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SENATE COMMITTEE REPORT

FURTHER

DATE TURNED INTO OFFICE 3/23/90

5/4/89
Mr. President:

Finance

Committee considered CSHB 89 (HESS)

eligibility for retirement under the teachers' retirement system

and recommended

- replace with _____ CS _____) same title
- or adopt _____ CS _____) new title
- attached amendment(s) and technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

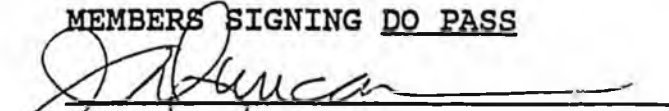
FISCAL NOTE(S) ^{DOA 11/26/89} zero fiscal impact appropriation NO FII

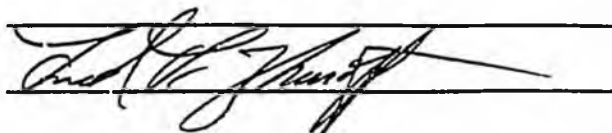
new updated previous

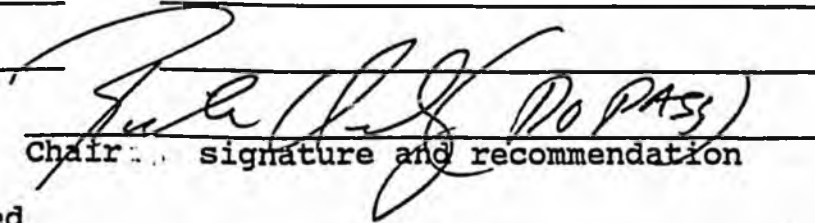
same as previous fiscal note(s) published _____

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS







 Chair signature and recommendation

Committee Backup attached

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Administration
 Title: An Act relating to eligibility BRU: Retirement and Benefits
 for retirement under the TRS.
 Sponsor: Navarre 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 bill will not result in increased operational costs to the Division.
 THIS BILL IS ESTIMATED TO COST THE DEPARTMENT OF EDUCATION AND THE UNIVERSITY OF ALASKA \$33.0
 IN INCREASED PERSONAL SERVICES COSTS IN FY 90. THIS BILL IS ESTIMATED TO COST SCHOOL DISTRICTS
 \$203.5 IN INCREASED PERSONAL SERVICE COSTS IN FY 90. Please refer to page 2 for a detailed
 discussion of these costs.

Prepared By: R.2. Stalwaker Phone: 465-4470
 Sally Smith, Director
 Division: Retirement and Benefits Date: 1/25/89
 Approved by Commissioner: John M. Andrews Date: 1/26/89
 Agency: Department of Administration

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

Adopted

Analysis of the Fiscal Implications to the Retirement Fund
Prepared by Division of Retirement & Benefits
Department of Administration
January 20, 1989

Analysis: This bill would enable members of the TRS to receive full credit for part-time and 1/2 year teaching to establish eligibility for benefits. Benefits would continue to be calculated at half-credit. Passage of this bill is estimated to increase the state TRS contribution rate for FY90 by .06%. The FY90 state TRS payroll is estimated to be \$55,085,786 (Department of Education, \$5,025,700; and University of Alaska, \$50,060,086) and remain level for each year thereafter.

The cost to the state of \$33.0 is calculated as follows:

Estimated U of A FY90 payroll	\$ 50,060,086
TRS contribution rate increase	X <u> .06%</u>

Total U of A cost.....	\$ 30,000
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Estimated D.O.E. FY90 payroll	\$ 5,025,700
TRS contribution rate increase	X <u> .06%</u>

Total D.O.E. cost.....	\$ 3,000
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In addition to the state cost, there would also be an increase in the school districts' contribution rate of .06%, resulting in a total contribution increase of \$203.5 for FY90 and for each year thereafter.

Estimated School District FY90 payroll	\$ 339,201,043
TRS contribution rate increase	X <u> .06%</u>

Total School District cost....	\$ 203,521
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There would not be an adverse impact on the actuarial soundness of the TRS fund. The increase in unfunded liability and the decrease in funding ratio would be negligible.

Original sponsors: Navarre and
Swackhammer

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2

CS FOR HOUSE BILL NO. 89 (HESS)

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 eligibility for retirement under
7 the teachers' retirement system."

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

9 * Section 1. 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 55 years and has at least eight
16 years of membership service;

17 (3) has attained the age of 55 years, has at least five
18 years of membership service, and has at least three years of Alaska
19 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, for each of 20 school years,

27 (A) at least one-half year of membership service as a
28 part-time teacher;

29 (B) one full year of membership service as a full-time

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teacher; or

(C) any combination of service qualified under this paragraph [FOR EACH OF 20 SCHOOL YEARS].

Alaska State Legislature



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DISTRICT 5

Representative Mike Navarre

February 18, 1990

MEMORANDUM

TO: Senator Rick Uehling
Senator John Binkley
Co-Chairs, Senate Finance Committee
All Senate Finance Committee Members

FROM: Representative Mike Navarre *Mike*

SUBJECT: House Bill 89, "An Act relating to eligibility for retirement under the teacher's retirement system."

As you're aware, HB 89 was introduced to provide equity for those teachers who have a 20 year career of combined part and full-time service, yet are ineligible for retirement (currently, teachers with 20 years of **strictly** part-time or **strictly** full-time service are eligible, but combining part and full time service for the "20 and out" option is not allowed).

A justification summary, explaining the effect of the bill in more detail, is attached for your information.

Since HB 89 did not pass last session, those teachers affected by the bill missed the opportunity to retire early by taking advantage of the retirement incentive program. I feel strongly that it's only fair they be afforded the same opportunity as other retiring teachers.

With that end in mind, I have also attached an amendment to HB 89 that I would like to propose to the Senate Finance Committee. The amendment opens the "window of opportunity" for the retirement incentive program **strictly** for those teachers affected by HB 89. The amendment would require the persons made eligible to apply for early retirement before the end of 1990, and be appointed to retirement on or before June 30, 1990.

Please note the amendment would require a title change.

Thank you for your consideration.

House Bill 89

"An Act relating to eligibility for retirement under the teachers' retirement system"

Justification Summary

PURPOSE:

HB 89 was introduced to correct a glaring inequity in the current statute which sets out eligibility requirements for teachers' retirement under the "20 years of membership service" option. This option was designed for teachers wishing to retire before age 55 (a teacher with at least 8 years of membership service is eligible for retirement at age 55).

Here are some examples of how the eligibility statute for normal retirement currently works:

■ Teacher "A" has taught for twenty years as a full-time teacher, and is eligible for normal retirement at any time after 20 years of service.

■ Teacher "B" has taught for twenty years as a part-time teacher, teaching for at least 1/2 year for each of those twenty years, and is eligible for normal retirement at any time after twenty years of service. The benefits reflect the actual time spent teaching.

■ Teacher "C" has taught for twenty years, the first 10 as a part-time teacher (teaching for at least 1/2 year for each of those ten years), the second 10 as a full-time teacher. Teacher "C" is **NOT** eligible for normal retirement after twenty years of service.

Here are some choices available if teacher "C" has not yet reached age 55, and wishes to retire under the normal retirement program:

■ Teach full-time for 5 more years*
[10 yrs. part-time + 15 yrs. full-time = 20 yrs. membership service]

■ Teach part-time for 10 more years*
[20 yrs. part time + 10 yrs. full-time = 20 yrs. membership service]

■ Wait until age 55 (and retire with full benefits at a level proportionate to actual time worked).

As you can see, unless the statute is changed, teacher "C" **must** teach **considerably more than 20 years** to be eligible for normal retirement, yet teacher "B", with 20 years of **strictly** part-time service **IS** eligible for normal retirement. **This is inconsistent and unfair.**

* Actually, there are several combinations of part-time and full-time years of additional teaching that teacher "C" could use. The above examples were used for purposes of clarity.

HB 89, Justification Summary (cont'd)

COSTS:

According to the Department of Administration, Division of Retirement and Benefits, HB 89 has a zero fiscal impact to the department.

Also according to the division, an actuarial analysis indicates that the effect of HB 89 on the viability of the Teachers Retirement Fund would be negligible, but there would be a required increase of 0.06 percent in employer contributions. Based on FY 90 estimated payrolls, the division outlined an increase in these personnel costs approximately as follows:

- Dept. of Education-----\$ 3,000
- University of Alaska-----\$ 30,000
- All school districts combined----\$ 203,500

My staff contacted Mr. Bob Warren, Director of Human Services (personnel) for the University of Alaska, to get his reaction to both the purpose of the bill, and the increased contribution cost to the University. Mr. Warren agreed with the logic and purpose of HB 89. Regarding the increase in the employer's contribution rate, Mr. Warren pointed out that the rate has some fluctuation anyway, and he did not consider a potential increase of \$30,000 substantial enough to be a problem.

To see what the effect on individual school districts may be, my staff contacted Mr. Dale Sandahl, Acting Superintendent of Schools for the Kenai Peninsula Borough School District. Like Mr. Warren, Mr. Sandahl also agreed with the logic and purpose of HB 89, and did not see the increased contribution rate as a problem (Kenai has a payroll of approximately \$25 million, so an contribution increase of 0.06 % would equal roughly \$15 thousand).

Additionally, Mr. Sandahl felt certain that some of the teachers made eligible for retirement by HB 89 would opt to retire immediately. New replacement teachers would then be hired at a lower "entry level" salary, so the overall increase in personnel costs would likely be negligible.



Rep. Mike Navarre
prime sponsor HB89

A M E N D M E N T

OFFERED IN THE HOUSE

BY NAVARRE

TO: CSHB 89 (HESS)

Page 1, line 7, after "system":

Insert "and the retirement incentive program; and providing for an effective date"

Page 2, after line 3:

Insert new bill sections to read:

"* Sec. 2. PARTICIPATION IN THE RETIREMENT INCENTIVE PROGRAM. (a) Notwithstanding the requirements concerning timely application for participation in the retirement incentive program set out in secs. 3(a), 5(a), and 6(a), ch. 89, SLA 1989, an employee who becomes eligible to participate in the retirement incentive program established by ch. 89, SLA 1989 because of the amendments to AS 14.25.110(a) made by sec. 1 of this Act may participate in the program if the employee applies to the program as otherwise required by ch. 89, SLA 1989, on or before December 31, 1990.

(b) In order to participate in the retirement incentive program established in ch. 89, SLA 1989 and notwithstanding the requirements concerning appointment to retirement set out in secs. 3(d), 5(b), and 6(b), ch. 89, SLA 1989, an employee who becomes eligible to participate in the retirement incentive program because of the amendments made by sec. 1 of this Act must be appointed to retirement on or before June 30, 1991.

* Sec. 3. This Act takes effect immediately under AS 01.10.070(c)."

3/8/90



NEA-ALASKA

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March 8, 1990

TO: John Binkley and Rick Uehling, Co-Chairs, and members of the Senate Finance Committee

FROM: Don Oberg, NEA-Alaska

RE: CS for HB 89 (HESS); "An Act relating to eligibility for retirement under the Teachers' Retirement System."

NEA-Alaska supports and encourages passage of HB 89. This bill corrects an inequity in the eligibility requirements for retirement for teachers in the public schools in Alaska.

Simply stated, teachers should be able to use a combination of full-time and part-time membership service to meet the basic eligibility requirements for retirement. Presently a teacher can receive full retirement benefits only after 20 years of membership service as a full-time teacher or after 20 years of membership service as a part-time teacher.

In some districts part-time teachers would prefer to have full-time employment but different combinations of circumstance preclude that from being available to them. Funding cuts have necessitated part-time positions in some districts and in others it has been the decision of the administration or the school board to utilize part-time rather than full-time teachers.

We encourage your favorable response to HB 89.

Thank you for your consideration of our position.