

SB80

SENATE FINANCE COMMITTEE REPORT

DATE: 3/26/91

FURTHER:

DATE TURNED INTO OFFICE: 1-28-92

The Finance Committee considered SENATE BILL NO. 80

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

and recommended:

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

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

APPROVES PREVIOUS:

fiscal note(s) Dept/Date: _____

fiscal note(s) Dept/Date: _____

zero fiscal note(s) _____
DDA 1-27-92
Unid. 1-28-92

zero fiscal note(s) _____

appropriation-no fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

James Duncan

Al Adams - do not pass
James Hefner - No Rec
Bill Stubb - No Rec
Rich Uelz (No Rec)

1. [Signature] Do pass

2. [Signature]

Co-Chairs: Signatures and Recommendations

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 80

Revision Date: January 23, 1992
 Title: "An Act relating to eligibility for retirement under the teachers' retirement system."
 Sponsor: Duncan
 Requestor: Senate Finance

Department Affected: Administration
 BRU: Retirement and Benefits
 Component: Retirement and Benefits

COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

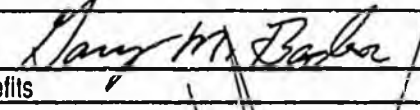
GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE:	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

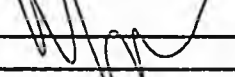
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: Zero.

ANALYSIS: (Attach a separate page if necessary.)
 We estimate that no more than five members would be advantaged by this bill. This fiscal impact on the Teachers' Retirement System (TRS) is too small to be significant.

Prepared by: Gary M. Bader 
 Division: Retirement and Benefits

Phone: (907) 465-4460
 Date: January 23, 1992

Approved by Commissioner: Nancy Bear Usura 
 Agency: Administration

Date: 1/27/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

FISCAL NOTE

**STATE OF ALASKA
1992 LEGISLATIVE SESSION**

BILL NO. SB80

Revision Date:
Title: "An Act relating to eligibility for
retirement under the teachers' retirement system"
Sponsor: Senator Duncan
Requestor:

Department Affected: University of Alaska
BRU:
Component:

Component Serial No. All

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY93	FY94	FY95	FY96	FY97	FY98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)	FY93	FY94	FY95	FY96	FY97	FY98
GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:	FY93	FY94	FY95	FY96	FY97	FY98
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

The university does not anticipate a significant number of employees who would qualify under this section.

Prepared by: Marsha Hubbard, Director Phone: 474-7593
 Division: Statewide Budget Office Date: 1/28/92
 Approved by: Brian Rogers, Vice President for Finance
 Agency: University of Alaska Date: 1/28/92

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

SENATE BILL NO. 80

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY SENATOR DUNCAN

Introduced: 1/22/91

Referred: State Affairs and Finance

A BILL**FOR AN ACT ENTITLED**

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

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

3 * Section 1. AS 14.25.110(a) is amended to read:

4 (a) Subject to AS 14.25.167, a member is eligible for a normal retirement benefit if the
5 member

6 (1) was first hired before July 1, 1975, has attained the age of 55 years, and has
7 at least 15 years of credited service, the last five of which have been membership service, or is
8 otherwise vested in the system;

9 (2) has attained the age of 60 years and has at least eight years of membership
10 service;

11 (3) has attained the age of 60 years, has at least five years of membership service,
12 and has at least three years of Alaska BIA service;

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

- 1 (5) has at least 20 years of membership service;
2 (6) has at least 20 years of combined membership service and Alaska BIA service,
3 the last five of which have been membership service; [OR]
4 (7) has, for each of 20 school years,
5 (A) at least one-half year of membership service as a part-time teacher;
6 (B) one full year of membership service as a full-time teacher; or
7 (C) any combination of service qualified under this paragraph; or
8 (8) has attained the age of 55 years and has at least four years of membership
9 service and four years of outside service acquired as a certificated employee in an approved
10 or accredited nonpublic school in the state or as a teacher in an approved or accredited
11 nonpublic institution of higher learning in the state and claims the outside service on or
12 before June 30, 1992.

13 * Sec. 2. AS 14.25.110(b) is amended to read:

14 (b) Subject to AS 14.25.167, a member is eligible for an early retirement benefit upon
15 completing the service requirements in (a)(1) or (8) of this section and attaining the age of 50
16 years or upon completing the service requirements in (a)(2) or (3) of this section and attaining
17 the age of 55 years.



Alaska State Legislature

SENATOR JIM DUNCAN

P. O. Box V JUNEAU, ALASKA 99811-3100
(907) 465-4766

COMMITTEES:
VICE CHAIR —
FINANCE
VICE CHAIR —
STATE AFFAIRS
RULES
BUDGET & AUDIT
ETHICS REFORM

MEMORANDUM

DATE: January 21, 1992
TO: Senator Pat Pourchot, Co-Chair
Senate Finance Committee
FROM: Senator Jim Duncan
RE: SB 80, relating to retirement eligibility under the Teachers' Retirement System.

I request that you schedule SB 80, relating to retirement eligibility under the Teachers' Retirement System for a hearing in the Senate Finance Committee as soon as possible.

SB 80 will allow an employee to match up to four years of outside service as a certificated employee in an approved or accredited non-public school in the state or as a teacher in an approved or accredited non-public institution of higher learning in the state with member services.

Other states such as Ohio allow outside service to be matched with member service to vest. Since all service in this case must have been to in-state institutions, it is appropriate to adopt the same practice in Alaska.

I urge your favorable consideration of SB 80.

Alaska State Legislature

f.n.?
Legislative Research Agency



P.O. Box Y
Juneau, AK 99811-3100
Phone: (907) 165-3991
Fax: (907) 163-3351

July 17, 1990

MEMORANDUM

TO: Senator Jim Duncan

ATTN: Roxanne Stewart

FROM: Carol R. Vendor *CRV*
Legislative Analyst

RE: Use of Outside Service for TRS Vesting in Other States
Research Request 91.002

You asked if Teachers' Retirement Systems (TRS) in other states allow teachers to purchase outside service and whether the outside service may be used to satisfy vesting requirements.

I spoke with John Rogers of the National Education Association in Washington, D.C. Mr. Rogers was not familiar with the specifics of each state's TRS. However, he believed that, generally, outside service may not be used to satisfy vesting requirements. He suggested I call the progressive states of California, Michigan, New York, and Ohio. I also called Montana, New Mexico, and Washington.¹ Of these seven states, only Ohio allows teachers to use outside service to satisfy vesting requirements. Following is a summary of my phone conversations with retirement representatives in these states.

California - The Teachers' Retirement System does not allow teachers to purchase outside service. The TRS requires five years of California TRS service to vest.

Michigan - The Educational Retirement System (ERS) allows teachers to purchase a maximum of 15 years of outside service. However, outside service may not be used to satisfy vesting requirements and it must be matched with service in the Michigan ERS. Teachers are allowed to purchase outside service prior to vesting, but the outside service is not added to total service until the member is vested. Ten years of Michigan ERS service is required to vest.

¹According to 1988 Comparative Survey of Major Public Pension Plans prepared by the Wisconsin Retirement Research Committee, Arizona, Colorado, Hawaii, Idaho, Nevada, Oregon, Utah, and Wyoming do not have a separate retirement system for teachers. Teachers in these states belong to the same retirement system as other public employees.

Senator Duncan
July 17, 1990
Page 2

New York - The Teachers' Retirement System does not allow teachers to purchase outside service. To vest in TRS, a teacher must have ten years of service in the public school system.

Ohio - The Teachers' Retirement System allows teachers to purchase a maximum of five years of outside service. This service must be matched with service in the Ohio TRS. The Ohio TRS requires five years of service to vest and outside service may be used to satisfy vesting requirements. Therefore, a teacher who has three years of Ohio TRS service and purchases three years of outside service is vested in the Ohio TRS.

Montana - Teachers hired prior to July 1, 1989 may purchase a maximum of five years of outside service. The TRS requires five years of Montana TRS service to vest. A teacher must be vested prior to purchasing outside service. Teachers hired after July 1, 1989 may not purchase outside service.

New Mexico - The Educational Retirement System requires five years of New Mexico ERS service to vest. A teacher may purchase up to five years of outside service prior to vesting, but the outside service may not be used to satisfy vesting requirements.

Washington - The Teachers' Retirement System does not allow teachers to purchase outside service. The TRS requires five years of Washington TRS service to vest.

If I may be of further assistance, please contact this office.

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT & BENEFITS

PLEASE REPLY TO:

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

701 EAST TUDOR ROAD, SUITE 240
ANCHORAGE, ALASKA 99503-7445
PHONE: (907) 563-5885

Fax# 465-3086

Public Employees Retirement System
Teachers Retirement System
Judicial Retirement System
Elected Public Officers Retirement System
National Guard Retirement System
Territorial Retirement System
Retirees Voluntary Dental-Vision-Audio Plan
Supplemental Benefits System
Group Health/Life Insurance Benefits
Deferred Compensation Plan
Public Employers Social Security Contributions

STEVE COWPER, GOVERNOR

October 10, 1990

The Honorable Jim Duncan
Alaska State Senator
P.O. Box V
Juneau, Alaska 99811

Dear Senator *Jim* Duncan:

The actuarial analysis of your request concerning outside service in the TRS has been completed. As we understand your request, you wanted to explore the viability of treating some or all outside service as membership (vesting) service. You had also asked that we review the Ohio model and consider it's applicability to the TRS.

The Ohio model requires, basically, that the member must match outside service with membership service on a one-for-one basis before it can be used for vesting purposes. Therefore, if, as in the TRS, eight years of membership service is required for vesting, a member could combine four years of outside service with four years of membership service to meet the requirement.

In our review, we broke outside service into two scenarios; 1) teaching service in Alaska for non-public schools and 2) teaching service outside of Alaska. We then applied the Ohio Model analysis to both scenarios.

We estimate that under scenario 1, three employees would become vested who would not otherwise. This would increase TRS liabilities by \$23,000 and annual TRS contributions by \$2,100. There would be no measurable effect on the funding status or contribution rate.

Under scenario 2, 126 teachers would become vested. This would increase TRS liabilities by \$945,000 and decrease the TRS funding ratio by .06%. The annual contribution would increase by \$88,000, a .02% increase in the contribution rate.

The cost to provide this enhanced benefit under scenario 1 is minimal. However, we must still remind ourselves that the underlying purpose of the

The Honorable Jim Duncan
October 10, 1990
Page 2

system is "...to encourage qualified teachers to enter and remain in service with participating employers...". The question that must still be asked is whether this type of an enhancement is necessary. Certainly all indications to us by the employers are that they are not having difficulty in encouraging and retaining teachers.

I hope that this information is helpful in your deliberations. Once again, I apologize for the delay in this response. If we can be of additional help, please contact us.

Sincerely,



Robert Stalnaker
Deputy Director

RFS/ksl
RB 90-008

1-28-92
SFC

TESTIMONY OF JON STABLES
ASSISTANT BUSINESS MANAGER, ASEA/AFSCME LOCAL 52
BEFORE THE SENATE FINANCE COMMITTEE
ON SENATE BILL 329
"ALASKA STATE PENSION INVESTMENT BOARD"
JANUARY 28, 1992

GOOD MORNING. FOR THE COMMITTEE RECORD, MY NAME IS JON STABLES AND I AM THE ASSISTANT BUSINESS MANAGER FOR THE ALASKA STATE EMPLOYEES ASSOCIATION/AFSCME LOCAL 52. MY BUSINESS ADDRESS IS 641 WEST WILLOUGHBY, SUITE 100, JUNEAU, ALASKA 99801.

I WANT TO THANK FINANCE COMMITTEE CO-CHAIRMEN JAY KERTTULA AND PAT POURCHOT FOR ALLOWING ME TO TESTIFY ON BEHALF OF SENATE BILL 329 TODAY, AND FOR THEIR WORK IN DEVELOPING THIS LEGISLATION.

I SHOULD POINT OUT THAT MY TESTIMONY TODAY REFLECTS THE DESIRES OF THE APPROXIMATELY 9,000 MEMBERS AND OFFICERS OF THE ALASKA STATE EMPLOYEES ASSOCIATION.

AS I AM SURE THE COMMITTEE MEMBERS RECALL, OUR ASSOCIATION SUPPORTED SENATE BILL 18 LAST YEAR, WHICH WOULD HAVE ESTABLISHED A SEPARATE STATE INVESTMENT BOARD. WE FELT THIS WAS A VERY GOOD PIECE OF LEGISLATION AND OUR ONLY REGRET IS THAT GOVERNOR HICKEL VETOED THE BILL LAST SUMMER.

WHILE SENATE BILL 329 CONTAINS A FEW SIGNIFICANT CHANGES FROM SENATE BILL 18, WE AT ASEA RECOGNIZE IT AS A COMPROMISE EFFORT TO AVOID THE GOVERNOR'S VETO THIS YEAR.

WE SUPPORT SENATE BILL 329 BECAUSE IT PROVIDES FOR THE MEMBERS AND BENEFICIARIES OF THE PUBLIC EMPLOYEES RETIREMENT SYSTEM, THE TEACHERS RETIREMENT SYSTEM, THE SUPPLEMENTAL BENEFITS SYSTEM

(CONTINUED)

SENATE FINANCE COMMITTEE
TESTIMONY OF JON STABLES ON S.B. 329
PAGE TWO

AND THOSE EMPLOYEES WITH INVESTMENTS IN THE DEFERRED COMPENSATION FUND TO ELECT THEIR REPRESENTATIVES TO THE INVESTMENT BOARD. I'M SURE IT COMES AS NO SURPRISE TO THE COMMITTEE THAT WE BELIEVE IT PRUDENT AND SENSIBLE PUBLIC POLICY TO ALLOW PUBLIC EMPLOYEES A SAY IN HOW THEIR MONEY IS INVESTED.

FURTHER, WE BELIEVE CREATION OF SUCH AN INVESTMENT BOARD, WHETHER AS A QUASI-INDEPENDENT ENTITY OR UNDER AN EXISTING STATE DEPARTMENT, IS A MAJOR STEP TOWARD AVOIDING THE TYPE OF FIASCO THAT CAME TO A HEAD LAST YEAR WITH THE STATE'S SUPPLEMENTAL BENEFITS SYSTEM AND THE SO-CALLED "GUARANTEED" INVESTMENT CONTRACTS WITH THE EXECUTIVE LIFE CORPORATION OF CALIFORNIA. MANY A CANDIDATE FOR PUBLIC OFFICE HAS BEEN BETTER ABLE TO DELIVER ON HIS OR HER CAMPAIGN GUARANTEES THAN THAT FIRM.

MANY OF THE RISKS INHERENT IN THE WAY S.B.S. FUNDS WERE INVESTED IN THE PAST WOULD BE ELIMINATED BY THE PROVISIONS IN SENATE BILL 329. FOR THE REASONS I HAVE STATED, FOR THE PROTECTION OF FUNDS INVESTED BY ALASKA'S HARD WORKING PUBLIC EMPLOYEES, AND FOR THE GOOD OF THEIR MORALE, ASEA STRONGLY URGES THE SENATE FINANCE COMMITTEE TO RECOMMEND APPROVAL OF SENATE BILL 329, AND TO PASS IT OUT TO THE SENATE RULES COMMITTEE SO IT CAN BE SCHEDULED FOR A FLOOR VOTE.

AGAIN, MY THANKS TO THE COMMITTEE CO-CHAIRMEN AND THE BILL'S SPONSOR FOR PROVIDING THE OPPORTUNITY TO TESTIFY TODAY. IF YOU HAVE ANY QUESTIONS REGARDING ASEA'S POSITION ON S.B. 329, I WILL BE PLEASED TO TRY TO ANSWER THEM.

THANK YOU.

(END TESTIMONY)

Roya

P.O. Box 020605
Juneau, Alaska 99802
April 22, 1990

Senator Jim Duncan
Box V
Juneau, Alaska 99811

Dear Senator Duncan:

Please initiate and/or support legislation to extend eligibility for retirement under the teachers' retirement system (TRS) to persons, like myself, who taught for many years at Alaska Methodist University.

Alaska Methodist University was a fine university and a credit to the State of Alaska. I believe AMU would have continued to flourish had it not been for the State university system moving into the Anchorage area and offering courses at prices with which we simply could not compete. Those of us who taught at AMU contributed significantly to the State of Alaska, devoting many years to university teaching in Alaska. I believe it would be reasonable and fair for the State to recognize our contribution.

I had planned to retire in the teachers' retirement system by continuing to teach at UAS, where I am presently employed, but I have just lost my job, leaving me little hope of staying in the system until vested. I have taught at the university level for 17 years, 15 of which were in Alaska (9 at AMU, and 6 at UAS). With the exception of two years (1976-1978), I have been a continuous resident of Alaska since 1963. Alaska is my home and I intend to stay here.

Thank you for your attention to this matter.

Sincerely,

Gerard Garland
Gerard Garland

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. SB 80

Revision Date: _____ Department Affected: **University of Alaska**
 Title: **Eligibility for Retirement under TRS** BRU: **Statewide Program and Services**
 Component: _____
 Sponsor: **Duncan**
 Requestor: _____ Component Serial No. **All**

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY92	FY93	FY94	FY95	FY96	FY97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)	FY92	FY93	FY94	FY95	FY96	FY97
GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:	FY92	FY93	FY94	FY95	FY96	FY97
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.) SB 80 expands the eligibility for normal and early retirement under the TRS by allowing members to claim four years of certain outside service by June 30, 1992. The University feels that at this time, these changes do not result in significant cost increases.

Prepared by: Marsha Hubbard, Director
 Division: Statewide Budget Office

Phone: 474-7593
 Date: 3-11-91

Approved by: Brian Rogers, Vice President for Finance
 Agency: University of Alaska

Date: _____

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

Outdated 1991 note.

FISCAL NOTE

No. 1

Version: SR 80

(S) Publish Date: 3/26/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____
Title: "An act relating to eligibility for retirement under the teachers' retirement system."

Department Affected: Administration
BRU: Retirement and Benefits

Sponsor: Duncan
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	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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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	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS

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

Estimate of current year impact: zero

ANALYSIS: (attach a separate page if necessary.)

We estimate that no more than five members would be advantaged by this bill. The fiscal impact on the TRS is too small to be significant.

Prepared By: Gary Bader *Gary M. Bader*
Division: Retirement and Benefits

Phone: 465-4460
Date: _____

Approved by Commissioner: Millett Keller *Millett Keller*
Agency: Department of Administration

Date: 3/22/91

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

Rev 10/90

Outdated 1991 note.

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