

S B

53

SENATE STATE AFFAIRS COMMITTEE

BILL NUMBER SB 53

SPONSOR DUNCAN

BILL TITLE

DATE REFERRED 3.22.90

HEARING SCHEDULED

FISCAL NOTE PREPARED

SPONSOR CONTACTED

INTERESTED PARTIES CONTACTED

OTHER



Alaska State Legislature
Senate

Office of the Secretary

OFFICIAL BUSINESS

P.O. BOX V
CAPITOL BUILDING
JUNEAU, ALASKA 99811

FOR YOUR IMMEDIATE ATTENTION

DATE: March 30, 1990

TO SENATE COMMITTEE: State Affairs

FROM: Office of the Senate Secretary

The Chairman of the above-referenced Committee has waived the Committee referral on the following bill(s):

SENATE BILL 53

Post-retirement pension adjustments in the teachers' retirement system; efd.

Please give the bill file(s) to the page delivering this message for forwarding to the next Committee of referral.

Thank you for your prompt attention to this request.

JR/s

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 2, 1990

SUBJECT: Sectional analysis of CSSB 53 ()
(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 age 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.

Senator Jim Duncan
Page 3
March 2, 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
wkmi6/050

WHILE YOU WERE OUT	TO	Pat / Sergio	DATE	3/29	8:40
	FROM	Low Howitt	AREA CODE		NUMBER
	CF		EXTENSION (School #)	277-7681	
MESSAGE	re M/S communication on SB53 (ref talks w/ Bob Mammaro) Low DOES want SB53 moved out of committee - Has no problem w/ it. (over)				
	SIGNED				P
URGENT	<input type="checkbox"/>	RETURNED CALL	<input type="checkbox"/>	CALL BACK	<input type="checkbox"/>
		WILL CALL AGAIN	<input type="checkbox"/>	PHONED	<input checked="" type="checkbox"/>
		WANTS TO SEE YOU	<input type="checkbox"/>	YAS	<input type="checkbox"/>

AMPAD NO. 23-176-400 SETS NO. 23-376-200 SETS

If you need/want to reach her
back her school break times are
9:15-9:30 10-10:15
and 11:15-noon

3.28.90

Bob will contact Kathy and "way" —
Lu in a "positive" way —
He'll get back with us.

3.28.90

PAT — Kathy will be in JNO Friday and Monday

Kathy McCord — hesitant about waiving SB 53 for the following reasons:

- A) ~~Person~~ Person who retires after 20 years has to wait 8 years to be eligible — (She doesn't know why 8 years)
- B) Currently active teachers at 65 — 1) 75% of COLA ^{30%} or 9%, whichever is less
 66-65 2) 50% or 6% " " " "
 Any body 3) Ad Hoc COLA: IF STATE pays or 4%
IF
- C) New hires would have to pay full premium until age 60, regardless of age of retirement (could be as much as \$600 per month)

Confusing — Needs Hearing

NEA-AK — Brings down costs. Probable: person will go to 2nd job. Benefit multiplier at 2 1/2 times after 20 years.

current Retirement System pays Now.

Why not 50%

#236 (SALVAKER?)

Pat Abney very concerned.
KATHY WANTS A HEARING
"Lu" may agree.

Susie

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
 Title: An Act relating to Post Retirement Pension Adjustments in TRS BRU: Retirement and Benefits
 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
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Decrease in TRS rate	X <u>0.05%</u>
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Total savings.....	\$ 2,837
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University of Alaska FY 91 estimated salary	\$52,485,529
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Decrease in TRS rate	X <u>0.05%</u>
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Total savings.....	\$ 26,243
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<u>TOTAL STATE SAVINGS...</u>	<u>\$29,080</u>
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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>
----------------------	----------------

TOTAL SCHOOL DISTRICT SAVINGS...	<u>\$172,119</u>
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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			
Amount		<p>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.</p>			
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

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 S. Baxter* Date 3/23/90

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

Rev. 12/89

FISCAL NOTE

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Amount				
1	2	3		
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Premium Pay				
Other				
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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

PAT

File contains CS SB 53

TRS:

Post Retirement Pension
Adjustment.

WAIVE? Yes 3.30.90

stopped in
3-29-90
Roxie McDonagh
TRS Board Member, auch
urges passage
from committee of
SB 53 (TRS).
<sup>post retirement
benefit adjustment</sup>

(Revenue neutral this year
because of concessions from active
teachers. PERS already has)