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FISCAL NOTE

BILL NO. SB 80

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(ies).

Alaska State Legislature



SENATOR JIM DUNCAN

P. O. Box V JUNEAU, ALASKA 99811-3100

(907) 465-4766

MEMORANDUM

COMMITTEES:
FINANCE
VICE CHAIR —
HEALTH EDUCATION
& SOCIAL SERVICES
BUDGET & AUDIT
BANKING &
ECONOMIC
DEVELOPMENT

February 4, 1991

TO: Senator Pat Rodey, Chairman
Senate State Affairs Committee

FROM: Senator Jim Duncan

SUBJECT: SB 80, "An Act relating to eligibility for retirement under the teachers' retirement system".

I request the earliest possible hearing for SB 80, an act relating to eligibility for retirement under the teachers' retirement system.

SB 80 would allow use of up to four years of outside service as a certificated employee in an approved or accredited nonpublic school in the state or as a teacher in an approved or accredited nonpublic institution of higher learning in the State.

I urge your favorable consideration of this legislation.

Attachments

Alaska State Legislature



SENATOR JIM DUNCAN

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

COMMITTEES:
FINANCE
VICE CHAIR —
HEALTH EDUCATION
& SOCIAL SERVICES
BUDGET & AUDIT
BANKING &
ECONOMIC
DEVELOPMENT

November 27, 1990

Ms. Sally Smith, Director
Division of Retirement and Benefits
Post Office Box CR
Juneau, Alaska 99811

Dear Ms. Smith:

I enclose a copy of legislation which I have had drafted to allow use of up to four years of outside service as a certificated employee in an approved or accredited nonpublic school in the state or as a teacher in an approved or accredited nonpublic institution of higher learning in the state. The deadline for application to claim the service is June 30, 1992.

I would appreciate your review of this legislation to determine if the fiscal impact under this language would be the same as that envisioned under scenario 1 in Bob Stalnaker's letter of October 10, 1990.

Thank you for your assistance in this matter.

Sincerely,

A handwritten signature in black ink, appearing to be "Jim Duncan", with a long horizontal stroke extending to the right.

Jim Duncan
Senator

Enclosure

*Attachments
are -
Stalnaker's
HR# bill
attached to Garland's
HR.*

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

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

STEVE COWPER, GOVERNOR

Fax# 465-3086

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 its 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
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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

Parla

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

Alaska State Legislature

f.n.7
Legislative Research Agency



P.O. Box Y
Juneau, AK 99811-3100
Phone: (907) 165-3091
Fax: (907) 163-3351

July 17, 1990

MEMORANDUM

TO: Senator Jim Duncan

ATTN: Roxanne Stewart

FROM: Carol R. Vandor *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.

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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.