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Official Business

Alaska State Legislature

House of Representatives

Al Adams
Chairman
Committee on Finance

April 28, 1983

WHILE IN SESSION
Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3706

OUT OF SESSION
P.O. Box 333
Kotzebue, Alaska 99752
(907) 442-3320

1024 W. 6th
Anchorage, Alaska 99501
(907) 274-0615

MEMORANDUM

TO: House State Affairs Committee Members

FROM: Al Adams, Prime Sponsor *APA*

SUBJ: HB 369, An Act relating to credited service under the Public Employees' Retirement System; and providing for an effective date.

Introduction

Last year the legislature passed legislation allowing BIA school teachers to participate in the state teachers' retirement system. HB 369 would provide a similar option to other school staff of BIA schools that are being transferred to the state. These employees would be able to participate in the state public employees' retirement system.

Sectional Analysis

SECTION 1 adds a new classification to the kinds of previous employment that can be used to calculate retirement benefits under the state's Public Employees Retirement System. After completing three years of service, an employee could then apply any years of earlier service as a noncertificated BIA employee towards PERS benefits. A noncertificated BIA employee is a non-teaching employee of a BIA day schools. The rate of the employee's contributions may not be less than the rate in effect on January 1, 1961. Interest on contributions begins to accrue on the date the employee first claims service with the BIA day school. Benefits will be reduced by an amount equal to any retirement paid to the employee by the US government for the same service.

SECTION 2 provides for an immediate effective date.

Fiscal Impact

As of today, the Division of Retirement Benefits has not yet determined the fiscal impact of passage of this bill. However, I understand that a fiscal note will be presented to you at the hearing on April 29th.

P.O. Box 264
Kotzebue High School
Kotzebue, AK 99752
February 22, 1983

Representative Al Adams
Alaska State Legislature
Pouch V
State Capital
Juneau, AK 99811

Dear Al:

My primary concern in regards to retirement deals with our instructional aides. A number of the aides are working toward teacher certification. Once accomplished and the aide makes the transition to a teaching position, that aide will also transfer retirement systems from PERS to TRS. At this transfer time, I believe that a person should be allowed to bring in a significant portion of their classroom years (including Alaskan B.I.A.) into TRS that would be counted as membership years for retirement purposes.

I realize we have to look closely at cost on any type of retirement legislation. I don't believe it would be that significant, especially if we look at the long range benefits for the children. This approach would provide incentives for our aides and local young people to become classroom teachers. At time of transfer, they could have the option of arrearage indebtedness like teachers have presently, or possibly a system where a PERS/TRS rollover could take place.

I have discussed this concept with NEA-Alaska, and they have been receptive. They also let me know how much they appreciated your leadership in raising the shortfall funding levels recently; the teachers appreciate your efforts.

If I can help you more on the retirement, please let me know.

Sincerely,

NORTHWEST ARCTIC EDUCATION ASSOCIATION

Dennis

Dennis Johnson, President

enclosure

Alaska State Legislature
House of Representatives



Official Business

Al Adams
Chairman
Committee on Finance

February 8, 1983

WHILE IN SESSION
Pouch V
State Capitol
Juneau, Alaska 99811
(907) 463-3706

OUT OF SESSION
P.O. Box 333
Kotzebue, Alaska 99752
(907) 442-3320
1024 W. 6th
Anchorage, Alaska 99501
(907) 274-0615

Dennis Johnson
Post Office Box 635
Kotzebue, Alaska 99752

Dear Dennis:

I wanted to follow-up on our conversation we had last year concerning retirement credit for BIA service for non-teaching positions. I'm still interested in introducing legislation but if my memory serves me, you were going to put together some ideas.

Let me know if you've been able to come up with a proposal, or if you have thought of another approach.

Thanks.

Sincerely,

A handwritten signature in cursive script, appearing to read "Al Adams".

Al Adams
Representative

AA/cf

§ 39.35.360 PUBLIC OFFICER

from the date of the refund until the date of the refund whichever occurs first. Payments shall be made first to interest and then to principal.

(c) Any outstanding indebtedness of an employee is appointed to retirement shall be adjusted to the benefits payable under this section. (§ 16 ch 143 SLA 1975; ch 31 SLA 1976; am § 30 ch 128 SLA 1981; am § 47 ch 137 SLA 1982)

Effect of amendments. — The first 1982 amendment, effective May 28, 1982, inserted "credited" in subsection (a).

See also AS 39.35.360 out in the main pamphlet.

The second 1982 amendment, effective

Sec. 39.35.360. Earlier service. (a) An employee employed before January 1, 1980, who completes three years of credited service with the state after January 1, 1961, for which the employee makes contributions required by this chapter is entitled to credited service for service rendered (1) before January 1, 1961, as an employee of the state and former Territory of Alaska; (2) before January 1, 1961, as an employee of the United States government in Alaska, excluding service in the armed forces of the United States; or (3) after January 1, 1961, as a peace officer, correctional officer, or fireman of a participating political subdivision of the state if the employee is vested and is an active peace officer, correctional officer, or fireman in the system as of July 1, 1980. The retirement benefits payable to an employee under this section shall be reduced by the amount of the retirement pension benefits paid to the employer by the United States government for the same period of service.

(b) An employee who, under (a) of this section, is entitled to credited service for employment before January 1, 1961, is not required to make retroactive contributions under this chapter.

(c) Repealed by § 41 ch 146 SLA 1980.

(d) Repealed by § 2 ch 26 SLA 1974.

(e) An employee of a detention facility provided by a local government unit to the territorial or state government under AS 33.30.060, who continues in state employment upon transfer of the facility to the state, is entitled to credited service for his prior service with the facility if the employee remains in continuous employment with the state until July 1, 1976. To obtain credited service the employee is required to make retroactive contributions for the period of service between January 1, 1961 and the effective date of the transfer of the facility to the state.

(f) A surviving spouse receiving or entitled to receive a surviving spouse's pension under AS 39.35.440 or benefits under a joint and survivor option filed under AS 39.35.450 is eligible for increased bene-

fits for any service credit authorized under (a) of this section, but not claimed or authorized by law before the employee's death.

(g) An employee is eligible to receive up to 10 years of credited service for service rendered before July 1, 1979, as a temporary employee of the legislature of the state or territory during legislative sessions. To receive retroactive credited service under this subsection, an employee must claim the service before July 1, 1980. When the employee claims the service, an indebtedness of the employee to the system shall be established. The amount of this indebtedness is equal to the contributions the employee would have made if he had been eligible for membership in the system. The rate used to calculate these contributions may not be less than the rate in effect on January 1, 1961. Interest as prescribed by regulation accrues on this indebtedness beginning July 1, 1980. Any outstanding indebtedness which exists at the time the employee retires will require an actuarial adjustment to the benefits which are based upon retroactive credited service under this subsection.

(h) An employee of the state is eligible to receive credited service as provided under AS 39.35.300(b) for service rendered as a permanent part-time employee before January 1, 1976. To receive retroactive credited service under this subsection, the employee must claim the service before July 1, 1981. When the employee claims retroactive credited service, an indebtedness of the employee to the system shall be established. The amount of this indebtedness is equal to the contributions the employee would have made if he had been eligible for membership in the system. The rate used to calculate the contributions may not be less than the rate in effect on January 1, 1961. Interest as prescribed by regulation accrues on the indebtedness beginning July 1, 1981. Any outstanding indebtedness which exists at the time the employee retires will require an actuarial adjustment to the benefits which are based on retroactive credited service under this subsection. (§ 17 ch 143 SLA 1960; am § 4 ch 80 SLA 1964; am §§ 5, 6 ch 155 SLA 1966; am § 4 ch 235 SLA 1968; am § 1 ch 55 SLA 1973; am §§ 1, 2 ch 26 SLA 1974; am §§ 1, 2 ch 245 SLA 1976; am §§ 31 — 33 ch 128 SLA 1977; am §§ 1, 7 ch 174 SLA 1978; am § 3 ch 81 SLA 1979; am § 10 ch 82 SLA 1979; am §§ 31, 32, 41 ch 146 SLA 1980; am §§ 48, 49 ch 137 SLA 1982)

Effect of amendments. — The 1982 amendment, effective July 1, 1982, in the first sentence of item (3) of subsection (a), deleted "or" preceding "correctional officer" and inserted "or fireman" preceding "of a participating political subdivision" and "correctional officer, or fireman" preceding "in the system." In subsection

(b), the amendment inserted "under (a) of this section."

Editor's notes. — This section was redrafted by the revisor of statutes to remove personal pronouns in conformity with AS 01.05.031(c) and § 4, Chapter 58, SLA 1982

Vested benefits. Public Employees' Ret in the nature of debt and the right to such t diately upon an empic that system. Hammor Ct. Op. No. 2345 (File 1052 (1981).

The vested benefits Const., art. XII, § 7, not only the dollar an payable, but the requ ity as well. Hammond

Section

- 385. Conditional benefits
- 420. Nonoccupation
- 430. Occupational
- 440. Death after o
- 460. Level income
- 470. [Repealed]
- 475. Post-retireme
- 485. Minimum ber
- 490. Designation o

Sec. 39.35.38
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STATE OF ALASKA
FISCAL NOTE

Revision Date 1983

I. REQUEST

Bill/Resolution No.: HB 369
 Title: An Act Allowing BIA Service in PERS
 Sponsor: Representative Adams
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: None
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|-------------------------|-------|--------|--------|--------|--------|--------|
| OPERATING | | | | | | |
| 100 PERSONAL SERVICES | | 2301.7 | 2301.7 | 2301.7 | 2301.7 | 2301.7 |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC | | | | | | |
| TOTAL OPERATING | | 2301.7 | 2301.7 | 2301.7 | 2301.7 | 2301.7 |
| CAPITAL | | | | | | |
| REVENUE | | | | | | |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|--------------------------|--|--------|--------|--------|--------|--------|
| GENERAL FUND | | 2080.7 | 2080.7 | 2080.7 | 2080.7 | 2080.7 |
| FEDERAL FUNDS | | 105.9 | 105.9 | 105.9 | 105.9 | 105.9 |
| * OTHER (Specify Source) | | 115.1 | 115.1 | 115.1 | 115.1 | 115.1 |

*4% Veterans; 12% Fish & Game; 26% Highway; 58% Airport

POSITIONS:

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: J.K. Humphreys, Director Phone: 465-4460
 Division: Retirement & Benefits Date: 4-29-83

Approved by Commissioner: Lisa Rudd Date: 4-29-83
 Department: Administration

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

3/8/83

State of Alaska

Fiscal Note

HB 369

IV Analysis:

The cost of this bill will be borne by all PERS employers, Political Subdivisions as well as the State. The individual employer contribution will increase on an average of .53%. The total cost to the Political Subdivision employers will be as follows:

| | | | | |
|--------------|--------------|--------------|--------------|--------------|
| <u>FY 84</u> | <u>FY 85</u> | <u>FY 86</u> | <u>FY 87</u> | <u>FY 88</u> |
| 1693.9 | 1693.9 | 1693.9 | 1693.9 | 1693.9 |

The total present value of the costs of this bill to all employers is \$44.4 million.

This bill would reduce the PERS funding ratio by 4.3%.