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FISCAL NOTE

BILL NO. SB 255

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____
Title: An act requiring that Automatic PRPA's in the PERS and TRS be paid by July 31 each year when due.

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	30.0	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	30.0	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	30.0	0	0	0	0	0
TOTAL	30.0	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.) The \$30.0 cost to personal services are to pay for the personal services effort to make the needed computer changes to the PRPA automated systems. There is no measurable financial impact to the Teachers' or Public Employees' Retirement System with passage of this bill.

Prepared By: Gary Bader *Bob Statuobee*
Division: Retirement and Benefits

Phone: 465-4460
Date: 4/25/91

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

Date: 4/25/91

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

1991 LEGISLATION
POSITION PAPER
DEPARTMENT OF ADMINISTRATION

Division Retirement and Benefits Bill Number SB 255

Bill Title "An act requiring that automatic PRPA's in the PERS and TRS be paid by July 31 each year when due."

Position Statement: Explain briefly what bill does, its impacts and Departments' position, i.e. a) support, b) do not support, c) neutral or d) oppose.

We oppose this bill. This bill would require that automatic post retirement pension adjustments (PRPA) in both the PERS and TRS be paid by July 31 of each year. This would require a change to the division's automated systems as well as the division's policies towards issuing PRPA's.

The Alaska constitution requires that a retiree receive the best benefit accrued during their period of participation under the retirement system. In the case of PRPA's, 98% of retirees in the PERS and TRS can qualify for either of two PRPA's, the automatic or ad-hoc PRPA. Information concerning the ad-hoc PRPA is not available until the end of September each year. At that time, the Commissioner of Administration can consider the merits of issuing an ad-hoc. The current automated systems are designed to compare the benefits granted under both PRPAs and apply the highest one in each case.

To apply the automatic PRPA each year before the status of the ad-hoc is determined will mean that any time that an ad-hoc is granted, the division will be required to retroactively adjust the amount of benefits that many retirees have received to reflect the correct PRPA. We feel that the extra effort and cost each year is unnecessary when considering that most PRPAs have been paid retroactively to July 1 by November of each year.

APPROVED:

Director Gary M. Bader Division Retirement and Benefits

Signature Bob Statnoker Date 4/25/91

Commissioner Millett Keller

Signature Millett Keller Date 4/25/91

(For more information, call Barbara Pritchett 465-2200)

Rev. 1/91



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April 25, 1991

TO: Sen. Pat Rodey, Chair, and
Members of Senate State Affairs Committee

FROM: Don Oberg

RE: SB 255; *An Act requiring the administrator of the teachers' retirement system and the public employees' retirement system to include a post retirement pension adjustment in benefits before August 1 each year; and providing for an effective date.*

The purpose of this legislation is clearly to provide that payment of the post retirement adjustment is made in a timely manner consistent with the intent of the original legislation which recognized the need and the equity of such action.

Since the automatic pension adjustment applies only to retired teachers over the age of 60, those affected are on very limited incomes. The pension adjustment and its timelines are very important to these recipients. For purposes of financial planning and for tax reasons the payment should be made monthly as intended rather than lump sum payments due to administrative delay.

Passage of this legislation will ensure promptness of payment as was intended by the original legislation on this issue. NEA-Alaska encourages your support for SB 255.

Thank you for your consideration of our position.

LE04/Pnsnadj/dl