

SB

85

HFIN

FILE

HOUSE COMMITTEE REPORT

FURTHER REFERRALS:

Date Referred to Committee: April 11, 2000

Date of Committee Action: 4/15/00

The FINANCE Committee considered:

CSSB 85(RLS)

CS FOR SENATE BILL NO. 85(RLS)

CREDITED SERVICE FOR TEMP EMPLOYEES:PERS

"An Act relating to credited service in the public employees' retirement system for temporary employment; and creating a public service benefit in the public employees' retirement system."

recommends it be replaced with the following committee substitute _____ the same title a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) _____

fiscal note(s) Senate DOA 2-15-00

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Gene Therriault</i>	Therriault			X	
<i>Greg Bunde</i>	Bunde			✓	
<i>John Davies</i>	Davies	X			
<i>Ben Grussendorf</i>	Grussendorf	X			
<i>Gene Moses</i>	Moses	X			
<i>Larry Davis</i>	Davis	X			
<i>W.K. Williams</i>	Williams	X			
<i>Paul Phillips</i>	Phillips	✓			
<i>Ed Mulder</i>	Mulder	✓			
<i>John Foster</i>	Foster	X			
<i>John Austerma</i>	Austerma	X			

CHAIR'S SIGNATURE

Gene Therriault *Ed Mulder*

FISCAL NOTE

No. 2

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO Bill Version: CSSB 85 (FIN)
(S) Publish Date: 2-15-00

Revision Date	<u>2/14/00</u>	Dept. Affected	<u>Administration</u>
Title	<u>An Act relating to credited service that vested members of PERS receive for temporary service</u>	BRU	<u>Centralized Administrative Services</u>
Sponsor	<u>Senator Mackie</u>	Component	<u>Retirement and Benefits</u>
Requester	<u>(S) Finance</u>	Component No.	<u>64</u>

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURE	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual	4.0	0.0	0.0	0.0	0.0	0.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	4.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (1029 P/E Retire)	4.0	0.0	0.0	0.0	0.0	0.0
TOTAL	4.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Contracted Services are required to provide computer system modifications to recognize purchased temporary service as credited service. Since the full actuarial cost of this service is to be paid by the member, there is no anticipated cost to the Public Employees' Retirement System employers.

See attached fiscal analysis of the PUBLIC SERVICE BENEFIT.

Prepared by: <u>Guy Bell, Director</u>	Phone <u>465-4471</u>
Division <u>Retirement and Benefits</u>	Date/Time <u>2/14/00 8:40 AM</u>
Approved by Commissioner: <u>Robert Poe, Jr. [Signature]</u>	Date <u>2/15/00</u>
Agency <u>Department of Administration</u>	

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SB 85
#2

Fiscal Note CSSB 85 (FIN) – Continued

Public Service Benefit

This amendment has been introduced or considered during a number of previous legislative sessions. The Senate Finance Committee asked for an explanation of the unfunded liability discussed in a previous review of this provision.

The public service benefit provision would entitle a person to a retirement benefit with at least two years of paid up PERS service and a total of at least five years of combined PERS and TRS service.

We have submitted a \$0 fiscal note for the legislation as amended. The public service benefit amendment requires members to pay the difference between the employer/employee contributions including interest earned by the system on those amounts and the full actuarial cost to receive this benefit.

Based upon an evaluation of system data, we have determined that there are only 22 members who have the required paid service in both retirement systems and are not currently employed.

This will have no measurable impact on employer contribution rates or the total funding of PERS and TRS. There will be a negligible impact on the total liabilities of the PERS and TRS funds (less than \$700 thousand for both systems as compared to the combined fund liabilities of more than \$10 billion. This represents less than 7/1,000% increase in system liabilities).

Since members are required to pay the full actuarial cost for these benefits, why is there an increase in total system liabilities?

The individuals affected by this legislation have left their money in the PERS and TRS systems but, because they are not vested, the systems have assumed no benefit liability for them. In effect, the systems have gotten an actuarial gain from their contributions (employer and employee). With this amendment, these members will be entitled to a benefit, therefore eliminating this actuarial gain and increasing system liability.

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SENATOR JERRY MACKIE

SENATE MAJORITY LEADER

MEMORANDUM

April 5, 2000

To: Representative Gene Theriault, Co-Chair
House Finance Committee
Alaska State Legislature

Representative Eldon Mulder, Co-Chair
House Finance Committee
Alaska State Legislature

From: Senator Jerry Mackie
Senate Majority Leader



Subject: **CSSB 85(Rules)** "An Act relating to credited service in the public employees' retirement system for temporary employment; and creating a public service benefit in the public employees' retirement system."

I respectfully request that you consider scheduling CSSSB 85(Rules) for a hearing in the House Finance Committee, pending referral from the House State Affairs Committee. The House State Affairs Committee will consider SB 85 on their committee calendar at **8:00 a.m., Tuesday, April 11th**. SB 85 passed the Senate March 30, 2000 by a vote of Y-19, O-N, and I-Absent.

I introduced this legislation at the request of several of my Kodiak constituents. SB 85 is an effective management tool for our State to utilize in minimizing the impact of current and future budget reductions. This bill will have the effect of allowing employees to meet their retirement eligibility threshold sooner than would otherwise be anticipated. Employees prone to use this benefit for retirement credit are employees with higher service totals, on the higher end of the pay schedule. Additionally, employer costs decrease when these employees are replaced through reduced costs to the Supplemental Benefit System and to the Retirement System. Savings are realized in the long term by replacing Tier I and Tier II category employees, due to lower benefit costs.

Employees who choose to use this benefit are required to pay the full actuarial cost of using the temporary service(AS 39.35.345). There is NO GENERAL FUND EXPENDITURE involved in this legislation. The fiscal note reflects a \$4,000 designated fund source - "the Public Employees Retirement Trust Fund", for contracted services for computer system modifications.

I am hopeful that you will schedule CSSB 85(RULES) in the near future. This legislation provides the State of Alaska with a simple economic remedy in minimizing the impact of downsizing Alaskan government.

**SPONSOR STATEMENT
CSSB 85(RULES)**

Re: SB 85 – "An Act relating to credited service in the public employees' retirement system for temporary employment." SPONSORED BY - SENATOR JERRY MACKIE

Currently, temporary employees in the PERS system can buy back their temporary time, however, this time does not count towards the minimum service time needed for retirement.

SB 85(Rules) amends AS 39.35.345(d) to allow employees covered by the Public Employee Retirement System (PERS) to buy up any temporary time and have it credited toward the minimum service time for retirement.

CSSB 85(Rules) also amends AS 39.35 by adding a new section **Sec. 39.35.375 Public Service Benefit**. This provision would entitle a person to a retirement benefit if they had at least two years of paid up PERS service and a total of at least five years of combined PERS and TRS (Teachers' Retirement System) service. When the Department of Education switched from the Public Employees System to the Teachers' Retirement System, employees were not able to get any credit for their previous PERS service.

Fiscal Impact

Temporary service as recognized under the retirement system under AS 39.35.345, provides that the full actuarial cost of using the temporary service be paid by the employee. There are no general funds involved in this proposal. The Department of Administration Fiscal Note dated 3/1/99 reflects a \$4 thousand dollar charge; the designated fund source is the Public Employees Retirement Trust Fund. This charge reflects approximately 40 hours of computer system modifications that will be required to initiate this change.

This legislation will allow the state to realize immediate cost savings by enabling employees to meet the retirement eligibility threshold sooner. The employees prone to use this for retirement credit are employees with higher service totals, thus they are on the higher end of the pay scale. Additionally, the employer costs decrease when these employees are replaced through reduced costs to the Supplemental Benefit System and to the Retirement System. Savings are realized in the long term by replacing Tier I and Tier II category employees with Tier III employees due to lower benefit costs.

SB 85 back-up information includes many support letters and petitions. Although I introduced this legislation at the request of several of my Kodiak constituents, this legislation has received the support from many Alaskan workers from throughout the State of Alaska. Also included are support letters from the AFLCIO and the Teamsters.

SB 85 is a responsible piece of the puzzle in the development of Alaska's long-term budget solution. This is a reasonably simple "economic tool" that may be used to minimize the impact of downsizing Alaska's state government.

Senate LABOR & COMMERCE Minutes



SENATE LABOR AND COMMERCE COMMITTEE

March 9, 1999

1:41 P.M.

SB 85-CREDITED SERVICE FOR TEMP EMPLOYEES:PERS

MS. JEAN SMITH, aide to Senator Mackie, sponsor of SB 85, said that currently temporary employees in the PERS can buy back their temporary time; however, they can't count that towards their time needed for retirement. This legislation amends AS 39.35. 345(d) by enabling employees covered by PERS to buy back their temporary time and have it credited toward the minimum service time for retirement. This legislation provides equity among all state employees in temporary positions by enabling them to count their temporary time towards their retirement eligibility.

MS. SMITH said the Department of Administration fiscal note, dated 3/1/99, said the full actuarial cost of this service is to be paid by the member. There is no anticipated cost to the Public Employee Retirement System employers. The Public Employees Retirement Trust Fund is the designate fund source and will be charged \$4,000 for approximately 40 hours of computer system modifications that will be required to initiate this change.

As stated in the Department of Administration's position paper, dated 3/1/99, this bill will have the effect of allowing employees to meet the retirement eligibility threshold sooner than would otherwise be anticipated. Since the employees likely to use this for retirement credit are employees with higher service totals on the higher end of the pay scale, it's more likely for the State to realize cost savings.

MS. SMITH noted there are a number of support letters and petitions from Kodiak and several other geographic areas of the State. There are also letters of support from AFL-CIO and the Teamsters.

She concluded that SB 85 adds a responsible piece to our long-term budget solution. In meeting budget reductions, this is an economic tool that may be used to minimize the impact of downsizing government. The passage of SB 85 is an opportunity to send a positive message to Alaska's State employees during a critical economic period within our state.

MS. SMITH said they also have an amendment that Mr. Church would explain.

SENATOR LEMAN said actuaries have testified to what is known as "adverse impact" in some cases, because those who benefit select something and those who don't benefit, don't select it. He asked if she had discussed this issue.

MS. SMITH answered that the employee would pay the cost of this and it's a considerable amount - perhaps \$50,000 for someone who is trying to get five years.

CHAIRMAN MACKIE said they discussed this issue and Mr. Bell and Mr.

Church would testify on it.

MR. BELL explained that this bill will allow a person who has had temporary service to use that time towards "20-and-out" or "30-and-out" by buying it. The actuarial cost is the net present value equation. A person makes his own determination whether it's worth it to them. He didn't think there was an adverse selection with this particular piece of legislation as their actuaries had already factored it into the rate.

SENATOR LEMAN asked if it would benefit an employee to retire and make lifestyle choices that would extend their lives longer, thus saving more from the system.

MR. BELL answered yes. He added regarding Amendment #1 that a question was asked if this could possibly put a person in an earlier tier. For example, if a person were employed in a temporary capacity only before July 1, 1986, when tier two retirement came into effect, and permanent service after July 1, 1986, if they purchased this service, would that make them tier one employees. The purpose of this amendment is to clarify that that's not the case. The date of hire for PERS purposes is the date the person became a permanent employee. Consequently, this does not change the original date of hire for a benefit calculation. The main issue with tier one is that a person is eligible to receive a medical retirement benefit on normal retirement, regardless of the age they retire. There is an age limitation of 60 - 65 for tier two.

SENATOR DONLEY moved to adopt Amendment #1: on page 1, line 9, to insert, "An election under this subsection does not change the date that an employee is considered to have commenced participation in the system under AS 39.35.120." There were no objections and it was so ordered.

SENATOR KELLY asked how many tiers there are.

MR. BELL replied that there are three: tier one is up until June 30, 1986, tier two is from July 1, 1986 to June 30, 1996, and tier three starts on July 1, 1996. The main issue is the 10-year vesting for the medical benefit.

MR. CHURCH added that the benefit in SB 9 is determined over the high five consecutive years as opposed to the high three consecutive years.

SENATOR KELLY asked when that started.

MR. BELL answered July 1, 1996.

SENATOR KELLY asked if the difference between SB 85 and SB 9 is that SB 9 covers school employees and isn't retroactive, whereas, SB 85 is state and local and is retroactive.

MR. BELL replied that was correct.

SENATOR KELLY asked if an employee buys time at today's retirement amount or at the amount he would have paid 10 years ago when he did the temporary time.

MR. BELL answered it would be based on today's salary and age.

SENATOR KELLY asked for an example of how much money they were talking about.

MR. BELL said they had not asked their actuary to come up with a table for this bill. There was no table for the last bill, but the direct percentage required to provide additional benefits. SB 85 would be set up just like the system for temporary service claims. For each age there is a percentage of salary a person would pay to buy a year of service. For example, a 30-year old person who is vested would pay 10.269 percent of their vesting year's salary to buy these benefits. Someone who is 40-years old would be paying twenty-odd percent of salary, because they are closer to retirement.

SENATOR KELLY asked if the department is assuming it would be withheld from a paycheck or if the employee could write a check.

MR. BELL answered some people might be able to just write a check. If an individual chooses to use this as a "20-and-out," like a police officer.

TAPE 99-6, SIDE B

The indebtedness would be required to be paid before retirement.

CHAIRMAN MACKIE said he had asked if it would cost the State more money in terms of employee contributions or anything else. He was told that this is clearly an optional thing for an employee to do at their own expense and it would not have an adverse effect on retirement and benefits. He asked Mr. Bell to explain how he arrived at that conclusion.

MR. BELL replied that the additional benefits would be fully paid by the individual with no impact to the employer. Another way it benefits the employer is that someone claiming this time will be eligible to retire sooner and lower the impact on the employer for ongoing employer contributions. If the position is subsequently filled, it would be at a lower range or step which equates to lower employer contributions.

SENATOR KELLY asked Mr. Bell when he talks about "employer" was he referring to the PERS Trust Fund or would the State be contributing the money.

MR. BELL answered he is talking about the nine percent of the payroll the employer would pay. He said there is no negative impact to the PERS Trust Fund.

SENATOR KELLY asked why anyone would pay more money if they don't expect to get more out of it.

MR. BELL replied that the advantage to the employee is they will get more money out of it through receiving retirement benefits earlier. A peace officer or fireman would not receive any more in value for the temporary time, but could have the temporary service treated as membership service which, when paid off, allows him to retire after 20 years. If he is in an elected position, he could retire after 30 years of service.

SENATOR KELLY asked how many people would respond to this.

MR. BELL replied that initially he thought they would be impacted with hundreds.

SENATOR KELLY asked, "Not thousands? You don't have thousands of people who have worked in temporary positions in the last 30 or 40 years?"

MR. BELL replied yes, but it won't help most people reach the service threshold. It will only benefit someone who has permanent service of less than 20 years, but when they add their temporary service to their credited service, it totals 20 or more years of service. They could pay that indebtedness, retire, and not work the additional time.

SENATOR KELLY asked about someone who buys their time, pays one month of the increased calculation, then quits state government, waiting till they're 55. "Would they have a benefit based on the time they bought, although they didn't pay for it?"

MR. BELL answered if they make this election, even though they are waiting until retirement age eligibility, if the benefits they are going to receive are greater than the indebtedness cost, then, yes, they would be credited with that service, even though they hadn't paid for it.

SENATOR KELLY said the same might be true of someone who bought this time and died before it was paid. Their spouse would continue to get the higher benefit based upon the time they never paid money for.

MR. BELL said that was correct.

SENATOR KELLY asked how far back the temporary service goes.

MR. BELL answered as far back as the initial point in time when an employee was hired by an employer under this system - back to January 1, 1961 for the State.

SENATOR KELLY asked if a vested employee is entitled to credit service for periods in which the employee regularly rendered full-time personal service to an employer excludes a four-month legislative stint.

MR. BELL answered before legislative time became covered under the retirement system, yes, as long as it was not previously purchased and claimed. He said legislative employment would only count for the four months of work.

SENATOR KELLY asked if a legislative employee gets a full year of credit.

MR. BELL replied that, if they work five sessions, under the conditional service provisions, they can receive a retirement benefit, but the benefit is still based only on the period of service that they worked. They don't get a full year credit.

SENATOR KELLY asked if he had a position on this bill.

MR. BELL said as with the other bill, they had no position.

Number 487

SENATOR LEMAN asked if it would be possible to minimize the number of calls by posting the calculations electronically so people could review them.

MR. BELL responded it could be put on their Internet system.

CHAIRMAN MACKIE asked if it could accurately be said it wasn't going to cost the State of Alaska any more money and could actually achieve a cost savings by allowing people to retire earlier than normally and that it has no adverse effect on the Retirement and Benefit Trust account.

MR. BELL answered that is all correct. He clarified that the State of Alaska is one employer in the system; the Municipality of Anchorage is another.

MS. BARBARA HUFF TUCKNESS, Teamster Local 959, supported SB 85. She said this bill specifically impacts a few of her members. She represents over 1,000 employees within the Anchorage school district, 650 in the Municipality of Anchorage, and a few folks in Fairbanks. A lot of retired military members work for government in the Municipality of Anchorage. Their years of military service count much more under a military scenario than they would from a temporary perspective, she said.

SENATOR KELLY noted that if you're in a uniform, you're at some pretty heavy risk.

MS. HUFF TUCKNESS added in the Municipality of Anchorage there are tech engineers who are going to school and may work three or four months in a temporary position and then are fortunate enough to go into a civil engineering position once they have graduated. However, that may or may not be incentive enough 25 years down the road for them to purchase it.

Teamsters Local 959 supports SB 85 because it would benefit a few individuals who would "ante up" the additional monies. It also lessens the payrolls.

Number 412

MR. LARRY BOYLE, ADF&G biologist, supported SB 85 principally because it's a fairness issue.

MR. MICHAEL DEAN, Division of Sport Fish employee, said he has 1.9 years of claimed temporary time that is paid up and if this bill passes, he would apply it to his retirement. He urged the committee to do all they could to pass this through.

SENATOR KELLY asked how this affects people who have already elected retirement.

MR. CHURCH answered that this would not affect them at all, because they have already retired and this bill targets people who have not retired by giving them the opportunity to retire earlier.

CHAIRMAN MACKIE thanked everyone who testified.

SENATOR DONLEY moved to pass CSSB 85(L&C) and the accompanying

fiscal note from committee with individual recommendations.

SENATOR KELLY objected, saying he wanted to know what effect this issue would have on collective bargaining agreements that are going on right now between the Administration and the four outstanding bargaining units. He asserted it seems that SB 85 is a benefit for the employees.

MR. BELL answered that this is outside the collective bargaining process since it is a statutory provision and is subject to legislative enactment.

CHAIRMAN MACKIE asked if it could potentially be a collective bargaining issue if the Administration wanted it.

MR. BELL said he didn't think it would be possible to do that.

SENATOR KELLY asked if he agreed this would be a benefit for those employees who are covered under some of the union contracts outside of the process.

MR. BELL answered that it wasn't an additional benefit, because the employee would be paying the full cost.

SENATOR KELLY asked if it was true that they don't have to put any cash up.

MR. BELL replied if a person wanted to do this to reach their "20-and-out" threshold for retirement eligibility, they would have to pay the full cost before retirement. It's not a "freebie."

SENATOR KELLY asked if they could do it over a period of years like normal indebtedness.

MR. BELL answered no. If a person chose not to use it to qualify for the 20-and-out and said they would just wait for retirement eligibility based on age, then, yes they could; but not when they are using the service to meet that eligibility threshold. That can only be met through service that is paid in full - whether it's temporary service or working for an employer.

SENATORS LEMAN, DONLEY, AND CHAIRMAN MACKIE voted yes; SENATOR KELLY voted no and CSSB 85(L&C) moved from committee.

Bill Root:

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Senate FINANCE Minutes



MINUTES
SENATE FINANCE COMMITTEE
March 31, 1999
8:03 AM

CS FOR SENATE BILL NO. 85 (L&C)
"An Act relating to credited service in the public employees' retirement system for temporary employment."

JEANNIE SMITH, staff to Senator Jerry Mackie sponsor of the bill, testified. Currently, employees in the PERS system could buy back their temporary time. However, this time did not count toward the minimum service needed for their retirement eligibility.

She told the committee this bill would allow these employees currently covered under PERS to buy any temporary time and have it credited toward that minimum service time for retirement. It would provide equity among state employees. It was an issue of fairness. They should be allowed to pay for months that they actually worked.

The fiscal impact on this legislation for temporary service as recognized under the retirement system provided that the employee would pay the full actuarial cost. There were no general funds involved. There would be computer programming necessary to implement the program as reflected in the Department of Administration fiscal note.

The legislation would allow the state to realize immediate cost savings by enabling employees to meet the retirement eligibility threshold sooner. The employees prone to use this for retirement credit were employees with the higher service codes thus they are on the higher end of the pay scale, according to Jeannie Smith.

She continued saying SB 85 was a responsible piece of the puzzle in the development of Alaska's long term budget solution. This was a reasonable economic tool that may be used to minimize the impact of downsizing Alaska's state government.

She spoke of a position statement submitted by the Department of Administration. It said that the bill would have the effect of allowing the employees to meet the retirement eligibility threshold sooner than they would otherwise be anticipated.

She then noted a list of Alaskan employers who were included within the umbrella of this bill who did not work for the State of Alaska.

She concluded by stating that this bill sent a positive

message to state workers and other employers and employees across the state.

Guy Bell and Bill Church returned to the table to address this bill. Guy Bell commented that this would allow employees to pay the cost to use temporary service that they had worked as membership service toward their retirement. Public employees with temporary service time would be affected. Currently, they could buy that temporary service time but could not use it toward retirement eligibility for 20 or 30 and out contracts. This would allow them to pay some extra, which would be the actuarial costs. He gave examples of the police or firefighter component of PERS. The full responsibility for paying the cost would rest with the employee.

Senator Randy Phillips asked if there was a difference between seasonal and temporary employees. Guy Bell explained that a seasonal employee was considered permanent and they did pay into PERS during their period of work. A temporary employee was not a PERS employee. There was no deduction from their salary and they did not receive PERS credit.

Senator Randy Phillips wanted to know how many temporary employees were in the state system and what was the average length of service in that status. Bill Church said the division did not know since people did not claim their temporary service. Senator Randy Phillips asked how many permanent temporary workers were there. Bill Church responded that the division did not track that information. Based on the employees who did claim their temporary service, they could prepare an estimate. Guy Bell added that there were many public employees in the retirement system and state employees were only a part. There were people with temporary service who worked for other employers.

Senator Al Adams asked about the fiscal note for SB9 and wanted to know if this program could be implemented with the computer modifications made to the other program for school employees. Bell replied that the changes were slightly different but that it was a small cost to the system. The two were calculated separately because it was not known if both bill would be adopted.

Co-Chair John Torgerson asked if this would be handled on an individual basis or would a single percent be imposed based on the actuarial costs. Guy Bell replied that it would be calculated on an individual basis since each case was different. The difference here was that an employee would purchase time that they worked probably a number of years ago. Very often, a person first worked as a temporary and then worked into a permanent position. That had to be calculated on an individual basis.

Senator Randy Phillips compared this to the last bill where seasonal employees had no control of the number of months they could work. He wondered if with the employees addressed in this bill, were there any inequities within the group of temporary employees that needed to be

adjusted. He spoke about the different classifications of people and assumed most were serving a probationary period before entering a full time status. Guy Bell said this was different than probationary since they were hired as temporary employees. When a person was first hired in a permanent position they were on probation but still contributed to PERS, he explained.

Co-Chair John Torgerson was confused about initial testimony saying that temporary time did not count. Could an employee go back and pick up time served in temporary service even when they were not in the system.

Bill Church responded that employees could once they were vested in PERS. Then they could claim all full-time temporary service. That was the main difference with this bill and SB 9. SB 85 dealt with employees who by the nature of their employment were excluded from becoming a vested member of PERS. They could then claim all full-time temporary service and pay the rate for that.

Co-Chair John Torgerson wanted to know if buying in counted toward becoming vested. Bill Church answered no; a person must already be vested. Co-Chair John Torgerson asked if once they were vested, how would the division calculate the payment for the five-year period. Bill Church said once they employee is vested they could go back and pay for the earlier temporary service. He detailed his own situation with his three months of temporary service.

Co-Chair John Torgerson wanted to know what was the average term of temporary service. Bill Church said it varied and depended on the term of employment. Co-Chair John Torgerson had questions about qualifications for PERS. Church replied it was calculated by time served as a paying member of PERS.

Co-Chair John Torgerson asked if this bill had a retroactive clause for an employee who was out of the system. Bill Church replied that an employee would be able to pay into the service to meet the eligibility for retirement. The employee could chose to buy it as just credited service or also for service to be credited for accrual. It was an individual decision.

Co-Chair John Torgerson asked if this was an irrevocable election. Bill Church affirmed.

Co-Chair John Torgerson asked why there weren't the same triggers in this bill as in the last bill of 90 days and 180 days.

Tape: SFC - 99 #74, Side B 8:50 AM

Bill Church responded there was already an existing period of service that had happened in the past. The election could be made at any time before the employee retired. The only difference would be the amount of interest accrued and charged based on how long ago the temporary service was

under a different retirement system.

Mr. Bell answered affirmatively.

Co-Chair Parnell asked how this department would be treated under a PERS and TRS scenario. If someone only had 4 and one-half years in PERS and then went to the Judicial system, could that person work a year in the latter and still link up for a benefit under this new legislation.

Mr. Church responded that these two retirement systems were not linked at all. These have been set up as different retirement systems, focusing on specific groups of people. They were originally established individually and funded separately. The only current link between the systems, is between PERS and TRS. If a person is vested in one system they can apply for a conditional service benefit only if they have a minimum of two years paid in the other companion system. Each benefit and the rate an employer pays are separate.

Co-Chair Parnell added that as a policy matter if it is good for one employee, it should be good for another. He asked if they had looked at the overall state retirement system to see how many different ones there were and how they could be linked if deemed appropriate.

Mr. Bell responded that the basic retirement systems in the state are PERS, TRS, Judicial, and the Elected Public Officers Retirement System (EPORS) which is a 60-person retirement system and one that existed for a very short period of time.

Senator Donley thought that the Employee Retirement Income Security Act (ERISA) required no more than a five-year vesting. He asked if the reason that TERS is eight years is because it is a state sovereignty question.

Mr. Bell responded that the state was not subject to ERISA.

Senator Green asked if this proposed legislation would apply only if someone qualified for benefits in neither system.

Mr. Church responded affirmatively.

EARL CLARK, former professor University of Alaska, and Project Coordinator, Department of Public Safety testified in favor of the proposed legislation. He outlined for the Committee, his work history over the years, the combination of which did not count towards retirement. He built up service in both systems, but does not have a retirement. He stated that this legislation rectifies a situation for employees that have served the State of Alaska.

CLARKE DAMON, testified in support of SB 85. He stated that his career was in education and throughout this period he participated in six different retirement programs. He receives \$88 from the Carpenter's union. He then gave a detailed synopsis of his work history for the Committee. Mr. Damon calculated his contributions to each of the

departments of which he had the opportunity to work for, along with the contributions made by the State into his retirement. As of July 1997, the balance of these funds was \$69,000 for his contributions and \$139,000 from the fund earnings. This retirement would work out to be \$606.00 monthly, \$237.00 for his benefit and \$348.00 for health benefits. After 18 years from the date of retirement, the total unrealized benefit to Mr. Damon would total \$584,000. Based on an average life expectancy, this total would go up to \$704,000 at an eight-percent earnings rate of \$4703.00 per month. At this present time, Mr. Damon is not eligible to receive any of these monies, due to the limitations of the present legislation. Mr. Damon made the point that he was at the mercy of reorganizations of departments and/or reclassifications of jobs.

MICHAEL DEAN, testified by teleconference in Anchorage in support of SB 85. He urged the Committee to do whatever was necessary to expedite this legislation.

Senator Taylor requested that the Division of Retirement & Benefits provide a fiscal note incorporating changes in the proposed amendment. Amendment #1 was TABLED. The bill was held in Committee.

ADJOURNED

Senator Torgerson adjourned the meeting at 10:59 am.
SFC-00 (1) 1/21/00

Bill Root:

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SB 85 - "AN ACT RELATING TO CREDITED SERVICE IN
THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR TEMPORARY EMPLOYMENT."

Sponsor: Senator Jerry Mackie

SUPPORT LETTERS AND PETITIONS

To: Senator Jerry Mackie

We the undersigned desire a change in state law to provide an opportunity for employees covered by the Public Employee Retirement System (PERS) to buy up any temporary time and have it credited toward the minimum service time needed for retirement. Currently, employees in this system can 'buy back' their temporary time but it is not credited toward the minimum service time needed for retirement. We believe this is the right thing to do.

Sincerely,

Signature	Printed Name	Address	Employer
<i>[Signature]</i>	PETER J ROB	Box 381 Nome AK 99762	ADF+G
<i>[Signature]</i>	Peter J Bente	Box 1611 Nome, AK 99762	ADF+G
<i>[Signature]</i>	Kate Persons	Box 381 Nome, AK 99762	ADF+G
<i>[Signature]</i>	Jeanne Walker	Box 2078 Nome, AK 99762	Dept. of Labor
<i>[Signature]</i>	Vickie Erickson	Box 1967 Nome AK 99762	Dept. of Labor
<i>[Signature]</i>	John Merkaitis	PO Box 1476 Nome AK 99762	Labor
<i>[Signature]</i>	Elizabeth M. Breach	P.O. Box 11023 Nome, AK 99762	ADF+G
<i>[Signature]</i>	Juliana Vacc	PO Box 1855 Nome, AK 99762	ADF+G
<i>[Signature]</i>	Charles Leon	P.O. Box 1716 Nome AK 99762	ADF+G
<i>[Signature]</i>	Fred Burr	Box 1215 Nome AK 99762	ADF+G
<i>[Signature]</i>	Lowell Fair	2814 Colville Drive Anchorage AK 99517	ADF+G
<i>[Signature]</i>	Paul Thompson	POB 1128 Nome AK 99762	ADF+G
<i>[Signature]</i>	Tom Kron	9650 Arlene Anch 99515	"
<i>[Signature]</i>	Dave Mesiar	15740 Wind Song Dr Anch 99516	ADF+G
<i>[Signature]</i>	Beverly Cross	3932 Bulcher Dr	ADF+G
<i>[Signature]</i>	DAN HUTTUNEN	P.O. Box 874105 WASILLA, AK.	ADF+G
<i>[Signature]</i>	Lawrence S. Bukis	2615 Brooke Dr. Anch AK	ADF+G
<i>[Signature]</i>	Keith Weiland	3962 Dandelion Win Cir	ADF+G
<i>[Signature]</i>	Daniel T. Moore	P.O. Box 520009, Big Lake, AK	ADF+G
<i>[Signature]</i>	Carmen Olito	PO Box 111466, Anchorage AK 99511	ADF+G
<i>[Signature]</i>	Larry Pelizz	701 Glacier Dr., Wasilla AK 99754	ADF+G

Joe Dinnocenzo
PO Box 3045
Kodiak, AK 99615

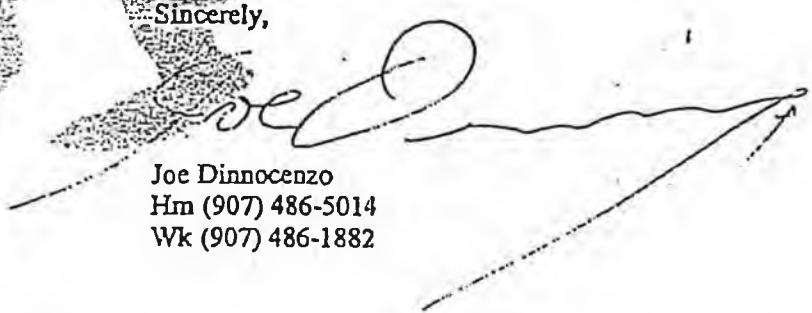
November 23, 1998

Ms Cathy Botelho
ADF&G
PO Box 240020
Douglas AK 99824-0020

Dear Ms Botelho,

A small group of state employees in Kodiak have started lobbying to get the state legislature to consider allowing state employees to count "paid up" temporary service toward the minimum service requirement for retirement. Last spring, Senator Jerry Mackie expressed an interest in submitting a bill this fall that would accomplish this. Jeff Barnhart has recently written a follow up letter to Senator Mackie reregistering our interest in this idea (copy attached). We understand you were once interested and active in promoting this concept. We believe we have a real chance of getting a bill through this year with Senator Mackie's support. Of course, there needs to be interest shown by state employees too. To that end, we have started collecting signatures on a petition (copy attached) which we plan to submit to Senator Mackie sometime just after the next session begins. Jeff Barnhart has been in touch with his staff (Jeanie) in the Juneau office and they are preparing a fiscal note for this proposal. If you are interested in continuing to support this idea, we could use help in getting this petition more widely distributed beyond Kodiak. Mackie's staff (Jeannie or David) can be contacted in Juneau office (1-800-821-4925). Mackie himself can be reached at his home (826-3008) or lodge (826-4000) in Craig to register your interest. Also if you know of other supporters of this idea elsewhere in the state who might be interested in promoting this idea in their areas either pass the word along or let us know so we can contact them. In addition, should you have ideas about what we might additionally do to support this proposal please let me know. Thanks.

Sincerely,



Joe Dinnocenzo
Hm (907) 486-5014
Wk (907) 486-1882

October 7, 1998

Jeffrey P. Barnhart
11276 Bells Flat Road
Kodiak, Alaska 99615

Senator Jerry Mackie
P.O. Box 795
Craig, AK 99921

Dear Jerry,


I spoke with you and Senator Duncan during your visit to the Department of Fish and Game office building in March, while you were attending the commercial fish trade show in Kodiak. During our visit I ask Senator Duncan if he had submitted a bill this year allowing state employee temporary time to be credited toward the minimum service time needed for retirement. You asked some questions and Senator Duncan suggested you stop by his office and pick up copies of the previous bills he introduced. You also asked me to write you a letter.

I've enclosed a photocopy of page 2 from the July 1997 PERS newsletter. As shown we can 'buy back' our temporary time to increase our PERS service, although it does not count toward retirement eligibility. I would like to see the temporary time count toward retirement eligibility. We worked for the State as temporaries, we can purchase the service, and we should be permitted to use that time to fulfill the retirement eligibility requirements.

I believe the cost to the State would be negligible. There might even be a cost savings. I believe if cost information is included with the bill, it would have a much better chance of passing this year.

I am looking forward to working with you on this bill.

Sincerely,


Jeffrey Barnhart

As do many Alaskans, I note the urgent need to bring revenues in line with expenditures.

I would like to take this opportunity to strongly suggest that we are currently living well beyond our means, and we need to cut costs by any reasonable measures. Toward that end, I am writing to encourage you to expeditiously support the passage of SB 85. I don't see how we can begin to balance the budget without some downsizing, and one element of that seems surely to be layoffs. By their nature, layoffs always occur at the lowest, least senior ranks of employees. And this leads to 'Pyramid Inversion,' making government ever less effective. SB 85 allows senior people the option to depart sooner if they have temporary time, without increasing benefits paid by the state. I think this makes ethical and budgetary sense.

On a larger scale, I would urge you to consider privatizing the Alaska Marine Highway system. It worked very well for the Alaska Railroad, and I think would do so for the ferry's as well.

port for SB 85!!!

Subject: Support for SB 85!!!

Date: Tue, 2 Mar 1999 21:14:03 -0900


From: Alice.Huttunen@msb.Mat-Su.k12.ak.us (Alice Huttunen)

To: <Senator_Jerry_Mackie@legis.state.ak.us>

Please read the following short message. It is written in word97.

Thank you for considering my thoughts.

Dan Huttunen

 POM1.doc	Name: POM1.doc Type: Winword File (application/msword) Encoding: base64
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Subject: Thanks

Date: Thu, 25 Feb 1999 21:37:34 -0900


From: Donna Dinnocenzo <dinno@ptialaska.net>

To: "Jerry Mackie" <Senator_Jerry_Mackie@legis.state.ak.us>

CC: "Alan Austerman" <Representative_Alان_Austerman@legis.state.ak.us>

J

I want to thank you for submitting and sponsoring Senate Bill 85. Not only does this bill right an inequity that is a long time in coming, it also I believe will save the state some money. Allbeit it won't solve all our cash flow problems but it's a tiny innovative step toward helping to conserve state funds. I recognize we all face some hard choices in the next few weeks. I have already told you about my veivs on income tax. I realize they are not popular views. However I also beleive the governors income tax proposal does not go far enough to fund state government. I beleive that I should pay state income tax to help support state government. I have 5 members in my family and we have an income of about 42,000 last year. That includes Alaska Permanent Fund Dividends. Although I have a full time job with the state, I currently work parttime to supplement my income and my wife works too. I beleive if an income tax doesn't tax folks at my level of income, then it won't raise much money and it won't give ownership of state government back to the public. Like you, I am concerned about the effect of taxes on business. But I beleive that the effect of drastically reducing goverment programs will have even more negative effects on the economy as a whole and businesses in particular. I am willing to pay income tax to help support responsible state spending. And I will continue to look for and support ways to save state dollars too. Again thanks for your support. Joe Dinnocenzo

 Part 1.2	Type: application/ms-tnef Encoding: base64
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Letter -

Commitment

on SB 85

Subject: I support SB 85

Date: Wed, 3 Mar 1999 12:15:44 -0900

From: "Marie Huttunen" <marieh@alaskalife.net>

To: <Senator_Jerry_Mackie@legis.state.ak.us>

I think this will be a way to save money in the current budget crisis
:)

March 3, 1999

Senator Jerry Mackie
Alaska State Legislature
State Capitol, Room 427
Juneau, Alaska 99801-1182

Dear Senator Mackie:

I enthusiastically support your statements in the Senate Majority News regarding Senate Bill 85, which you are sponsoring. Passage of this legislation will resolve a long-standing inequity in the Public Employee Retirement System. Similar legislation has come before the legislature several times this decade. In 1992, the senate bill died on the floor of the House on the last day of the session. The failures of these bills were great personal disappointments.

If this legislation passes, some employees who qualify may opt for immediate retirement, resulting in a reduction in the state work force. In some small way, this may allow the state to achieve staff reductions without forcing layoffs of people with less time in state service.

Thank you, both for myself and on behalf of many dedicated state employees who worked for years as temporaries.

Sincerely,



Catherine A. Botelho
P.O. Box 210515
Auke Bay, Alaska 99821

View

POM for Senator Mackie



From: Ms Susan Malutin
PO Box 2846

Telephone: 486-6216

Kodiak, AK 99615

Constituent

Registered Voter: Y

Bill: SB 85 Title: CREDITED SERVICE FOR TEMP EMPLOYEES:PERS
Message:

PLEASE CONTINUE YOUR SUPPORT FOR SB 85.

Entered in KOD on 3/02/99 POMID: 924

Distribution: 1

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Message 1 out of 1.

POM for Senator Mackie



From: Mr. Lawrence S Buklis
2615 Brooke Dr

Telephone: 267-2122

Anchorage, AK 99517

NON Constituent

Registered Voter: Y

Bill: SB 85 Title: CREDITED SERVICE FOR TEMP EMPLOYEES:PERS
Message:

SB 85 IS WIN WIN FOR LABOR AND MANAGEMENT. IT SAVES THE STATE MONEY AND IS A MATTER OF FAIRNESS TO EMPLOYEES. QUICK PASSAGE OF THIS BILL COULD CONTRIBUTE TO SAVINGS FOR EVEN THE PRESENT FISCAL YEAR.

Entered in ANC on 3/02/99 POMID: 919

Distribution: 20

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Message 14 out of 32.

KODIAK OFFICE
112 MILL BAY ROAD
KODIAK, ALASKA 99615
(907) 486-4925
(907) 486-5264 (FAX)



STATE CAPITOL
JUNEAU, ALASKA 99801-1182
(907) 465-4925
(800) 821-4925 (TOLL FREE)
(907) 465-3517 (FAX)

SENATOR JERRY MACKIE

SENATE MAJORITY LEADER

MEMORANDUM

April 5, 2000

To: Representative Gene Therriault, Co-Chair
House Finance Committee
Alaska State Legislature

Representative Eldon Mulder, Co-Chair
House Finance Committee
Alaska State Legislature

From: Senator Jerry Mackie
Senate Majority Leader

A handwritten signature in black ink, appearing to read "Jerry Mackie".

Subject: CSSB 85(Rules) "An Act relating to credited service in the public employees' retirement system for temporary employment; and creating a public service benefit in the public employees' retirement system."

I respectfully request that you consider scheduling CSSB 85(Rules) for a hearing in the House Finance Committee, pending referral from the House State Affairs Committee. The House State Affairs Committee will consider SB 85 on their committee calendar at **8:00 a.m., Tuesday, April 11th**. SB 85 passed the Senate March 30, 2000 by a vote of Y-19, 0-N, and 1-Absent.

I introduced this legislation at the request of several of my Kodiak constituents. SB 85 is an effective management tool for our State to utilize in minimizing the impact of current and future budget reductions. This bill will have the effect of allowing employees to meet their retirement eligibility threshold sooner than would otherwise be anticipated. Employees prone to use this benefit for retirement credit are employees with higher service totals, on the higher end of the pay schedule. Additionally, employer costs decrease when these employees are replaced through reduced costs to the Supplemental Benefit System and to the Retirement System. Savings are realized in the long term by replacing Tier I and Tier II category employees, due to lower benefit costs.

Employees who choose to use this benefit are required to pay the full actuarial cost of using the temporary service(AS 39.35.345). There is NO GENERAL FUND EXPENDITURE involved in this legislation. The fiscal note reflects a \$4,000 designated fund source - "The Public Employees Retirement Trust Fund", for contracted services for computer system modifications.

I am hopeful that you will schedule CSSB 85(RULES) in the near future. This legislation provides the State of Alaska with a simple economic remedy in minimizing the impact of downsizing Alaskan government.

**SPONSOR STATEMENT
CSSB 85(RULES)**

Re: SB 85 – "An Act relating to credited service in the public employees' retirement system for temporary employment." SPONSORED BY - SENATOR JERRY MACKIE

Currently, temporary employees in the PERS system can buy back their temporary time, however, this time does not count towards the minimum service time needed for retirement. SB 85(Rules) amends AS 39.35.345(d) to allow employees covered by the Public Employee Retirement System (PERS) to buy up any temporary time and have it credited toward the minimum service time for retirement.

CSSB 85(Rules) also amends AS 39.35 by adding a new section **Sec. 39.35.375 Public Service Benefit**. This provision would entitle a person to a retirement benefit if they had at least two years of paid up PERS service and a total of at least five years of combined PERS and TRS (Teachers' Retirement System) service. When the Department of Education switched from the Public Employees System to the Teachers' Retirement System, employees were not able to get any credit for their previous PERS service.

Fiscal Impact

Temporary service as recognized under the retirement system under AS 39.35.345, provides that the full actuarial cost of using the temporary service be paid by the employee. There are no general funds involved in this proposal. The Department of Administration Fiscal Note dated 3/1/99 reflects a \$4 thousand dollar charge; the designated fund source is the Public Employees Retirement Trust Fund. This charge reflects approximately 40 hours of computer system modifications that will be required to initiate this change.

This legislation will allow the state to realize immediate cost savings by enabling employees to meet the retirement eligibility threshold sooner. The employees prone to use this for retirement credit are employees with higher service totals, thus they are on the higher end of the pay scale. Additionally, the employer costs decrease when these employees are replaced through reduced costs to the Supplemental Benefit System and to the Retirement System. Savings are realized in the long term by replacing Tier I and Tier II category employees with Tier III employees due to lower benefit costs.

SB 85 back-up information includes many support letters and petitions. Although I introduced this legislation at the request of several of my Kodiak constituents, this legislation has received the support from many Alaskan workers from throughout the State of Alaska. Also included are support letters from the AFLCIO and the Teamsters.

SB 85 is a responsible piece of the puzzle in the development of Alaska's long-term budget solution. This is a reasonably simple "economic tool" that may be used to minimize the impact of downsizing Alaska's state government.