Do Pass

2 No Recommendation

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HB 23: PERS & TRS Credit for Part-Time Service

- Item 1:** HB 23 by Ulmer and Koponen
CS HB 23
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January 26, 1989
- Item 4:** Letter from NEA-Alaska
January 23, 1989
- Item 5:** CS HB 23 (Draft 6-1050E) by the State Affairs
Committee

HOUSE COMMITTEE REPORT

(7)

Date Referred: January 9, 1989

FURTHER REFERRALS: HESS
FINANCE

Date of Committee Action: _____

The STATE AFFAIRS Committee recommends that:

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."

be replaced with CS HB 23 (SA) 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):

- fiscal impact
- zero fiscal note
- zero with analysis

APPROVES PREVIOUS:

- fiscal note(s) published: _____
- zero fiscal notes(s) published: _____

SIGNING DO PASS:

Eileen P. Maclean
[Signature]
[Signature]
[Signature]

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

[Signature] - No Rec
[Signature] NO Rec

[Signature]
 Chairman's signature

Original sponsors: Ulmer and Koponen

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 23 (State Affairs)

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 part-time service in
7 the public employees' retirement system and the
8 teachers' retirement system; and providing for an
9 effective date."

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

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

13 (d) A person who is employed at least half-time in the system
14 during the same period that the person is employed at least half-time
15 in a position in the public employees' retirement system under
16 AS 39.35 shall receive credited service under each system for half-
17 time employment. However, the amount of credited service a person
18 receives under the public employees' retirement system during a school
19 year may not exceed the amount necessary, when added to the amount of
20 credited service earned during the school year under the system, to
21 equal one year of credited service.

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

23 Sec. 39.35.131. MEMBERSHIP IN TEACHERS' AND PUBLIC EMPLOYEES'
24 RETIREMENT SYSTEMS. A person who is employed at least half-time in
25 the system during the same period that the person is employed at least
26 half-time in a position in the teachers' retirement system under
27 AS 14.25 shall receive credited service under each system for half-
28 time employment. However, the amount of credited service a person
29 receives under the system during a school year may not exceed the

1 amount necessary, when added to the amount of credited service earned
2 during the school year under the teachers' retirement system, to equal
3 one year of credited service.

4 * Sec. 3. AS 39.35.680(21) is amended to read:

5 (21) "member" or "employee"

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

8 (B) includes

9 (i) active member;

10 (ii) inactive member;

11 (iii) vested member;

12 (iv) deferred vested member;

13 (v) non-vested member;

14 (vi) disabled member;

15 (vii) retired member;

16 (C) does not include

17 (i) former members;

18 (ii) persons compensated on a contractual or fee
19 basis;

20 (iii) casual or emergency workers or nonpermanent
21 employees as defined in AS 39.25.200;

22 (iv) persons covered by the Alaska Teachers'
23 Retirement System except as provided under AS 39.35.131;

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

28 (vi) justices of the supreme court or judges of
29 the court of appeals or of the superior or district courts

1 of Alaska;

2 (vii) the administrative director of courts ap-
3 pointed under art. IV, sec. 16 of the state constitution
4 unless the director becomes a member under AS 39.35.158; and

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

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

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

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

16 * Sec. 4. A person who was employed after January 15, 1988, at least
17 half-time in a position in the public employees' retirement system under
18 AS 39.35 in the same period that the person was employed at least half-time
19 in a position in the teachers' retirement system under AS 14.25 may elect
20 to receive credited service in both systems under AS 14.25.040(d) and
21 AS 39.35.131, as enacted by secs. 1 and 2 of this Act, for employment from
22 January 16, 1988, to the effective date of this Act. To obtain credited
23 service under this section, the person shall elect to do so and verify the
24 period of half-time service before July 1, 1990. When eligibility for
25 half-time service credit has been established, an indebtedness shall be
26 determined to the retirement system in which the person did not partici-
27 pate. The amount of the indebtedness is the full actuarial cost of provid-
28 ing benefits for the credited service claimed. Interest as prescribed by
29 regulation accrues on that indebtedness beginning July 1, 1990. Any

1 outstanding indebtedness existing at the time the person retires will
2 require an actuarial adjustment to the benefits payable based on that
3 service.

4 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).
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Item 2

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
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 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. I. Statuaker*
 Division: Retirement and Benefits

Phone: 465-4470

Date: 1/25/89

Approved by Commissioner: John M. Andrews *[Signature]*
 Agency: Department of Administration

Date: 1/25/89

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

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	<u>X .02%</u>
Total DOE TRS cost...	\$ 1,005
FY90 U of A estimated salaries	\$ 50,060,086
Increase in FY90 TRS rate	<u>X .02%</u>
Total U of A TRS cost	\$ 10,012
FY90 estimated PERS salaries	\$ 521,208,708
Increase in FY90 PERS rate	<u>X .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.

Alaska State Legislature

Representative Fran Ulmer



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

HOUSE OF REPRESENTATIVES

MEMORANDUM

TO: Representative Boucher, Chairman
House State Affairs Committee

FROM: Rep. Fran *Fran Ulmer*

DATE: January 26, 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 pay into both retirement systems, but has to choose which system they wish to put the part-time credited service towards.

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

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

Item 5
6-0150E
Cramer
1/30/89

Original sponsors: Ulmer and Koponen

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BY THE STATE AFFAIRS COMMITTEE

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3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

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17 time employment. However, a person may not receive more than a total
18 of one year of credit during a [12-month period] SCHOOL YEAR.

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17 Retirement System except as provided under AS 39.35.131;

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19 tation engaged in operating the state ferry system who are
20 covered by a union or group retirement system to which the
21 state makes contributions;

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23 the court of appeals or of the superior or district courts
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21 pate. The amount of the indebtedness is the full actuarial cost of provid-
22 ing benefits for the credited service claimed. Interest as prescribed by
23 regulation accrues on that indebtedness beginning July 1, 1990. Any out-
24 standing indebtedness existing at the time the person retires will require
25 an actuarial adjustment to the benefits payable based on that service.

26 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).
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HB 23-House State Affairs

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

Alaska statutes currently prohibit accruing of retirement credit in both systems at the same time. It was the feeling of the Division of Retirement and Benefits that this statute was put in law before either the public employees retirement system or the teachers retirement system recognized part-time service. Currently there are many part-time state positions and part-time teachers, although Retirement and Benefits is unable to establish exactly how many persons are working both part-time jobs at the same time. It's time that these statutes are up-dated to reflect our current working situations.

A person who is working part-time as a state employee and part-time as a teacher concurrently, is required to pay into both retirement systems, even though only one job can be credited towards a retirement system at a time. An employee must weigh the benefits of each system and choose one. All the credited service time in the other position would be lost to the employee, even though he had paid for it, unless he accrued two years or more. When he becomes vested in the second system and accrues a minimum of two years of service in the other retirement system in which they were **not** vested, they can combine the total credited service towards retirement. (i.e. 5 years

in PERS + 1.5 years in TRS= 5 years towards retirement. 5 years in PERS + 2 years in TRS= 7 years towards retirement.)

As you can see by the memo in your bill file, this legislation is supported by NEA and the Dept. of Administration. One of the teachers that is affected by this statute is here to testify. If you have any questions, I would be pleased to answer them.

FYI ONLY: Senator Duncan has a bill, SB 14, which would allow teachers to combine their part-time teaching service with their full-time teaching service towards retirement. Currently, you can't combine the full-time and part-time credited service teaching as it applies to retirement.

- Receive credit for both PERS + TRS BUT CANNOT EXCEED 1 YR COMBINED SERVICE EACH FY?

- BY PAY PERIOD BASIS?

- TRS TARGETED RATE?

ALLOW TRS TO ACCRUE THEN PERS?

NOTES

VESTED 8 YRS TRS } QUESTION OF PORTABILITY
5 YRS PERS } NATIONAL ISSUE - CAN WE
SET UP A STANDARD-QUALITY
IN ANY SYSTEM - TAKING \$
OUT OF ONE SYSTEM - INTO ANOTHER

IF YOU ARE VESTED IN TRS + YOUR
ALSO IN PERS, VESTED IN PERS
AFTER TWO YRS INSTEAD OF 5
CONDITIONAL SITUATIONS

LANGUAGE

- ulmer
- spolwholz
- HANLEY

PERS

UNDER PERS, PART TIME SERVICE IS CREDITED
ON PRO RATA BASIS - E.G. IF THEY WORK
3/4 DAY, GET 3/4 DAY SERVICE

TRS

IN TRS, 3/4 DAY GET 1/2 DAY SERVICE

CONCERN

SOMEONE WORKING IN BOTH SYSTEMS CANT ACCRUE
MORE THAN A FULL YR OF CREDIT WHICH
IS POSSIBLE -

TORI CRAMER

ADMIN PROBLEMS

↳ STALNAKCH → HANDLE THROUGH PCA