Alaska State Legislature

Legislative Research Agency

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May 22, 1991

MEMORANDUM

TO: Representative Ron Larson

FROM: Carol R. Vandor CRV
Legislative Analyst

RE: **State Employee Benefit Plans**
Research Request 90.347

You asked about other states' benefit plans for state employees. This memorandum examines the benefits received by state workers in Alaska and ten other states (California, Connecticut, Hawaii, Iowa, Minnesota, Montana, New Hampshire, Oregon, Rhode Island, and Wisconsin).

The information in this memorandum was obtained from administrators in each state's division of retirement and division of labor relations. It reflects the benefit plans in effect for members of the Alaska General Government Bargaining Unit and the benefit plans of employees in other states who are members of a similar unit.[1] The data presented pertains to full-time employees who were first hired during fiscal year 1991.

The salary schedule in Alaska is determined through a collective bargaining agreement. This is an agreement between an employer and a labor union which regulates wages, hours, and other terms and conditions of employment.[2] For purposes of this comparative study, I have chosen ten states that also bargain collectively over wages and other terms and conditions of employment.

Of the 11 states surveyed, employee benefit plans in Alaska are comparable or better, with the exception of formal leave policies for the care of a child or other family member, life insurance coverage, and the availability of child care on state property.

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[1]The information about Alaska applies to approximately 8,000 employees, or approximately 42 percent of the total state workforce; however, many of the benefits enjoyed by these employees are also enjoyed by employees not covered by a bargaining unit.

[2]According to the American Federation of State, County, and Municipal Employees, 22 states bargain collectively over wages and other terms and conditions of employment.

Table 1, attached, summarizes state merit and longevity systems. Tables 2 through 5, respectively, provide information on state employee retirement plans, leave policies, health insurance coverage and costs, other insurance coverage, and other benefits. Following is a description of these benefits.

MERIT AND LONGEVITY SYSTEMS

Table 1 summarizes the merit increase and longevity increment policies of all states. Of the 50 states, 35 states grant routine salary increases and are therefore considered to have a step plan; 15 states award salary increases under a true merit plan. Twenty-two states have collective bargaining. Of these 22 states, 19 grant routine salary increases and are therefore considered to have a step plan; three states award salary increases under a true merit plan.

Most states are required by their constitution or statutes to have a system of personnel administration based on the merit principle. A merit principle requires employment, retention, and promotion of administrative personnel to be based on qualification and performance rather than political patronage. Merit pay plans are a component of a merit system. However, because many states grant merit increases routinely to employees for satisfactory performance rather than selectively to a few employees for superior performance, the increase is granted merely under a step increase plan rather than awarded under a true merit increase plan. This is the case in Alaska even though Alaska's plan is commonly referred to as a merit increase plan. Of the 11 states surveyed, all but Wisconsin award salary increases under a step plan.

There are six steps under Alaska's merit increase plan (Step A through Step F) and four steps under the longevity plan (Step J through Step M). Merit increases and longevity increments have two requirements which must be satisfied in order to be granted to an employee: meeting a standard of performance and length of service at a certain level. Of the 11 states, three have both a merit and a longevity plan (Alaska, Hawaii, and Montana), and seven have a merit plan only; Wisconsin awards salary increases under a true merit plan.

RETIREMENT BENEFITS

Table 2 summarizes retirement systems. It provides information about requirements for retirement eligibility and formulas for computing retirement benefits under state retirement systems. It also indicates whether employees participate in the Social Security system and whether their state retirement benefit is integrated with Social Security.

State Pension Plans

Participation in a state retirement system is mandatory in all 50 states. Of the 11 states surveyed, all but California, Connecticut, Hawaii, and Wisconsin report that their pension plan requires a contribution from an employee.[3] The employee contribution ranges from 3.7 percent in Iowa to 7.75 percent in Rhode Island; Alaska has the second highest contribution rate with 6.75 percent. The employer contributes a higher percentage of salary than does the employee in all states; this contribution ranges from 2.3 percent in New Hampshire to 13.36 percent in Alaska.[4]

Prior to 1987, 20 of the 50 states had a mandatory retirement age of 70; however, this limitation has been removed. The Federal Age Discrimination in Employment Act took effect on January 1, 1987. The law prohibits discrimination in hiring, pay, and promotions against anyone 40 or older other than elected officials or political appointees "on the policy-making level." The federal law does allow for mandatory retirement of law enforcement personnel, fire fighters, and other job categories where age is a bona fide qualification.

The number of years of service required before an employee is fully vested in a retirement system varies among the eleven states. Vesting is immediate in Wisconsin; it is obtained in three years in Minnesota; four years in Iowa; five years in Alaska, Montana, and Oregon; and in ten years in California, Connecticut, Hawaii, New Hampshire, and Rhode Island.[5]

Most states require that an employee reach a certain age before becoming eligible to retire with a full benefit. Four states, including Alaska, report this age is 60.[6] The remaining states report age 58, 62, or 65.[7] The age requirement may be reduced if an employee has a specified number of years of service. In four states (Alaska, Montana, Oregon, and Rhode Island) an employee with a specified number of years of service (30 in Alaska) is eligible to retire with a full benefit, regardless of age.

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[3] California has two pension plans. The 1st Tier Plan requires a contribution from an employee; the 2nd Tier Plan does not.

[4] Connecticut does not have a per employee percentage rate.

[5] In California, vesting is obtained in five years in the 1st Tier Plan and in ten years in the 2nd Tier Plan.

[6] In Alaska, employees first hired prior to July 1, 1986 are eligible to retire with a full benefit at age 55 with five years of service.

[7] In California, normal retirement age is 60 in the 1st Tier Plan and 65 in the 2nd Tier Plan.

The benefit formula used to determine an employee's retirement benefit contains three variables: average final compensation (AFC); percentage multiplier; and years of service. The AFC in all states except Minnesota is the average of three highest or three highest consecutive years of service. The AFC in Minnesota is the average of the five highest consecutive years of service. In most states the percentage multiplier remains constant for all years of service, ranging from 1.25 percent in Hawaii to 1.79 percent in Montana. In Alaska, Minnesota, and Rhode Island the percentage multiplier increases with years of service. For example, in Alaska it is 2.0 percent for the first ten years of service, 2.25 percent for the second ten years of service, and 2.5 percent for years of service over 20.

All states except Wisconsin provide some form of a cost-of-living adjustment (COLA) for retired state workers. Three states (Minnesota, Montana, and New Hampshire) report that such increases are determined solely on an ad hoc basis; that is, there is no established or automatic mechanism that triggers an adjustment in benefits. Connecticut reports that adjustments are made based on changes in the consumer price index (CPI).[8] In states where the COLA is based on the CPI, there is usually a limit on the percent of any single increase. Iowa retirees may receive a COLA through a legislative dividend (ad hoc bonus). Hawaii has a fixed automatic adjustment of two and one-half percent, and Rhode Island has a fixed automatic adjustment of three percent. The remaining states provide COLAs through a combination of ad hoc and automatic adjustments. In Alaska, benefit recipients will receive an automatic, annual post retirement pension adjustment (PRPA) when the cost of living rises.[9] Retirees who reside in Alaska receive an additional ten percent of base benefit, or $50.00, whichever is more.

All states offer a deferred compensation program which allows an employee to set aside a portion of his income tax-free until withdrawn.

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[8] In California, the COLA in the 1st Tier Plan is based on the CPI, and in the 2nd Tier Plan it is fixed at three percent.

[9] Members first hired before July 1, 1986 are still eligible to receive ad hoc PRPAs. Ad hoc PRPAs may only be granted if the cost of living rises and the financial condition of the fund permits. When an ad hoc PRPA is granted, benefit recipients who are eligible for both that PRPA and the automatic PRPA will receive whichever PRPA is larger.

Social Security Pension Plan

Of the 11 states, Alaska is the only one in which employees do not participate in the Social Security system.[10] Employees in states with Social Security have Social Security pension benefits in addition to their state pension benefits.[11] Connecticut, Minnesota, and New Hampshire report that the two systems are integrated. The remaining states report that retirement benefits are totally independent of Social Security benefits.[12]

Employees in Alaska discontinued contributions to Social Security in 1980. The Supplemental Benefits System (SBS) was implemented at that time. Employees contribute 6.13 percent of their base wage and the state matches the contribution. Employees hired after March 1, 1986 must pay an additional 1.45 percent of base wage for the Medicare portion of the Social Security tax.[13]

LEAVE POLICIES

Table 3 shows the number of hours per work week, the number of paid holidays per year, and the variety of traditional benefits, including annual leave, sick leave, and leave for child and family care.

Of the 11 states, only in three (Alaska, Connecticut, and New Hampshire) do employees work less than 40 hours per week. Employees in Alaska and New Hampshire work 37.5 hours per week and employees in Connecticut work 35 hours per week.

The number of paid holidays, excluding holidays awarded on an election day, averages 11.8 days per year. Employees in Alaska receive 11 plus two floating holidays (Lincoln's Birthday and an employee's birthday) for a total of 13 holidays per year. A floating holiday may be treated in two ways: it may be added to an employee's leave bank or it may be taken on a day other than the actual holiday.

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[10]There are seven states that do not participate in the Social Security system: Alaska, Colorado, Louisiana, Maine, Massachusetts, Nevada, and Ohio.

[11]In California, some employees in the 1st Tier Plan do not participate in the Social Security system.

[12]In California, employees in the 1st Tier Plan may or may not have integrated benefits depending on which option they have chosen.

[13]For calendar year 1991, employees will contribute a maximum of $3,273.42 to SBS which is 6.13 percent of $53,400. The Medicare portion of the Social Security tax is paid on the first $125,000 in wages for a maximum of $1,812.50.

Annual and Sick Leave

State employees earn time off for vacations and illness based on their status (full-time, part-time) and their accumulated years of employment. Annual and sick leave accrual varies significantly among the states. Annual leave accrual during the first year of employment ranges from ten days per year in California, Rhode Island, and Wisconsin to 21 days per year in Hawaii. Employees in Alaska accrue 15 days of annual leave per year during the first year. After ten years of employment, annual leave accrual ranges from 15 days per year in Connecticut to 30 days in Alaska.

Sick leave accrual ranges from 12 days per year in California, Montana, and Oregon to 21 days per year in Hawaii. Employees in Alaska accrue 15 days of sick leave per year. The amount of annual sick leave accrual does not increase with years of service, except in Minnesota.

Child and Family Care Leave

Of the 11 states, only two (Montana and New Hampshire) have no formal leave policy for child care. Employees who take time off to care for children or other family members generally use sick leave or annual leave. When their leave bank is depleted they go on leave without pay. In most states additional leave may be granted upon approval. An employee who returns to work within the allotted time is guaranteed the same job or one comparable with no less than equal compensation.

Alaska and Iowa have maternity and paternity leave policies. In Alaska, a natural mother is allowed nine weeks of leave. A new father may use leave which has been approved for parental purposes incident to childbirth. An employee, male or female, in a child adoption proceeding is given priority consideration in the granting of leave to attend to the activities involved in adoptive proceedings.

The remaining states (California, Connecticut, Hawaii, Minnesota, Oregon, Rhode Island, and Wisconsin) have either a parental leave or family leave policy. Parental leave allows women and men time to care for a newborn or newly adopted child; in some instances it may include care for a seriously ill child. Family leave allows women and men time to care for a new child or seriously ill child, spouse, or parent. The amount of leave allowed in these states ranges from 12 weeks in Oregon to 52 weeks in California, Hawaii, Rhode Island, and Wisconsin.

HEALTH INSURANCE COVERAGE AND COSTS

Table 4A shows the types of health insurance coverage available to state employees and the cost for each type of coverage.

The wide variety of health insurance programs available to state employees makes it difficult to develop meaningful data. Comparisons among states can be made on a simple dollar-for-dollar basis. However, the question of the adequacy or superiority of any state's health coverage is too complicated to undertake in a survey of this type. Therefore, a decision was made to report on the amount of money expended by each state for the basic coverage levels, employee only and family coverage.

Only Alaska, Rhode Island, and Wisconsin report that an employee pays nothing for employee only and family coverage which includes dental, vision, and audio care as well as medical care. New Hampshire provides medical and dental coverage for an employee and family at no cost to the employee.

Three states (Connecticut, Iowa, and Montana) report that the state pays the entire premium for employee only coverage, but an employee must contribute for family coverage.

Dental coverage is provided or is available in all states. Vision and audio care is provided or is available in all states except Iowa, Montana, and New Hampshire.

OTHER INSURANCE

Table 4B shows other types of insurance provided to state employees in addition to health insurance. The most common of these is life insurance. In some states the amount of insurance is based on an employee's annual salary or a combination of salary and age. In other states the level of insurance is fixed at the same amount for all employees (Alaska, Iowa, Montana, and New Hampshire).

All states except California and Hawaii provide accidental death and dismemberment (AD&D) insurance to their employees. This coverage is usually tied to life insurance coverage.

Worker's compensation protection is provided to state employees, as is unemployment compensation insurance. Beginning in 1978, this protection was mandated by the federal government in all 50 states.

Alaska, Hawaii, Iowa, Montana, Oregon, Rhode Island, and Wisconsin provide liability insurance protection for tort acts committed by state employees during the performance of their official duties.

OTHER BENEFITS

Table 5 presents information on a variety of other benefits provided by these states.

Seven states (California, Connecticut, Minnesota, New Hampshire, Oregon, Rhode Island, and Wisconsin) report that some child care is available on state property either free or at a cost to an employee.

Uniforms, or an allowance for uniforms, is provided to employees in all states. Only California reports that tools and equipment are not provided.

All states except California and Hawaii provide free parking to employees at the work-site; however, this benefit is usually dependent upon the availability of space.

All states except Connecticut, Hawaii, New Hampshire, and Rhode Island, report that moving expenses are paid by the state when an employee is required to relocate. States that reimburse moving expenses generally have either a maximum fixed rate per mile or a maximum dollar amount which they will pay.

All states report that employees have access to a grievance procedure to resolve differences, and that the final step in the procedure is binding arbitration.

All states report that the rest period provided for employees during the work day is considered as paid time. Only Wisconsin reports that the lunch period is considered paid time.

Employees who are required to perform jury duty receive their salary as compensation in all states.

Hazardous duty pay is provided in all states except Iowa, Montana, and Rhode Island, but usually only in very select occupations.

Four states (Alaska, Hawaii, New Hampshire, and Oregon) have a legal trust fund available to employees for legal assistance.

Only Montana reports that reimbursement for tuition and/or books for educational training is usually not provided. In most states, in order to receive reimbursement for such training, pre-approval is required.

I hope this information is useful. If I may be of further assistance, please contact this office.

Attachments

TABLE 1
SUMMARY OF ALL STATE MERIT AND LONGEVITY SYSTEMS

STATE	Merit Plan	Step Plan	Number of Steps	Number of Longevity Steps
Alabama		X	18	
Alaska*		X	6	4
Arizona	X			4
Arkansas		X	4	
California*		X	5	
Colorado		X	7	
Connecticut*		X	7	
Delaware	X			
Florida*	X			
Georgia		X	8	4
Hawaii*		X	**	**
Idaho		X	13	13
Illinois*		X	7	
Indiana	X			
Iowa*		X	6	
Kansas		X	6	6
Kentucky	X			
Louisiana	X			
Maine*		X	7	
Maryland		X	6	
Massachusetts*		X	5	4
Michigan*		X	9	7
Minnesota*		X	10	
Mississippi	X			
Missouri		X	15	
Montana*		X	13	13
Nebraska*	X			
Nevada		X	15	
New Hampshire*		X	5	
New Jersey*		X	9	
New Mexico	X			
New York*		X	5	3
North Carolina		X	12	
North Dakota	X			
Ohio*		X	6	
Oklahoma		X	13	
Oregon*		X	6	
Pennsylvania*		X	8	
Rhode Island*		X	5	
South Carolina	X			
South Dakota	X			
Tennessee		X	10	
Texas		X	8	
Utah	X			
Vermont*		X	15	
Virginia		X	8	
Washington		X	11	
West Virginia		X	12	
Wisconsin*	X			
Wyoming	X			
TOTAL	15	35		

* States with collective bargaining.
** Number of steps and longevity varies by unit.

Source: American Federation of State, County and Municipal Employees.

Prepared by the Legislative Research Agency, May 1991 (90.347A)

TABLE 2
RETIREMENT BENEFITS
(See Notes to Table 2 for Clarification and Exceptions)

STATE	Contribution State	Contribution Empl.	Full Vesting	Age for Normal Retirement	Any Age W/years	Average Final Compensation	Benefits Formula	COLA	Soc. Sec.	Integrated	Def. Comp.
ALASKA	13.36%	6.75%	5 Yrs	60 Yrs	30 Yrs	3 Highest Consecutive Years	AFC X 2.0% X 10 Yrs AFC X 2.25% X Next 10 Yrs AFC X 2.5% X Yrs Over 20	CPI	No	No	Yes
CALIFORNIA											
1st Tier	12.878%	5.00%	5 Yrs	60 Yrs	No	Highest Consecutive 36 Months	(AFC-$133.33 per month) X 2.0% X Yrs	CPI	Yes	Yes	Yes
1st Tier	12.[illegible]78%	6.00%	5 Yrs	60 Yrs	No		AFC X 2.0% X Yrs	CPI	No	No	Yes
2nd Tier	6.[illegible]75%	-0-%	10 Yrs	65 Yrs	No		AFC X 1.25% X Yrs	3.0%	Yes	No	Yes
CONNECTICUT	See Notes	-0-%	10 Yrs	60 w/25 yrs or 62 w/10 yrs	No	3 Highest Years	AFC X 1.33% X yrs plus AFC in Excess of Breakpoint X 0.5% X yrs	CPI	Yes	Yes	Yes
HAWAII	7.8%	-0-%	10 Yrs	62 or 55 w/30 yrs	No	3 Highest Years	AFC X 1.25% X Yrs	2.5%	Yes	No	Yes
IOWA	5.75%	3.7%	4 Yrs	65 or 62 w/ 30 yrs	No	3 Highest Years	AFC X 52% X Yrs of Service/30	Leg Dvd	Yes	No	Yes
MINNESOTA	4.24%	4.16%	3 Yrs	65 Yrs	No	5 Highest Consecutive Years	AFC X 1.0% X 1-10 Yrs Plus AFC X 1.5% X 11+ Yrs	Ad Hoc	Yes	Yes	Yes
MONTANA	6.417%	6.3%	5 Yrs	60 Yrs	30 Yrs	Highest Consecutive 36 Months	Monthly AFC X 1.79% X Yrs	Ad Hoc	Yes	No	Yes
NEW HAMPSHIRE	2.3%	5.0%	10 Yrs	60 Yrs	No	3 Highest Years	AFC X 1.66% X Yrs	Ad Hoc	Yes	Yes	Yes
OREGON	10.22%	6.0%	5 Yrs	58 Yrs	30 Yrs	3 Highest Years	AFC X 1.67% X Yrs	CPI	Yes	No	Yes
RHODE ISLAND	11.6%	7.75%	10 Yrs	60 Yrs	28 Yrs	3 Highest Consecutive Years	AFC X 1.7% X 1-10 Yrs Plus AFC X 1.9% X 11-20 Yrs Plus AFC X 3.0% X 21-34 Yrs Plus AFC X 2.0% X 35+ Yrs	3.0%	Yes	No	Yes
WISCONSIN	6.0%	-0-%	Immediate	65 or 57 with 30 Yrs	No	3 Highest Years	AFC X 1.6% X Yrs	No	Yes	No	Yes

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NOTES TO TABLE 2
RETIREMENT BENEFITS

ALASKA -- Benefit recipients will receive an automatic, annual post retirement pension adjustment (PRPA) when the cost of living rises. Retirees who reside in Alaska receive ten percent of base benefit, or $50.00, whichever is more, in addition to the post retirement pension adjustment.

CALIFORNIA -- New employees are enrolled in the 2nd tier plan. During the first year of employment they have the option of remaining in the 2nd tier plan or enrolling in the 1st tier plan. Employees in the 1st tier plan contribute five percent of salary less the first $513 or six percent of salary less the first $317, depending on whether they choose to participate in Social Security. Normal retirement age under the 1st tier plan is age 60; however, employees age 50 and above may retire with an actuarily reduced benefit. The formula is: AFC X benefit factor X years. The benefit factor at age 50 is 1.092; it increases to a maximum of 2.418 at age 63. On July 1, 1991, the AFC changes to 12 highest consecutive months. The COLA in the 1st tier plan is capped at 2.0 percent.

CONNECTICUT -- The state contribution rate is not calculated per employee. The breakpoint in the benefit formula rises each year. In 1991 it is $18,100; in 2000 it will be $30,600. This retirement plan covers all employees hired after June 30, 1984. Other employees are members of another plan.

HAWAII -- The noncontributory plan is in effect for all employees hired after January 1, 1985. Other employees have the option of remaining in the contributory plan or joining the noncontributory plan. Employees in the contributory plan are vested in five years, are eligible for normal retirement at age 55, and receive a higher benefit formula. The employee contribution rate and the state contribution rate is currently 7.8 percent.

MINNESOTA -- An employee may retire with normal benefits at age 55 and above if years of service and age add up to 90: referred to as "Rule of 90". For example, an employee would need 35 years of service to retire at age 55.

OREGON -- An employee does not contribute to the retirement system the first six months of employment. A year of service is credited when a contribution is made during the year; therefore, it is possible to vest with three years and two months of service. In addition to the COLA adjustment based on the CPI (maximum of 2.0 percent), retirees receive an ad hoc adjustment biennially in odd numbered years.

RHODE ISLAND -- The maximum benefit is 80 percent of AFC.

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TABLE 3
LEAVE BENEFITS
(See Notes to Table 3 for Clarification and Exceptions)

STATE	Hours in Week	Annual Leave (Days earned per year) 1st Yr.	5th Yr.	10th Yr.	Sick Leave (Days earned per year) 1st Yr.	5th Yr.	10th Yr.	Paid Holidays	Maternity Leave	Paternity Leave	Other
ALASKA	37.5	15	24	30	15	15	15	11 Plus 2 Floating	9 Wks	Yes	Adoption
CALIFORNIA	40	10	15	18	12	12	12	12 Plus 1 Floating			Parental Leave State 52 Weeks Allowed
CONNECTICUT	35	12	15	15	15	15	15	12			Family Leave State 24 Weeks Allowed
HAWAII	40	21	21	21	21	21	21	13 Plus 2 In Elec Yr			Parental Leave State 52 Weeks Allowed
IOWA	40	12	15	20	18	18	18	9 Plus 2 Floating	4 Wks	4 Wks	No
MINNESOTA	40	13	16.25	22.75	13	16.25	22.75	10 Plus 1 Floating			Parental Leave State 6 months Allowed
MONTANA	40	15	15	18	12	12	12	11 Plus 1 In Elec Yr	No	No	No
NEW HAMPSHIRE	37.5	12	15	18	15	15	15	9 Plus 3 Floating	No	No	No
OREGON	40	12	15	18	12	12	12	11			Parental Leave State 12 Weeks Allowed
RHODE ISLAND	40	10	15	18	15	15	15	10 Plus 1 In Elec Yr			Parental Leave State 52 Weeks Allowed
WISCONSIN	40	10	15	17	13	13	13	9.5 Plus 3 Floating			Family Leave State 52 Weeks Allowed

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NOTES TO TABLE 3
LEAVE BENEFITS

CALIFORNIA -- Employees may opt to drop their sick leave accrual. If they discontinue sick leave accrual they will receive an additional six days per year of annual leave. Leave for adoption is six months; however, an additional six months may be requested.

MONTANA -- In the absence of a formal leave policy, employees may request time off for the care of a child or a family member.

NEW HAMPSHIRE -- In the absence of a formal leave policy, female employees may request six weeks to care for a newborn child.

WISCONSIN -- Employees receive the afternoon of Good Friday as a holiday.

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TABLE 4 A
HEALTH INSURANCE (Monthly Premiums)
(See Notes to Table 4 A for Clarification and Exceptions)

STATE	Medical Insurance				Dental Insurance				Vision Care				Audio Care			
	Employee Only		Family Coverage		Employee Only		Family Coverage		Employee Only		Family Coverage		Employee Only		Family Coverage	
	State	Empl.	State	Empl.	State	Empl.	State	Empl.	State	Empl.	State	Empl.	State	Empl.	State	Empl.
ALASKA	$392.28	$-0-	$392.28	$-0-	----Included with Medical----				----Included with Medical----				----Included with Medical----			
CALIFORNIA	$157.00	Varies	$367.00	Varies	$24.22	$-0-	$63.80	$-0-	$9.50	$-0-	$9.50	$-0-	----Included with Medical----			
CONNECTICUT	$199.53	$-0-	$423.66	$96.06	$12.66	$-0-	$30.89	$7.81	----Included with Medical----				----Included with Medical----			
HAWAII	$62.68	$41.80	$192.94	$128.62	$7.54	$5.02	$15.06	$10.06	$2.30	$1.54	$4.56	$3.04	----Included with Medical----			
IOWA	$164.64	$-0-	$271.91	$111.11	$10.28	$-0-	$10.28	$17.20	----None----				----None----			
MINNESOTA (average)	$124.43	$5.61	$156.15	$22.02	$14.35	$0.44	$13.70	$14.21	----Included with Medical----				----Included with Medical----			
MONTANA	$150.00	$-0-	$150.00	$71.30	----Included with Medical----				----None----				----None----			
NEW HAMPSHIRE	$175.87	$-0-	$487.86	$-0-	$15.13	$-0-	$46.76	$-0-	----None----				----None----			
OREGON																
BUBB	$261.00	Varies	$261.00	Varies	----Available Under Options----				----Available Under Options----				----Available Under Options----			
SEBB (example)	$209.00	Varies	$297.00	Varies	----Available Under Options----				----Available Under Optionc----				----Available Under Options----			
RHODE ISLAND (average)	$290.00	$-0-	$395.00	-0-	----Included with Medical----				----Included with Medical----				----Included with Medical----			
WISCONSIN (example)	$140.16	$-0-	$347.22	$-0-	----Included with Medical----				----Included with Medical----				----Included with Medical----			

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NOTES TO TABLE 4A
HEALTH INSURANCE

CALIFORNIA -- An employee has 25 options under the medical plan. The state will pay the maximums noted on the table; additional premiums must be paid by the employee. The $63.80 paid monthly by the state for dental coverage is for employee plus two or more persons. The premium for dental coverage for employee plus one person is $43.67 per month and is paid by the state.

HAWAII -- The $15.06 paid by the state per month for dental coverage is for employee and spouse. The state will pay an additional $7.24 per child per month. There is no additional charge to the employee.

MINNESOTA -- The amounts shown represent the average monthly cost for full-time employees. The actual monthly cost varies from county to county and from the type of health plan chosen by an employee.

NEW HAMPSHIRE -- The monthly premium paid by the state for medical coverage for employee and one person is $351.77 and for dental coverage for employee and one person is $28.42.

OREGON -- There are two health insurance plans in Oregon: Bargaining Unit Benefits Board (BUBB) and State Employee Benefits Board (SEBB). Both plans include optional dental, vision, and audio coverage. Approximately 17,000 employees are covered under BUBB. The state pays each employee $261.00 per month which they may use to purchase the type of coverage they choose. Approximately 25,000 employees are covered under SEBB. Under SEBB, rates are tiered and they vary from contract to contract. Under one contract, the state pays $209 per month for employee only; $238 per month for employee and child; $260 per month for employee and spouse; and $297 per month for employee and family. SEBB has more options from which to choose than does BUBB.

RHODE ISLAND -- Rhode Island is self-insured. There is no dollar amount available per employee. The state budgets approximately $3,500 per year per employee for employee only coverage and between $4,500 and $5,000 per year per employee for employee and family coverage. The figures presented in the table are monthly averages.

WISCONSON -- There are 30 HMOs and a state standard plan which is self-insured. The rates on the table reflect the HMO plan which provides coverage for the largest number of participants.

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TABLE 4 B
OTHER INSURANCE

STATE	Liability Ins.	Workers Comp	Unempl. Comp.	AD&D	Life Insurance: Maximum $ Coverage	Life Insurance: Fixed Amount
ALASKA	Yes	Yes	Yes	Yes	$2,000	Yes
CALIFORNIA	No	Yes	Yes	No	$5,000 plus 1/2 Salary	No
CONNECTICUT	No	Yes	Yes	No	50,000	No
HAWAII	Yes	Yes	Yes	No	24,000	No
IOWA	Yes	Yes	Yes	Yes	10,000	Yes
MINNESOTA	No	Yes	Yes	Yes	No Limit	No
MONTANA	Yes	Yes	Yes	Yes	10,000	yes
NEW HAMPSHIRE	No	Yes	Yes	Yes	10,000	Yes
OREGON	Yes	Yes	Yes	Yes	500,000	No
RHODE ISLAND	Yes	Yes	Yes	Yes	Salary	No
WISCONSIN	Yes	Yes	Yes	Yes	Salary	No

Prepared by the Legislative Research Agency, May 1991 (90-347D2)

TABLE 5
OTHER BENEFITS
(See Notes to Table 5 for Clarification and Exceptions)

STATE	On-site ChildCare	Uniforms Provided	Tools/ Equipment Provided	Free Parking	Moving Expenses	Grievance Proc. # Steps	Grievance Proc. Binding	Paid Rest	Paid Lunch	JuryDuty Paid	Hazard Pay	Legal Trust	Educ'l Trng
ALASKA	No	Yes	Yes	Yes	Yes	5	Yes	Yes	No	Yes	Yes	Yes	Yes
CALIFORNIA	Yes	Allowance	No	No	Yes	4	Yes	Yes	No	Yes	Yes	No	Yes
CONNECTICUT	Yes	Yes	Yes	Yes	No	4	Yes	Yes	No	Yes	Yes	No	Yes
HAWAII	No	Yes	Yes	No	No	4	Yes	Yes	No	Yes	Yes	Yes	Yes
IOWA	No	Yes	Yes	Yes	Yes	4	Yes	Yes	No	Yes	No	No	Yes
MINNESOTA	Yes	Allowance	Yes	Yes	Yes	4	Yes	Yes	No	Yes	Yes	No	Yes
MONTANA	No	Yes	Yes	Yes	Yes	4	Yes	Yes	No	Yes	No	No	No
NEW HAMPSHIRE	Yes	Yes	Yes	Yes	No	4	Yes	Yes	No	Yes	Yes	Yes	Yes
OREGON	Yes	Yes	Yes	Yes	Yes	4	Yes	Yes	No	Yes	Yes	Yes	Yes
RHODE ISLAND	Yes	Yes	Yes	Yes	No	4	Yes	Yes	No	Yes	No	No	Yes
WISCONSIN	Yes	Yes	Yes	Yes	Yes	4	Yes	Yes	Yes	Yes	Yes	No	Yes

Prepared by the Legislative Research Agency, May 1991 (90.347E)

NOTES TO TABLE 5
OTHER BENEFITS

CALIFORNIA -- Some departments have child care available on state property. Employees receive an allowance for uniforms. Only expenses for books are reimbursed.

CONNECTICUT -- Some units have pilot programs for child care. Funds are limited for tuition reimbursement.

HAWAII -- The legal trust fund is for civil suits only.

IOWA -- Reimbursement for educational training is limited to fund availability.

MINNESOTA -- There is one pilot program for child care on state property. Some facilities are available at full cost to an employee for child care. Employees receive an allowance for uniforms. Expenses for educational advancement and training may be partially reimbursed.

NEW HAMPSHIRE -- New Hampshire is implementing a pilot program for child care on state property.

OREGON -- There are three pilot programs for child care on state property. Parking is available free if it is a term of the lease agreement of the facility. Private and public parking is available at a cost. Funding for educational advancement and training varies from contract to contract.

RHODE ISLAND -- Child care centers are located on state property; however, there is a cost to an employee. There is a fund for reimbursement of educational advancement and training expenses.

WISCONSIN -- Start-up funds are available for child care on state property. Tuition costs are reimbursed if training is a condition of employment. If not, the state may reimburse all or a portion of the expenses. The legal trust fund may be used only for work-related assistance.

Prepared by the Legislative Research Agency, May 1991 (90.347E)

HOUSE COMMITTEE REPORT

(7)
Date Referred: April 28, 1992

FURTHER REFERRALS: Finance

Date of Committee Action: 5/6/92

The STATE AFFAIRS Committee considered: HB 587

HOUSE BILL NO. 587 EMPLOYEE CONTRIBUTIONS FOR RETIREMENT

"An Act relating to employer and employee contributions to state retirement systems; and providing for an effective date."

RECOMMENDATIONS:
be replaced with CS HB 587 (STA) [X] the same title [ ] a new title

[ ] have attached amendments(s)
[ ] do pass
[ ] do not pass
[X] no recommendations
[ ] individual recommendations
[ ] additional referral to the ______ ______ Committee

ADOPTS: ______ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept)

[X] fiscal impact ADMIN

[ ] zero fiscal note ______

APPROVES PREVIOUS: (Dept/Date)

[ ] fiscal note(s) ______

[ ] zero fiscal note(s) ______

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
		Eugene G. Kubina — Kubina		✓	
		[signature] — MOYER		—	
		[signature] — CHOQUETTE		✓	
		[signature] — BAKER		✓	
		Max Gruenberg — GRUENBERG		✓	

Eugene G. Kubina
CHAIRMAN'S SIGNATURE

CS FOR HOUSE BILL NO. 587 (STATE AFFAIRS)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act relating to employer and employee contributions to state retirement systems; and providing for an effective date."

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

*** Section 1.** FINDINGS AND PURPOSE. (a) The legislature finds that

(1) the cost of providing benefits for employees in public retirement systems and their dependents has risen dramatically over the years;

(2) the state is anticipating times of restricted revenue in the near future and it is important to reduce the expenses to public employers; and

(3) currently employees contribute substantially less to support the state retirement systems than employers contribute.

(b) The purpose of this legislation is to require participants in state retirement systems to share equally with their employers in the cost of supporting the system.

* Sec. 2. AS 14.25.050(a) is amended to read:

(a) Each [BEGINNING JANUARY 1, 1991, EACH] teacher who first joined the system before July 1, 1993, shall contribute to the system an amount equal to 8.65 percent of the teacher's base salary accrued from July 1 to the following June 30. Members who first joined the system on or after July 1, 1993, shall contribute to the system an amount determined by multiplying the member's base salary accrued from July 1 to the following June 30 by the member's contribution rate determined under AS 14.25.070(c). The employer shall deduct the contribution from the teacher's salary at the end of each payroll period. The contributions shall be deducted from employee compensation before the computation of applicable federal taxes and shall be treated as employer contributions under 26 U.S.C. 414(h)(2).

*** Sec. 3.** AS 14.25.060(d) is amended to read:

(d) If a member first joined the system on or after July 1, 1990, and before July 1, 1993, and has military service or Alaska BIA service, the member's indebtedness shall be determined under (a) of this section except that the percentage multiplier is 8.65 percent. If a member first joined the system on or after July 1, 1993, the percentage multiplier is the contribution rate determined under AS 14.25.070(c).

*** Sec. 4.** AS 14.25.070 is amended to read:

Sec. 14.25.070. CONTRIBUTIONS BY EMPLOYER. For teachers who first joined the system before July 1, 1993, an [AN] employer shall contribute to the system an amount equal to the percentage, as certified by the administrator, of the sum total of the base salaries of all those teachers that is required in addition to [TEACHER] contributions from those teachers to provide the benefits of this chapter times the sum total of the base salaries paid to those teachers by the employer.

*** Sec. 5.** AS 14.25.070 is amended by adding new subsections to read:

(b) For members who first joined the system on or after July 1, 1993, an employer shall contribute to the system an amount equal to the employer's contribution rate determined under this subsection multiplied by the amount necessary to provide the benefits for those members under this chapter, as certified by the administrator plus the employer surcharge. The employer's contribution rate is determined by dividing the total base salaries paid to members who first joined the system on or after July 1, 1993, and who were employed by the employer during the year by the total base salaries paid by all the employers participating in the system during the year to those members and dividing that amount by two.

(c) For members who first joined the system on or after July 1, 1993, the member's contribution rate is computed by dividing the amount of the employer's contribution for those members required under (b) of this section by the total of the base salaries paid by the employer to all those members during the year.

* Sec. 6. AS 22.25.011 is amended to read:

Sec. 22.25.011. CONTRIBUTIONS. Each justice and judge appointed after July 1, 1978, <u>and before July 1, 1993,</u> shall contribute seven percent of the base annual salary received by the justice or judge to the judicial retirement system. <u>**Each justice or judge appointed on or after July 1, 1993, shall contribute an amount determined by multiplying the member's salary by the member's contribution rate computed under AS 22.25.046(b).**</u> Contributions shall be made for all creditable service under this chapter up to a maximum of 15 years. This contribution is made in the form of a deduction from compensation, and is made even if the compensation paid in cash to the justice or judge is reduced below the minimum prescribed by law. Each justice and judge is considered to consent to the deduction from compensation. Payment of compensation less the deduction constitutes a full discharge of all claims and demands for the services rendered by the justice or judge during the period covered by the payment, except as to the benefits provided for under this chapter. The contributions shall be credited to the judicial retirement fund established in accordance with AS 22.25.048.

* Sec. 7. AS 22.25.046(b) is amended to read:

(b) The <u>court system</u> contribution <u>rates</u> [RATE] shall be <u>the percentages</u> [A PERCENTAGE] which, when applied to the covered compensation of all active members of the judicial retirement system, will generate sufficient money to support, along with contributions from members, the benefits of the judicial retirement system. <u>**For justices and judges appointed on or after July 1, 1993, the member's contribution rate shall be sufficient to raise an amount equal to one-half the amount needed to support benefits for those justices and judges. The member's contribution rate for those justices and judges shall be determined by dividing the amount needed to be raised from those members by the sum of the salaries paid to those members.**</u>

* Sec. 8. AS 39.35.160(a) is amended to read:

(a) <u>Each</u> [BEGINNING JANUARY 1, 1987, EACH] peace officer or fire fighter <u>who first joined the system before July 1, 1993,</u> shall contribute to the system an amount equal to seven and one-half percent of the peace officer's or fire fighter's compensation. <u>Each</u>

[BEGINNING JANUARY 1, 1987, EACH] other employee who first joined the system before July 1, 1993, shall contribute to the system an amount equal to six and three-quarters percent of the employee's compensation. For peace officers and fire fighters or other employees who first joined the system on or after July 1, 1993, the amount of the contribution shall be determined using the appropriate employee contribution rate determined under AS 39.35.250(d) instead of the percentage stated above. The contributions shall be deducted by the employer at the end of each payroll period. The contributions shall be deducted from employee compensation before computation of applicable federal taxes, and the contributions shall be treated as employer contributions under 26 U.S.C. 414(h)(2).

*** Sec. 9.** AS 39.35.250 is amended by adding a new subsection to read:

(d) The sum of the contributions from the employees of an employer who first joined the system on or after July 1, 1993, during a year shall equal the amount of the employer contribution attributable to those employees paid during that time. For peace officers and fire fighters who first joined the system on or after July 1, 1993, the peace officer and fire fighter contribution rate is equal to the amount of the employer contribution for those peace officers and fire fighters divided by the sum of the salaries that the employer paid to those peace officers and fire fighters during the year. For other employees who first joined the system on or after July 1, 1993, the contribution rate for those employees is equal to the amount of the employer contribution for those employees divided by the sum of all salaries that the employer paid to those employees during the year.

*** Sec. 10.** AS 39.35.340(b) is amended to read:

(b) In order to obtain credited service under this section, an employee shall make an election to do so and shall verify the period of military service. When eligibility for credited service for military service has been established, an indebtedness shall be determined as follows: (1) the employee's actual compensation, or the calculated annual compensation for those employees working less than 12 months, during the calendar year 1976 or the year in which an employee first becomes vested under this chapter, whichever is later, multiplied by (2) the number of years of military service credited under this section, and this product multiplied by (3) six percent for members who are first eligible to claim this military service before January 1, 1987, or eight and one-half percent for members who are first eligible to claim this military service on or after January 1, 1987, and who first joined the system before July 1, 1993, or

<u>the appropriate employee contribution rate determined under AS 39.35.250(d) for employees who first joined the system on or after July 1, 1993</u>. Interest as prescribed by regulation accrues on this indebtedness beginning on July 1, 1977, or one year following the date a person first becomes vested, whichever is later. Any outstanding indebtedness that exists at the time a person is appointed to retirement will necessitate an actuarial adjustment to the benefits payable based upon that military service.

* **Sec. 11.** AS 39.35.360(i) is amended to read:

(i) An employee who completes three years of credited service with an employer, for which the employee makes contributions required by this chapter, is entitled to credited service on a year-for-year basis for service credited in the Civil Service Retirement System, rendered as an employee of an Alaska Bureau of Indian Affairs (BIA) school, other than service as a teacher. Retroactive credited service under this section must be claimed before the employee retires. When eligibility for retroactive credited service under this section has been established, an indebtedness of the employee to the system shall be determined as follows: (1) the employee's actual annual compensation, or the calculated annual compensation for an employee who works fewer than 12 months, for the most recent calendar year in which service is rendered to an employer before the calendar year in which the employee first becomes eligible to claim service under this subsection, multiplied by (2) the number of years of service in Alaska BIA schools that is credited under this subsection, and this product multiplied by (3) six percent for employees first eligible to claim this service before January 1, 1987, or eight and one-half percent for employees first eligible to claim this service on or after January 1, 1987<u>, and who first joined the system before July 1, 1993, or the appropriate employee contribution rate determined under AS 39.35.250(d) for employees who first joined the system on or after July 1, 1993</u>. Interest as prescribed by regulation accrues on the indebtedness beginning on the date the employee may first claim the retroactive credited service. Any outstanding indebtedness that exists at the time the employee retires requires an actuarial adjustment to the benefits that are based on retroactive credited service under this section. Service may not be claimed under this subsection and benefits may not be paid for service claimed under this subsection if the employee has, at any point in time, enough service credit in the Civil Service Retirement System to be eligible for a retirement benefit under that system.

* **Sec. 12.** This Act takes effect July 1, 1993.

State of Alaska
Teachers' Retirement System

Actuarial Valuation Report
as of June 30, 1990

Highlights

This report has been prepared by William M. Mercer, Incorporated to:

(1) present the results of a valuation of the Alaska Teachers' Retirement System as of June 30, 1990;

(2) review experience under the plan for the year ended June 30, 1990;

(3) determine the appropriate contribution rate for the State and each school district in the System;

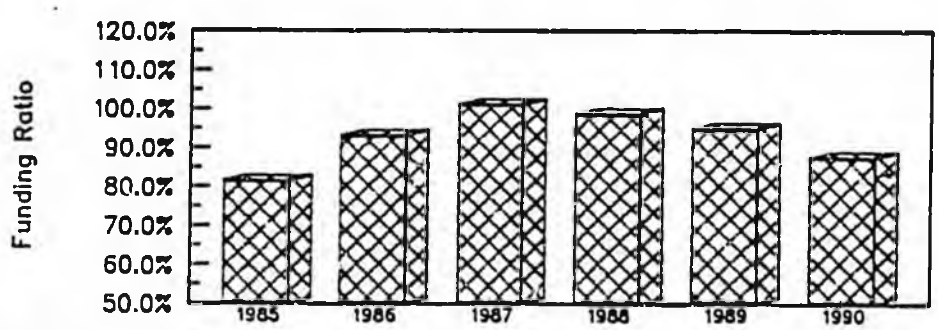
(4) provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The report is divided into two sections. Section 1 contains the results of the valuation. It includes the experience of the plan during the 1989-90 plan year, the current annual costs, and reporting and disclosure information.

Section 2 describes the basis of the valuation. It summarizes the plan provisions, provides information relating to the plan participants, and describes the funding methods and actuarial assumptions used in determining liabilities and costs.

The principle results are as follows:

Funding Status as of June 30:	1989	1990
(a) Valuation Assets*	$ 1,480,389	$ 1,662,242
(b) Accrued Liability*	1,557,643	1,895,030
(c) Funding Ratio, (a) / (b)	95.0%	87.7%



* In thousands.

Employer Contribution Rates for Fiscal Year:	1992	1993
(a) Normal Cost Rate	13.26%	14.07%
(b) Past Service Rate	1.90%	5.58%
(c) Total Contribution Rate	15.16%	19.65%
(d) Three-year Average Rate	11.87%	15.69%

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the plan sponsor and financial information provided by the audited report from Coopers & Lybrand, to determine a sound value for the plan liabilities. We believe that this value, and the method suggested for funding it, are in full compliance with the Governmental Accounting Standards Board, the Internal Revenue Code, and all applicable regulations.

Respectfully submitted,

Brian R. McGee, FSA
Principal

Peter L. Godfrey, FIA, ASA
Consulting Actuary

BRM/PLG/jls

April 11, 1991

Analysis of the Valuation

As shown in the Highlights section of this report, the funding ratio as of June 30, 1990 has decreased from 95.0% to 87.7%, a 7.3% decrease. The total employer contribution rate has increased from 15.16% of payroll to 19.65%, an increase of 4.49%. The three-year average rate has also increased from 11.87% to 15.69%, a 3.82% increase. The reasons for the change in the funded status and contribution rate are explained below.

1. **Chapter 97, 1990 SLA**

   Chapter 97, 1990 SLA passed the Alaska State Legislature last year and was signed into law by Governor Cowper. The bill changed many of the TRS benefit provisions, some of which increase and some decrease the contribution requirements to the System and the funded status of TRS. Some of the major changes include:

   a. Automatic PRPA's will be granted to all current and future retirees.

   b. The benefit formula multiplier was increased for future service over 20 years.

   c. Employee contribution rates were increased by 1.65%, and are now being made on a tax-deferred basis.

   d. Members with 12 years of combined part-time and full-time service are vested.

   e. Normal retirement age for new employees was raised to age 60.

   f. COLA benefits for new employees will be delayed to age 65, unless disabled.

   g. Post-retirement medical benefits for new employees will be reduced.

   You will note that items a through d above are effective in FY91 for all employees while items e, f and g, all cost saving items, are applicable only to employees first hired after June 30, 1990. The ultimate cost to the System should be close to the current level. The pattern of costs, however, will be higher in early years when few people are covered by the cost saving features. Contribution rates will then reduce over time as new employees enter the System.

   Chapter 97, 1990 SLA caused an increase in the total employer contribution rate of 6.76% and an increase in accrued liability of about $266,783,000.

2. Retiree Medical Insurance

During the year ended June 30, 1990, the System experienced an actuarial gain of $57,386,000 due to the reduction in retiree medical premiums.

Because, in recent years, the adverse retiree medical premium experience was a major reason for the rapidly increasing employer contribution rate and the deteriorating funding ratio, it is certainly welcome news to be able to comment on a stabilization in retiree medical premiums.

The following table summarizes the monthly premium per benefit recipient since retiree medical benefits have been provided under PERS.

Fiscal Year	Monthly Premium Per Retiree For Health Coverage	Annual Percentage Increase	Average Annual Increase Since 1978
1977	$ 34.75	--	--
1978	57.64	66%	--
1979	69.10	20%	20%
1980	64.70	- 6%	6%
1981	96.34	49%	19%
1982	96.34	0%	14%
1983	115.61	20%	15%
1984	156.07	35%	18%
1985	191.85	24%	19%
1986	168.25	-12%	14%
1987	165.00	- 2%	12%
1988	140.25	-15%	9%
1989	211.22	51%	13%
1990	252.83	20%	13%
1991	243.98	- 4%	12%
1992	243.98	--	11%

As you can see from the above table, the monthly retiree medical premium reduced to $243.98 during the year from $252.83, a decrease of 3.50%. The premium for the 1992 fiscal year remained unchanged.

As noted in last year's valuation report, the State has seen a dramatic shift to post-65 rates which have increased considerably faster than pre-65 rates. However, both rates reduced by 3.50% in FY91 and have remained unchanged for FY92, resulting in the first actuarial gain from medical benefits for the System since the June 30, 1987 valuation of the System.

The effect on the past service contribution rate of this reduction in retiree medical premiums was a reduction of 1.38% of payroll. The effect on the normal cost rate was a reduction of 0.90%, resulting in a reduction in the total employer contribution rate due to medical benefits of 2.28% of payroll.

2. **Investment Performance**

The System once again experienced actuarial gains arising from the investment performance of the Trust assets. Although the return as measured by market values was lower this year than last year, the effect of the five-year smoothing was to increase the return as measured by valuation assets from last year. The approximate rate of return based on market values was 10.03% and the rate based on valuation assets was 11.92%. The resulting actuarial gain was $43,235,000 which had the effect of reducing the total employer contribution rate by 1.04%.

3. **Salary Increases**

Salary increases during the year were less than anticipated in the valuation assumptions. Salary experience resulted in an actuarial gain of $20,599,000 which generated a reduction in the total employer contribution rate of .49% of payroll.

4. **Employee Data**

Section 2.2 provides statistics on active and inactive participants. The number of active participants increased .7%, from 8,527 at June 30, 1989 to 8,586 at June 30, 1990. The average age of active participants increased from 41.82 to 42.21 and average credited service increased from 10.61 to 10.62 years.

The number of retirees and beneficiaries increased 2.8%, from 3,098 to 3,184, and their average age increased from 61.85 to 62.45. There was a 60.6% increase in the number of vested terminated participants from 508 to 816. Their average age increased from 45.11 to 46.75.

The overall effect of these participant data changes was an actuarial loss of $16,505,000, resulting in an increase in the past service contribution rate of 0.40% of payroll. These demographic changes also had the effect of increasing the normal cost rate by .70%, resulting in an increase in the average total employer contribution rate of 1.10% of payroll.

Retirement Incentive Program

The second Retirement Incentive Program has been available to participants since July 1, 1989. The number of new retirees increased from 187 at June 30, 1989 to 199 at June 30, 1990. Although the full effect of the R.I.P. may not be seen until next year's valuation, the R.I.P. was responsible in part for the increase in the number of new retirees.

As with the first R.I.P., the cost is being borne by employers based on the actuarial value of the extra benefits, calculated individually for each employee electing to retire under the program. This cost is being paid over a three-year period. If the assumptions underlying the calculated cost of the R.I.P. are met, the total cost to the System will be equal to the employers' payments.

Summary

The following table summarizes the sources of change in the total employer contribution rate:

(1)	Last year's total employer contribution rate (before smoothing) . . .	15.16%
(2)	Increase in total employer contribution rate due to Chapter 97, 1990 SLA . . .	6.76%
(3)	Decrease in past service rate due to retiree medical insurance	(1.38%)
(4)	Decrease in normal cost rate due to retiree medical insurance	(0.90%)
(5)	Decrease due to investment performance . . .	(1.04%)
(6)	Decrease due to salary increases . . .	(0.49%)
(7)	Increase in past service rate due to demographic experience	0.40%
(8)	Increase in normal cost rate due to demographic experience	0.70%
(9)	Impact of all other factors . . .	0.44%
(10)	Total employer contribution rate this year (before smoothing)	19.65%

In summary, the System enjoyed a good year with substantial actuarial gains arising from favorable investment performance and the reduction in medical premiums. The effect of Chapter 97, 1990 SLA, however, caused a substantial increase in current contribution rates and a decrease in the funded status to 87.7%.

FISCAL NOTE

BILL NO. HB 587

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date:
Title: An Act relating to employer and employee contributions to state retirement systems..."

Sponsor: House Finance Committee
Requestor: House State Affairs Committee

Department Affected: Administration
BRU: Retirement and Benefits

Component: Retirement and Benefits

COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	58.8	58.8	58.8	58.8	58.8	58.8
TRAVEL	5.0	5.0	5.0	5.0	5.0	5.0
CONTRACTUAL	276.8	0	0	0	0	0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	13.6	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	355.2	64.8	64.8	64.8	64.8	64.8

CAPITAL	0	0	0	0	0	0
REVENUE FUND SOURCE:	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	355.2	64.8	64.8	64.8	64.8	64.8
TOTAL	355.2	64.8	64.8	64.8	64.8	64.8

POSITIONS

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

Estimate of current year impact:

ANALYSIS: (attach a separate page if necessary.)

Prepared By: Gary Bader Gary M. Bader
Division: Retirement and Benefits
Phone: 465-4470
Date: May 5, 1992

Approved by Commissioner: Nancy Bear Usera
Agency: Department of Administration
Date: 5/5/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agency(ies).
Rev 11/91

House Bill 587
Analysis of Fiscal Implications to the Retirement Fund
Prepared by Division of Retirement & Benefits
Department of Administration
May 5, 1992

Analysis: Passage of this bill would require major enhancements to the state's retirement systems. The current system edits would have to be changed to accept multiple employee and employer contribution rates. The systems would also need a full time accountant III to provide auditing services for the systems. These audits are necessary to assure that employers are complying with the revised provisions and to supply additional in-field employer training

The total estimated administrative cost to the division by fiscal year is as follows:

		FY 93
PERSONAL SERVICES		
1 Accountant III (Auditor)		58.8
TRAVEL		
Traveling to various locations throughout the state to perform audits of employer compliance ..		5.0
CONTRACTUAL		
Contractual costs for Automated system enhancements	274.0	
Computer services for additional PC's	2.5	
Additional telephone costs (1 add phones)	.1	
Telephone service for 1 phone	.2	
FY 93 contractual costs....................................		276.8

House Bill 587
Analysis of Fiscal Implications to the Retirement Fund
Prepared by Division of Retirement & Benefits
Department of Administration
May 5, 1992

			FY 93
SUPPLIES			
	Office supplies, calculators cost		1.0
EQUIPMENT			
1	Work stations	4.6	
1	Chairs	.3	
1	PCs and other office equipment	6.0	
	Other office equipment (Dictaphone, calculators, etc.)	1.0	
1	File cabinets	.3	
1	Phones (600/instrument)	.6	
5	Microfiche viewers	.8	
	Total Equipment cost		13.6
	TOTAL Operations Cost		$355.2

FISCAL NOTE

BILL NO. · HB 587

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date:
Title: "An Act relating to employer and employee contributions to state retirement systems..."
Sponsor: House Finance Committee
Requestor: House State Affairs

Department Affected: ALL STATE
BRU: ALL STATE
Component: ALL STATE

COMPONENT SERIAL NO.

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	[1,416.5]	[4,270.0]	[7,123.5]	[9,977.0]	[12,830.5]	[15,684.0]
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	[1,416.5]	[4,270.0]	[7,123.5]	[9,970.0]	[12,830.5]	[15,684.0]

CAPITAL	0	0	0	0	0	0
REVENUE FUND SOURCE:	0	0	0	0	0	0

FUNDING: (Thousands of dollars)

GENERAL FUND	[1,416.5]	[4,270.0]	[7,123.5]	[9,970.0]	[12,830.5]	[15,684.0]
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	0	0	0	0	0	0
TOTAL	[1,416.5]	[4,270.0]	[7,123.5]	[9,970.0]	[12,830.5]	[15,684.0]

POSITIONS

FULL-TIME:	0	0	0	0	0	0
PART-TIME:	0	0	0	0	0	0
TEMPORARY:	0	0	0	0	0	0

Estimate of current year impact: Zero

ANALYSIS: (attach a separate page if necessary.) This bill will also decrease personal services cost to political subdivisions by approximately $1,091.5 in FY 93 and $3,274.6 in FY 94 and the savings increasing each year thereafter. The attached sheet discusses the fiscal implications of this bill to the State's Retirement Systems.

Prepared By: Gary Bader Gary M. Bader 5/5/92
Division: Retirement and Benefits
Phone: 465-4470
Date: May 5, 1992

Approved by Commissioner: Nancy Bear Usera NBU
Agency: Department of Administration
Date: 5/5/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agency(ies).

Rev 11/91

House Bill 587
Analysis of Fiscal Implications to the Retirement Fund
Prepared by Division of Retirement & Benefits
Department of Administration
May 5, 1992

Analysis: The savings represented by this bill would result solely from the employees first hired after July 1, 1992 paying 1/2 of the total state retirement systems' contribution rates. We are advised by our systems' actuary that this type of funding method will likely lead to higher system costs in the future. Since this will be creating an additional tier in the state retirement systems, impact on the systems' assumptions will not be known until actual experience is analyzed.

To demonstrate the reduced employer contributions, we are proposing the following assumptions:

* The systems will experience an average 5% turnover in the first year and 10% each year for the next 5 years.
* The savings is estimated to grow by 10% per year
* The State PERS payroll is estimated to be $590,569,567 for FY 93 and remain stable each year thereafter.
* The State TRS Payroll is estimated to be $5,521,141 for FY 93 and remain stable each year thereafter.
* The University of Alaska PERS payroll is estimated to be $76,601,822 for FY 93 and remain stable each year thereafter.
* The University of Alaska TRS payroll is estimated to be $53,635,573 for FY 93 and remain stable each year thereafter.
* The State Judicial Retirement System payroll is estimated to be $ 363,611 for FY 93 and remain stable each year thereafter.
* The FY 93 employee and employer contribution rates are as follows:

	EMPLOYEE	EMPLOYER	TOTAL SYSTEM	587 EE/ER Share
*PERS	6.75%	14.92%	21.67%	10.84%
*TRS	8.65%	12.00%	20.65%	10.33%
*JRS	7.00%	39.46%	46.46%	23.23%
*Poly Sub	6.75%	13.58%	20.33%	10.17%
*School Dist TRS	8.65%	12.00%	20.65%	10.33%

The State estimated FY93 savings of $1,416,500 and FY 94 savings of $4,270,000 is calculated as follows:

			FY 93	FY 94
Estimated FY93 State PERS new employee salaries (NES)($590,569,567 times 5%)		$29,528,500		
The decrease in the employer contribution rate (14.92% - 10.84%)		4.08%		
Total FY 93 State PERS savings............			$1,204,800	
Estimated FY94 State PERS NES ($590,569,567 times 10%	$59,569,600			
PLUS prior years NES	29,528,500			
Total FY 94 NES...............		$89,098,100		
The decrease in the employer contribution rate (14.92% - 10.84%)		4.08%		
Total FY 94 State PERS savings...........				$3,635,20C

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Estimated FY93 U of A PERS NES				
($76,601,822 times 5%)		$3,830,100		
The decrease in the employer contribution rate (14.92% - 10.84%)		4.08%		
Total FY 93 U of A PERS savings............			$ 156,300	
Estimated FY94 U of A PERS NES				
($76,601,822 times 10%)	$7,660,200			
PLUS prior years NES	3,830,100			
Total FY 94 NES...............		$11,490,300		
The decrease in the employer contribution rate (14.92% - 10.84%)		4.08%		
Total FY 94 U of A PERS savings............				$ 468,800
Estimated FY93 State TRS NES				
($5,521,141 times 5%)		$ 276,100		
The decrease in the employer contribution rate (12.00% - 10.33%)		1.77%		
Total FY 93 State TRS savings............			4,900	
Estimated FY94 State TRS NES				
($5,521,141 times 10%)	$ 552,100			
PLUS prior years NES	276,100			
Total FY 94 NES...............		$ 828,200		
The decrease in the employer contribution rate (12.00% - 10.33%)		1.77%		
Total FY 94 State TRS savings............				14,700
Estimated FY93 U of A TRS NES				
($53,635,573 times 5%)		$2,681,800		
The decrease in the employer contribution rate (12.00% - 10.33%)		1.77%		
Total FY 93 U of A TRS savings............			47,500	
Estimated FY94 U of A TRS NES				
($53,635,573 times 10%)	$ 5,363,600			
PLUS prior years NES	2,681,800			
Total FY 94 NES...............		$ 8,045,400		
The decrease in the employer contribution rate (12.00% - 10.33%)		1.77%		
Total FY 94 U of A TRS savings............				142,400

House Bill 587
Analysis of Fiscal Implications to the Retirement Fund
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May 5, 1992

Estimated FY93 Court System JRS NES				
($363,611 times 5%)		$ 18,200		
The decrease in the employer contribution rate (39.46% - 23.23%)		16.23%		
Total FY 93 Court System JRS savings..........			$ 3,000	
Estimated FY94 Court System JRS NES				
($363,611 times 10%)	$ 36,400			
PLUS prior years NES	18,200			
Total FY 94 NES...............		$ 54,600		
The decrease in the employer contribution rate (39.46% - 23.23%)		16.23%		
Total FY 94 Court System JRS savings............				$ 8,900
TOTAL STATE SAVINGS...			**$1,416,500**	**$4,270,000**

In addition to the State's savings above, political subdivision and school district costs would decrease by **$1,091,500** in FY93 based on political subdivision FY93 estimated PERS salaries of $434,744,043 and school district FY93 estimated TRS salaries of $395,831,981. The political subdivision and school district salaries are estimated to remain stable each year thereafter.

Estimated FY93 Poly Sub PERS NES				
($434,744,043 times 5%)		$21,737,200		
The decrease in the employer contribution rate (13.58% - 10.17%)		3.41%		
Total FY 93 Poly Sub PERS savings............			$ 741,200	
Estimated FY94 Poly Sub PERS NES				
($434,744,043 times 10%)	$43,474,400			
PLUS prior years NES	21,737,200			
Total FY 94 NES...............		$ 65,211,600		
The decrease in the employer contribution rate (13.58% - 10.17%)		3.41%		
Total FY 94 Poly Sub PERS savings............				$2,223,700

House Bill 587
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Estimated FY93 School Dist. TRS NES ($395,831,981 times 5%)	$19,791,600		
The decrease in the employer contribution rate (12.00% - 10.33%)	1.77%		
Total FY 93 School Dist. TRS savings............		350,300	
Estimated FY94 School Dist. TRS NES ($395,831,981 times 10%) $39,583,200			
PLUS prior years NES 19,791,600			
Total FY 94 NES...............	$59,374,800		
The decrease in the employer contribution rate (12.00% - 10.33%)	1.77%		
Total FY 94 School Dist. TRS savings............			$1,050,900
TOTAL POLITICAL SUBDIVISION SAVINGS......		$1,091,500	$3,274,600

Passage of this bill may reduce the funding ratio of the state retirement systems and increase unfunded liabilities.

ALASKA MUNICIPAL LEAGUE

217 Second Street, Suite 200 ▪ Juneau, Alaska 99801 ▪ Tel (907)586-1325, Fax (907)463-5480

February 14, 1992

The Honorable Ron Larson
Alaska State Legislature
Post Office Box V (MS 3100)
Juneau, Alaska 99811

RE: Amendment to AML's 1992 Municipal Platform

Dear Representative Larson:

At a recent meeting, the Alaska Municipal League Board of Directors voted to modify the League's position on two 1992 legislative priority items: Education Foundation Formula Funding and the proposed capital matching grant program. I am writing to you to let you know about these important changes to items on the League's priority list. As you know, additional details on the League's priority items are included in the **1992 Municipal Platform**, which you received in January.

- With reference to funding for the **Education Foundation Formula**, the Board adopted a position in support of **full and early funding** of the formula at an increased **instructional unit value of $63,000.**

  The Board also adopted, as part of this priority item, support of **legislative or administrative action to address the severe financial burden placed on school districts by major increases in the required employer contribution to the Teachers' Retirement System.** These unanticipated increases, the estimated cost of which is over $16 million for FY 93, will, if not funded separately, reduce the value of each instructional unit by over $1,500. The League supports either modifications in the actuarial system used to calculate required contributions or an appropriation, independent of the Foundation Formula, of the amount necessary to cover the increased employer contribution.

- As an additional amendment needed for the League's support of the proposed **community capital matching grant program**, the Board added a stipulation that the program would be in effect only in years in which the funding was at least $61.6 million. If the funding for the program were not at this level, the program would not be in effect. This amount, which is based on the Governor's proposal of a $60 million funding level with a $25,000 minimum entitlement, is the amount necessary to allow each municipality to receive a minimum entitlement of $50,000, without reducing the grants to larger municipalities.

As I know you appreciate, the development of policy positions within a large, representative organization is an ongoing process. On behalf of the League and its members, I will continue to keep you informed about additions to or changes in AML's legislative priority list for 1992. For additional information on these issues and the other priorities of the League for the 1992 session, please refer to the **Municipal Platform** or give me a call at 586-1325.

Sincerely,

Scott A. Burgess
Executive Director

CLC92:update.214

House State Affairs Committee
Representative Gene Kubina, Chair

DATE: May 4, 1992

PLACE: Capitol Room 102

SUBJECT OF MEETING:

HB 198 - Relating to Legis.Sessions to be in Mat-Su Borough
HB 301 - Relating to Regular Legis. Sessions
HB 587 - Relating to Employee Contributions for Retire.
HB 588 - Relating to Protect Merit Principle of Employ.

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
Duncan Fowler	Ombudsman	Box 113000			4970	Y	N	HB588
Mike McMullen	DOA	Box 110201 Juneau AK	99811		465-4430	Y	N	HB 588
Kathleen Strasbaugh	LAW	Box 110300	94811		3600	Y	N	HB 588
Peggy Weaver	ASEA	641 W. Willoughby Ave #[illegible]	99801		463-4949	Y	N	HB 588
GARY BADER	DOA	RETIREMENT & BEN			465 4470	Y	N	HB 587
Matthew Fishel	Rep. Carney					Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	

House State Affairs Committee
Representative Gene Kubina, Chair

DATE: 5/6

PLACE:

SUBJECT OF MEETING:

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
BRUCE LUDWIG	APEA/AFT			6-2334		Y	N	587 588
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	