

SB 225

SENATE FINANCE COMMITTEE REPORT

DATE: 4/8/91

FURTHER:

DATE TURNED INTO OFFICE: _____

The Finance Committee considered SENATE BILL NO. 225

"An Act relating to credited service in the public employees' retirement system; and providing for an effective date."

DIED

and recommended:

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

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):
Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

SIGNING DO PASS:

APPROVES PREVIOUS:
Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

OTHER RECOMMENDATIONS:

1. _____ 2. _____
Co-Chairs: Signatures and Recommendations

SENATE BILL NO. 225

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY SENATORS MENARD, Collins. Rodey

Introduced: 3/22/91

Referred: State Affairs and Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to credited service in the public employees' retirement system; and
2 providing for an effective date."

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

4 * **Section 1.** AS 39.35.300 is amended by adding a new subsection to read:

5 (c) Beginning July 1, 1991, in calculating the credited service of a noncertificated
6 employee of the state boarding school, a year of service shall be determined using the formula
7 set out in the definition of "year of service" in AS 14.25.220.

8 * **Sec. 2.** AS 39.35.310 is amended by adding a new subsection to read:

9 (c) Beginning July 1, 1991, in calculating the credited service of a noncertificated
10 employee of a school district or regional educational attendance area, a year of service shall be
11 determined using the formula set out in the definition of "year of service" in AS 14.25.220.

12 * **Sec. 3.** This Act takes effect July 1, 1991.

7-LS1086J
Cramer
4/28/92

CS FOR SENATE BILL NO. 225 ()
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS MENARD, Collins, Rodey, Uehling

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to credited service and contributions of noncertificated employees of
2 public schools in the public employees' retirement system; and providing for an effective
3 date."

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

5 * Section 1. AS 39.35.160(a) is amended to read:

6 (a) Beginning January 1, 1987, each peace officer or fire fighter shall contribute to the
7 system an amount equal to seven and one-half percent of the peace officer's or fire fighter's
8 compensation. Except as provided in (c) of this section, beginning [BEGINNING] January 1,
9 1987, each other employee shall contribute to the system an amount equal to six and
10 three-quarters percent of the employee's compensation. The contributions shall be deducted by
11 the employer at the end of each payroll period. The contributions shall be deducted from
12 employee compensation before computation of applicable federal taxes, and the contributions
13 shall be treated as employer contributions under 26 U.S.C. 414(h)(2).

14 * Sec. 2. AS 39.35.160 is amended by adding a new subsection to read:

1 (c) A noncertificated employee of the state boarding school or of a school district or
2 regional educational attendance area who first joined the system on or after January 1, 1993, or
3 who first joined the system before that date and who elects to receive credited service under
4 AS 39.35.300(d) or 39.35.310(d) shall contribute to the system an amount equal to 7.35 percent
5 of the employee's compensation.

6 * Sec. 3. AS 39.35.300 is amended by adding new subsections to read:

7 (c) In calculating the credited service of a noncertificated employee of the state boarding
8 school who first joined the system on or after January 1, 1993, a year of service shall be
9 determined using the formula set out in the definition of "year of service" in AS 14.25.220.

10 (d) A noncertificated employee of the state boarding school who first joined the system
11 before January 1, 1993, may elect to have the employee's credited service determined using the
12 formula set out in the definition of "year of service" in AS 14.25.220. The election must be
13 made in writing, is irrevocable, takes effect on the first day of the month following receipt of
14 election by the administrator, and applies to service earned on or after that date. An employee
15 who makes this election shall contribute to the system as provided in AS 39.35.160(c) and have
16 average monthly compensation for service earned on or after the effective date of the election
17 calculated as provided in AS 39.35.370(g).

18 * Sec. 4. AS 39.35.310 is amended by adding new subsections to read:

19 (c) In calculating the credited service of a noncertificated employee of a school district
20 or regional educational attendance area who first joined the system on or after January 1, 1993,
21 a year of service shall be determined using the formula set out in the definition of "year of
22 service" in AS 14.25.220.

23 (d) A noncertificated employee of a school district or regional educational attendance
24 area who first joined the system before January 1, 1993, may elect to have the employee's
25 credited service determined using the formula set out in the definition of "year of service" in
26 AS 14.25.220. The election must be made in writing, is irrevocable, takes effect on the first day
27 of the month following receipt of election by the administrator, and applies to service earned on
28 or after that date. An employee who makes this election shall contribute to the system as
29 provided in AS 39.35.160(c) and have average monthly compensation for service earned on or
30 after the effective date of the election calculated as provided in AS 39.35.370(g).

31 * Sec. 5. AS 39.35.370 is amended by adding a new subsection to read:

1 (g) For an employee receiving credited service under AS 39.35.300(c) or (d) or
2 AS 39.35.310(c) or (d), the number of months used in determining average monthly
3 compensation, as set out in AS 39.35.680, shall be determined using the formula set out in
4 AS 14.25.220.

5 * Sec. 6. This Act takes effect January 1, 1993.

7-LS1086G ✓
Cramer
4/22/92

VERSION G

4-22-92

CS FOR SENATE BILL NO. 225 (FINANCE)
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS MENARD, Collins, Rodey, Uehling

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to credited service and contributions of noncertificated employees of
2 public schools in the public employees' retirement system; and providing for an effective
3 date."

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

5 * Section 1. AS 39.35.160(a) is amended to read:

6 (a) Beginning January 1, 1987, each peace officer or fire fighter shall contribute to the
7 system an amount equal to seven and one-half percent of the peace officer's or fire fighter's
8 compensation. Except as provided in (c) of this section, beginning [BEGINNING] January 1,
9 1987, each other employee shall contribute to the system an amount equal to six and
10 three-quarters percent of the employee's compensation. The contributions shall be deducted by
11 the employer at the end of each payroll period. The contributions shall be deducted from
12 employee compensation before computation of applicable federal taxes, and the contributions
13 shall be treated as employer contributions under 26 U.S.C. 414(h)(2).

14 * Sec. 2. AS 39.35.160 is amended by adding a new subsection to read:

1 (c) Beginning July 1, 1992, a noncertificated employee of the state boarding school or
2 of a school district or regional educational attendance area shall contribute to the system an
3 amount equal to 7.35 percent of the employee's compensation.

4 * Sec. 3. AS 39.35.300 is amended by adding a new subsection to read:

5 (c) In calculating the credited service of a noncertificated employee of the state boarding
6 school, earned on or after July 1, 1992, a year of service shall be determined using the formula
7 set out in the definition of "year of service" in AS 14.25.220.

8 * Sec. 4. AS 39.35.310 is amended by adding a new subsection to read:

9 (c) In calculating the credited service of a noncertificated employee of a school district
10 or regional educational attendance area, earned on or after July 1, 1992, a year of service shall
11 be determined using the formula set out in the definition of "year of service" in AS 14.25.220.

12 * Sec. 5. This Act takes effect July 1, 1992.

CS FOR SENATE BILL NO. 225 ()
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS MENARD, Collins, Rodey, Uehling

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to credited service in the public employees' retirement system; and
2 providing for an effective date."

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

4 * Section 1. AS 39.35.300 is amended by adding a new subsection to read:

5 (c) A noncertificated employee of the state boarding school who is vested in the system
6 may elect to have the employee's credited service, for service performed on or after the later of
7 the date that the employee became vested and the date that the employee makes the election,
8 determined using the formula set out in the definition of "year of service" in AS 14.25.220. An
9 employee who makes this election is obligated to the system in an amount equal to the sum of
10 the employee contributions that the employee would have owed for the added credited service
11 and the employer contributions that the employer would have owed for the added credited
12 service. An employee must be employed by the state boarding school for at least 120 work days
13 in a school year to be eligible to make an election under this subsection.

14 * Sec. 2. AS 39.35.310 is amended by adding a new subsection to read:

1 (c) A noncertificated employee of a school district or regional educational attendance area
2 who is vested in the system may elect to have the employee's credited service, for service
3 performed on or after the later of the date that the employee became vested and the date that the
4 employee makes the election, determined using the formula set out in the definition of "year of
5 service" in AS 14.25.220. An employee who makes this election is obligated to the system in
6 an amount equal to the sum of the employee contributions that the employee would have owed
7 for the added credited service and the employer contributions that the employer would have owed
8 for the added credited service. An employee must be employed by the school district or regional
9 educational attendance area for at least 120 work days in a school year to be eligible to make an
10 election under this subsection.

11 * Sec. 3. This Act takes effect July 1, 1992.

FISCAL NOTE

Bill Version: SB 225

(S) Publish Date: 4/8/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____
Title: An act relating to credited service in the
public employees retirement system

Department Affected: Administration
BRU: Retirement and Benefits

Sponsor: Menard
Requestor: _____

Component: Retirement and Benefits
COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	50.0	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	50.0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	50.0	0	0	0	0	0
TOTAL	50.0	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

Estimate of current year impact: \$50,000

ANALYSIS: (attach a separate page if necessary.) This bill is estimated to increase school district contribution rates by 1.46% in the PERS. This would result in an increase in personal services costs of \$2,047,000 per year. There is no anticipated cost to the state.

The \$50,000 cost in contractual services will be to make the necessary changes to the PERS system.

The attached sheet discusses the fiscal implications of this bill to the Public Employees' Retirement System.

Prepared By: Garv Bader
Division: Retirement and Benefits

Phone: 465-4460
Date: April, 1991

Approved by Commissioner: Millett Keller
Agency: Department of Administration

Date: _____

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

Fiscal Note (DOA)

Senate Bill 225
Analysis of Financial Impact to the Retirement Fund
Prepared by Division of Retirement & Benefits
Department of Administration
April 1, 1991

Analysis: To fund this bill the school district Public Employees' Retirement System (PERS) contribution rate would increase by 1.46% in FY 93. The school district PERS payroll is estimated to be \$140,204,085 in FY 93 and increase by 3% each year thereafter.

The school districts' cost of \$2,047,000 is calculated as follows:

School district FY 93 estimated PERS salaries	\$ 140,204.1
Increase in PERS rate	X <u>1.46%</u>
TOTAL SCHOOL DISTRICT COST...	<u>S 2,047.0</u>

Passage of this bill will result in an increase in the PERS unfunded liability of \$25,000,000. It will also result in a decrease in the PERS funding ratio of .9%.

FISCAL NOTE

No. 2

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Bill Version: SB 225

(S) Publish Date: 4/8/91

Revision Date: _____ Department Affected: Education
 Title: Credited service in the Public BRU: K-12 Support
Employees' Retirement System Component: Foundation and Mt. Edgecumbe
 Sponsor: Menard
 Requestor: Menard COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Mary Hakala Phone: 465-2800
 Division: Commissioner's Office Date: 4/3/91
 Approved by Commissioner: Steve Adle, Acting Commissioner
 Agency: Education Date: 4/3/91

Distribution (by preparer): Legis _____ Impacted Agency(ies).

POSITION PAPER
DEPARTMENT OF ADMINISTRATION

Contact: Gary Bader

Bill Number: SB 225

Phone #: 465-4470

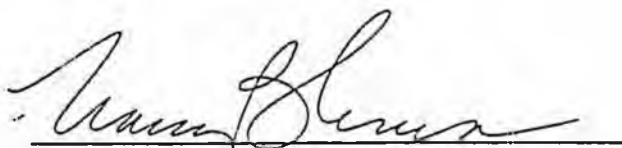
Bill Title: "An act relating to credited service in the PERS."

This bill would allow some noncertified school district employees to receive employment credit in the PERS on the same basis as teachers under the TRS. However, this legislation would discriminate between seasonal nonteaching school district employees and all other seasonal employees, favoring the seasonal school district employees.

Some school district employees would receive a full year of PERS credit for working about nine months, while some co-workers (who normally work a full twelve months each year) would receive the same service credit for working an additional three months. Most municipal governments participating in PERS and the State, use many seasonal workers. This bill would create an inequity between PERS seasonal members working for school districts and seasonal employees working for all other participating employers.

From a broader public policy perspective, the issue is whether we want to provide incentives to move people through the system as fast as possible. The purpose of a retirement system is still to "attract and retain" quality employees to public service, while providing for economic long-term security for the employees and the state. Encouraging a system that reduces these benefits is not quality service to Alaskans.

These impacts to the system argue against liberalizing benefits as provided in this bill.



Nancy Bear Usera
Commissioner

3/20/92
Date



Alaska State Legislature

Senator Curt Menard



While in
Session:
P.O. Box V
Juneau, Alaska
99811
(907)465-2679

Interim:
165 E. Parks
Highway
Wasilla, Alaska
99687
(907)373-2878

Senate
District
E

SPONSOR STATEMENT:

SB 225: "An Act relating to credited service in the Public Employees Retirement System; and providing for an effective date."

I have introduced this legislation to correct an inequity in the manner public school employees accrue service credit toward retirement. Currently non-certificated school district employees receive only partial retirement credit although they are employed for the entire school year. Their certificated co-workers receive a full year of retirement credit for the same period of time.

This legislation will use the same formula for retirement credit for non-certificated school employees that is set out in AS 14.25.220 for certificated employees.

This inequity can not be solved through contract negotiations or by any other avenue. It is up to the legislature to recognize that all public school employees should be treated in an even manner under their retirement systems.

Your support is greatly appreciated.

WE SUPPORT



University of Alaska Classified Employees Association

APEA/AFT Southeast Chapter

TESTIMONY ON BEHALF OF APEA/AFT

BEFORE THE SENATE STATE AFFAIRS COMMITTEE 4/5/91

Chairman Pourchot and members of the committee: my name is Carol Burton and I am here today representing the Alaska Public Employees Association/American Federation of Teachers. I urge your support of SB 225 for school district employees and ask that it be amended to include the University of Alaska classified employees.

School district teachers and University faculty who work a 9 month academic year receive a full calendar year's credit in the Teachers Retirement System (TRS). Classified employees working the same period of time are only credited with 9 months service. It is inequitable that the lower paid classified employees are discriminated against in this way, merely because their retirement system is PERS and not TRS.

Thank you for the opportunity to address the committee on this important issue for classified employees.



ACE

**ANCHORAGE
COUNCIL
OF EDUCATION
AFT 4425**

April 4, 1991

**To: Representative Gene Kubina, Chair
House State Affairs Committee**

**Senator Pat Pourchot, Chair
Senate State Affairs Committee**

Re: HB 225 "An Act allowing credit for the unused sick leave of an employee participating in the Public Employees Retirement System."

SB 225 "An Act relating to credited service in the Public Employees Retirement System."

We support passage of HB 225 and SB 225. These bills address issues of equity for our non-teaching members. The idea of providing an incentive for conserving sick leave would also, we believe, have the positive impact of decreasing leave usages. Moreover, in years when other monetary advances for these types of employees are not forthcoming. These bills go far in meeting employees' needs.

Please show your public employees you care. Your serious consideration and support for these bills is appreciated.

Thank you.



**Nick Begich
Vice President for Political Affairs
Anchorage Council of Education**

TOTEM ASSOCIATION OF EDUCATIONAL SUPPORT PERSONNEL
1205 E. International Airport Road, Suite 101
Anchorage, Alaska 99518

(907)562-1183

FAX(907)562-0266

SENATOR CURT MENARD
Room 9, Capitol
Juneau, Alaska 99811
FAX (907)465-3756

ATTN: Senator MENARD

March 26, 1992

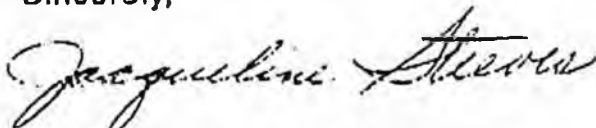
Dear Curt:

As president of the Totem Association of Educational Support Personnel, I want you to know that we consider NEA/Alaska to be co-sponsor of Senate Bill 225.

I do request that you work with NEA/Alaska and its representatives in the advancement of this bill.

It has been a pleasure to support you in the past and TOTEM intends to continue with that support, all 550 members.

Sincerely,



Jacqueline Steevac, President



NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

ANCHORAGE REGIONAL OFFICE

1411 W. 33RD AVENUE
ANCHORAGE, ALASKA 99503
(907) 274-0536
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JUNEAU OFFICE

105 MUNICIPAL WAY, SUITE 302
JUNEAU, ALASKA 99801
(907) 586-3090
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FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET
FAIRBANKS, ALASKA 99701
(907) 456-4435
FAX: (907) 456-2159

March 26, 1991

To: **Senator Rodey, Chair**
Members, Senate State Affairs Committee

Re: **SB 225: "An Act relating to credited service in the public employees' retirement system; and providing for an effective date."**

NEA-Alaska strongly supports and encourages your favorable consideration of SB 225.

Certificated employees of school districts working under the TRS receive a full year of service credit in the system for each school year in which they are employed by their district. Non-certificated employees of school districts, under the PERS, receive only pro-rata credit for the actual school year as part of the twelve month calendar year. By way of example, a non-certificated public school secretary who has twenty (20) years of service with a district receives only fifteen (15) years of credited service under the PERS.

The situation for a non-certificated employee is compounded by the fact that they are not eligible for unemployment compensation for the period of time when school is not in session. Further, they are generally unable to find other interim public employment under the PERS since they are unable to make a long term commitment to a prospective employer if they desire to continue their employment with the school district.

This inequity becomes even more glaring when the non-certificated employee is compared to a local school board member who is participating in the PERS by virtue of being compensated as a board member. The school board person is given a full year of credit in the PERS even though their responsibility may only require that they attend two or three meetings per month.

Finally, since the basis for calculation of retirement benefits utilizes the final average salary a nine-month employee would not be receiving a benefit advantage over a twelve-month employee.

It is time for all public school employees to be treated in the same manner under their retirement systems.

Thank you for your consideration of our position and recommendations.

Respectfully submitted,

Bob Manners
Executive Director

Don Oberg
President

cc: **Senator Menard**

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT AND BENEFITS

WALTER J. HICKEL, GOVERNOR

PLEASE REPLY TO:

P.O. BOX CR
JUNEAU, AK 99811-0203
PHONE: (907) 465-4460
FAX: (907) 465-3086

701 EAST TUDOR RD. SUITE 240
ANCHORAGE, AK 99503-7445
PHONE: (907) 563-5885
FAX: (907) 561-6048

March 19, 1992

The Honorable Curt Menard
Alaska State Senator
State Capitol
Juneau, AK 99801-1182

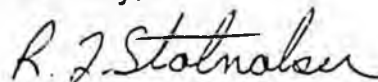
Dear Senator Menard:

In response to your letter of February 24, enclosed is a copy of the department's position paper on Senate Bill 225.

With respect to the "real" cost of this bill, we do not anticipate that the bill will have any direct cost to the State. However, school districts will have a 1.46% increase in their Public Employees' Retirement System contribution rate which will increase their personal services costs. This translates to an increase in personal services costs to school districts of over \$2 million each year. These costs are assumed to be borne entirely by the employer, with no increase to employees.

Enclosed is an updated (1992) fiscal note. If we can be of additional help, please let me know.

Sincerely,



Robert F. Stalnaker
Deputy Director

RFS/bph
Enclosures

cc: Paul Fuhs, Legislative Liaison
Office of the Governor

Gary M. Bader, Director
Division of Retirement and Benefits
Department of Administration

Eileen Plate, Special Assistant
Office of the Commissioner
Department of Administration

SB 225



Alaska Public Employees Association **APEA**

Anchorage Field Office: 839 Campbell Street, Suite A, Anchorage, AK 99501 (907) 274-1888
FEDERATION OF STATE EMPLOYEES/AFT/AFL-CIO

April 4, 1991

To: Senator Pat Pourchot, Chair
Members, Senate State Affairs Committee

Re: SB 225 "An Act relating to credited service in the Public Employees Retirement System."

The American Federation of Teachers in conjunction with our Paraprofessional and School Related Personnel Division encourages your favorable consideration of SB 225.

Non-certificated public school employees who participate in the Public Employees Retirement System (PERS) are receiving inequitable treatment compared to school board members in the same district who also participate in the PERS system. School board members receive a full year of credit in the PERS, while non-certificated employees receive a prorated service credit for a school year.

Compounding this inequity is the fact that their certificated counterparts who participate in the Teachers Retirement System (TRS) also receive credit for a full year of service.

Your serious consideration and support for this legislation is appreciated.

Ron Melton
National Representative
American Federation of Teachers

Fairbanks Field Office
825 College Road
Fairbanks, Alaska 99701
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State Headquarters
210 Ferry Way, Suite 200
Juneau, Alaska 99801
Telephone: (907) 586-2334

Juneau Field Office
210 Ferry Way, Suite 200
Juneau, Alaska 99801
Telephone: (907) 588-6306