

HB

89

SENATE COMMITTEE REPORT

FURTHER

FIN

4/12/89

DATE TURNED INTO OFFICE 5/4/89

Mr. President:

HESS

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) zero fiscal impact appropriation no FN
 new updated previous
 same as previous fiscal note(s) published _____

MEMBERS SIGNING DO PASS

Steve Jones

OTHER RECOMMENDATIONS

Tim Kelly - No Rec

Paul Ginter (Do Pass)
 Chairman signature and recommendation

Committee Backup attached

Alaska State Legislature

APR 14 1989



WHILE IN SESSION:
PO BOX V
JUNEAU, ALASKA 99811
(907) 465-3779
HOUSE MAJORITY LEADER

HOME ADDRESS
PO BOX 169
KENAI, ALASKA 99811
(907) 262-9366
DISTRICT 5

Representative Mike Navarre

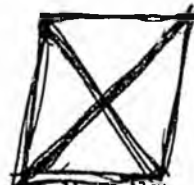
Date: April 12, 1989

MEMORANDUM

TO: Senator Paul Fischer, Chair
Senate HESS Committee

FROM: Rep. Mike Navarre

Mike



SUBJECT: HB 89, "An act relating to eligibility for retirement under the teacher's retirement system"

I would appreciate it if you would schedule this bill for a hearing at your earliest convenience. Thanks for your help.

Part Time
1/2 yr / *Legislator*
6 classes.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

FEB 09 1989

December 28, 1988

MEMORANDUM

TO: Representative Mike Navarre

ATTN: Pat Malone

FROM: Tom McKenna *TM*
Legislative Analyst

RE: Effect of Combining Full-time and Part-time Service Credit in the
Teachers' Retirement System
Research Request 89.102

You asked us to determine the effect of allowing members of the Teachers' Retirement System (TRS) to combine credit for full- and part-time service in qualifying for the 20-year retirement provision. You wanted to know how many teachers would be affected if these retirement criteria were applied, and what the financial effect on the TRS would be.

As you know, the current statute (AS 14.25.110, Attachment A) allows for retirement after 20 years of membership service, or 20 school years that each involve at least one-half year of membership service as a part-time teacher. According to Bob Stalnaker, Deputy Director of the Division of Retirement and Benefits, Department of Administration, full- and part-time service credit is currently combined in determining membership service. A person with 19 years of full-time teaching service, for example, would need 2 years of half-time service in order to qualify for retirement with 20 years of membership service.

The attached memorandum from Bob Stalnaker (Attachment B) summarizes findings of the state's actuarial consultant for the Division of Retirement and Benefits. The actuary's calculations represent the effects of a change that would allow each year spent teaching, in full- or part-time capacity, to count for a year of credit toward the 20-year requirement. The average amounts of part-time service cited in that memorandum are reported in terms of the number of school years spent part-time teaching, and would denote years of credit toward the 20-year requirement under the proposed change. The benefit costs used in the actuarial analysis, however, are based on actual calculated service; a year of half-time service equals one-half year of calculated service.

Representative Navarre
December 28, 1988
Page 11

According to the report, the proposed change would affect 947 people, the number of active TRS members who currently have some part-time service. An unfunded liability of \$150,000 would result over the 25-year period of the actuarial analysis. The liability would require employer contributions to be increased by 0.06 percent, and would have a negligible effect on the accrued benefit funding ratio, the measure of the TRS fund's viability.¹

The majority of projected costs arise from an increase in benefit payments resulting from extended periods of retirement eligibility, according to Mr. Stalnaker. Although members who combine full- and part-time service in order to qualify for the 20-year requirement would receive smaller individual benefit payments, benefits would be paid to these people for longer periods of time. A smaller fraction of the unfunded liability comes from major medical benefit costs, which are automatically awarded to all TRS retirees. Other assumptions used in this actuarial analysis are standard system assumptions, as outlined in the Annual Financial Report of the PERS and TRS funds.²

Please call me if you have any questions.

Attachments

¹The accrued benefit funding ratio equals: fund valuation assets (\$) / present value of accrued benefits (\$).

²Bob Stalnaker, personal communication, December 27, 1988.

ATTACHMENT A
AS 14.25.110

dealed, § 25 ch 91

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74; am §§ 5, 7 ch
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b) A teacher may not be credited with service under this section if credit for service as an employee of the Territory of Alaska was granted for the same period under the public employees' retirement system (AS 39.35).

c) A teacher who elects to receive credited service under this section for service to the Territory of Alaska shall make a retroactive contribution under this system for the period of territorial employment following June 30, 1955. (§ 1 ch 146 SLA 1980)

Sec. 14.25.107. Credit for Alaska BIA service. A member who joins the system on or after July 1, 1978, who has Alaska BIA service may claim all of that service as credited service. A retirement benefit payable under this chapter for Alaska BIA service shall be reduced by an amount equal to the retirement benefits paid to the member by the United States government for the same service. (§ 8 ch 137 SLA 1982)

Sec. 14.25.110. Retirement benefits. (a) Subject to AS 14.25.167, a member is eligible for a normal retirement benefit if the member

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

(2) has attained the age of 55 years and has at least eight years of membership service;

(3) has attained the age of 55 years, has at least five years of membership service, and has at least three years of Alaska BIA service;

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

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

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

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

(b) Subject to AS 14.25.167, a member is eligible for an early retirement benefit upon completing any one of the service requirements in (a)(1), (2), or (3) of this section and attaining the age of 50 years.

(c) The burden is on the applicant to prove eligibility for retirement benefits to the full satisfaction of the administrator.

(d) The monthly amount of a retirement benefit for a member who has paid the full amount of any indebtedness is two percent of the member's average base salary during any three school years of membership service times the years of credited service, including credited fractional years, divided by 12. An actuarial adjustment must be made for early retirement.

(e) The monthly amount of a retirement benefit must be determined in accordance with (d) of this section as it is in effect on the date of termination of the retiring member's last segment of employment.

(f) The annual amount of retirement benefits for a retiring member who was a member of the retirement system established by the Retirement Act of 1945 may not be less than \$975 plus 10 percent of the total contribution made by the member to the retirement fund of 1945.

(g) A member who is eligible for a service retirement salary under this chapter or under the Retirement Act of 1945 is entitled to a benefit of at least \$25 per month for each year of credited service, excluding adjustments made under AS 14.25.142 or 14.25.143. If the member elected option two under AS 14.25.063(b)(2) for payment of any indebtedness when the member initially applied for a retirement benefit, or if the member elected to receive an early retirement benefit under (b) of this section, the resulting benefit reduction continues in effect.

(h) The monthly retirement benefit for a member who was receiving a retirement benefit on July 1, 1955, is \$50 a month if the member was at least 55 years of age on July 1, 1955.

(i) Benefits payable under this section accrue from the first day of the month after which all of the following requirements are met: (1) the member meets the eligibility requirements of this section; (2) the member terminates employment; and (3) the member applies for retirement. Benefits are not payable under this section during a school year in which credit for a full year of service is granted. The benefits are payable the last day of the month. If payment is delayed, a retroactive payment must be made for the month in which a benefit is payable under this section. The last payment shall be for the month in which the member dies or is no longer eligible for a benefit under this section. (§ 12 ch 145 SLA 1955; am § 4 ch 142 SLA 1957; am § 9 ch 89 SLA 1960; am § 4 ch 86 SLA 1963; am § 6 ch 151 SLA 1966; am § 2 ch 85 SLA 1971; am § 8 ch 66 SLA 1973; am § 1 ch 77 SLA 1973; am § 2 ch 57 SLA 1974; am §§ 1 - 3 ch 173 SLA 1975; am § 5 ch 169 SLA 1976; am § 14 ch 13 SLA 1980; am § 2 ch 146 SLA 1980; am § 9 ch 137 SLA 1982; am § 1 ch 81 SLA 1986; am §§ 1, 2 ch 117 SLA 1986)

Effect of amendments. — The first 1986 amendment added paragraph (7) of subsection (a) and made minor, related word and punctuation changes.

The second 1986 amendment added "Subject to AS 14.25.167" at the beginning of subsections (a) and (b) and made related grammatical changes.

Editor's notes. — The 1982 amendment of AS 14.25.063(b), which is referred to in subsection (g), deleted the language in that section concerning options.

The reference to AS 14.25.063(b)(2) in subsection (g) is incorrect in light of the 1982 amendment of that section, which rewrote subsection (b).

Opinions of attorney general. — The legislature did not intend such a strict interpretation as to require a teacher to work the last 5 school years for the full 140-day year 1966 Op. Att'y Gen. No. 2

A teacher satisfies the requirement of subsection (a) by working any five creditable years or combination of fractional

14.25.115

... 5 years, 24 for 1 year she worked ... service. 19

... in Casperson Retirement Bd. :

14.25.115. Unu ... service on or a ... on or after July ... in computing the ... 14.25.110(d). To ol ... must apply to t ... ment to retire: ... -day basis in acc ... contained in AS ... required for credite ... A teacher appoin ... to membership s ... ly reappointed to ... only with r ... ct ... on or after July 1 ... Benefits payable ... month after which ... meets the elig ... 's written applic ... verified by the adm ... the date of appoi ... and unused sick lea ... (§ 13 ch 136 SL ... LA 1982)

... in Casperson v. Alask ... Bd., Sup. Ct. Of ... (1983), 664 P.2d 58

14.25.120. Mann ... § 50 ch 13

14.25.125. Conc ... to AS 14.25. ... salary at age 55 v ... member also is eligi ... employees' retire

ATTACHMENT B
Memorandum from Bob Stalnaker to Tom McKenna
Summarizing an Acturial Analysis of the Proposed
Changes to the TRS

MEMORANDUM

STATE OF ALASKA

TO: Tom McKenna
Legislative Analyst
House Research Agency

DATE: December 21, 1988

TELEPHONE: 465-4470

FROM: *Bob* Robert F. Stalnaker
Deputy Director
Division of Retirement
& Benefits
Department of Administration

SUBJECT: Request for
information regarding
part-time service credit
in the TRS.

Your request for information for an actuarial analysis was forwarded to our consulting actuary, William M. Mercer Meidinger Hansen, for consideration. Your questions were as follows:

1. How many teachers would be affected by allowing part-time teaching service to be used the same as full-time teaching service for qualifying for the 20 year retirement provision, and
2. What would the effect be on the financial stability of the Teachers' Retirement System (TRS).

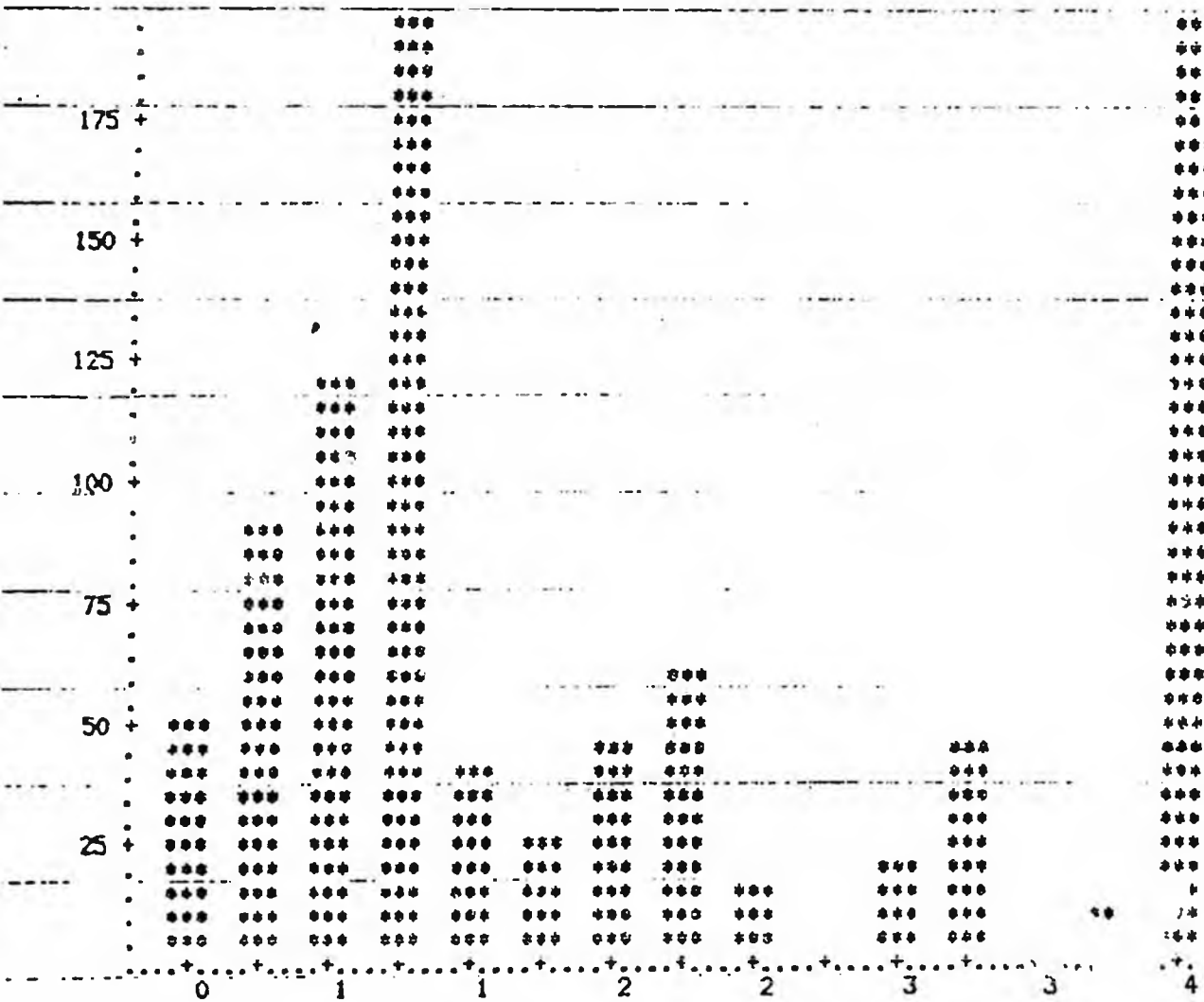
There are currently 947 active members in the TRS who have some part-time service and could therefore possibly benefit by this change. The average amount of part-time service for this group is approximately 2.29 years. There are 257 teachers with three or more years of part-time service.

The estimated increase in TRS contribution rate is .06% of the FY90 estimated TRS payroll. The State FY90 estimated TRS payroll is \$ 55,085,786 and the School District FY90 estimated TRS payroll is \$ 339,201,043. This change would result in an increase of the TRS unfunded liabilities of approximately \$150,000. There would be a negligible effect on the funding ratio.

I have also attached a copy of a chart identifying the breakdown of members having any part-time service. I hope that this information is helpful in your deliberations.

cc: Sally Smith, Director
Division of Retirement &
Benefits

Dean Gottehrer
Special Assistant
Department of Administration



TOTAL EES 50 93 123 195 42 26 49 61 18 4 23 49 6 13 195

TOTAL EMPLOYEES READ 947

AVERAGE VALUE

2.29

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to eligibility
for retirement under the TRS.
Sponsor: Navarra
Requestor: _____

Agency Affected: Department of Administration
BRU: Retirement and Benefits
Components: Retirement and Benefits

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. J. Stalvaker
Sally Smith, Director
Division: Retirement and Benefits

Phone: 465-4470
Date: 1/25/89

Approved by Commissioner: John M. Andrews
Agency: Department of Administration

Date: 1/26/89

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

Fiscal Note Retirement & Benefits

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
Estimated D.O.E. FY90 payroll	\$ 5,025,700
TRS contribution rate increase	X <u> .06%</u>
Total D.O.E. cost.....	\$ 3,000

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

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.