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**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.

(7)

HOUSE COMMITTEE REPORT

Date Referred to Committee: March 31, 2000

FURTHER REFERRALS:

Finance

Date of Committee Action: 4/11/00

The STATE AFFAIRS 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 CSSB 85(RLS)

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) DOA

zero fiscal note(s) _____

zero fiscal note(s) _____

| SIGNING WITH RECOMMENDATIONS | DP | DNP | NR | AM |
|------------------------------|----|-----|----|----|
| <i>Jeanette James</i> | ✓ | | | |
| <i>Hal Salley</i> | ✓ | | | |
| <i>Bill H. H. H.</i> | ✓ | | | |
| <i>Bil Huds</i> | ✓ | | | |
| <i>[Signature]</i> | ✓ | | | |
| <i>[Signature]</i> | | ✓ | | |
| <i>[Signature]</i> | | | ✓ | |
| | | | | |
| | | | | |
| | | | | |

CHAIR'S SIGNATURE Jeanette James

SENATE BILL 85

"AN ACT RELATING TO CREDITED SERVICE IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM FOR TEMPORARY EMPLOYMENT AND CREATING A PUBLIC SERVICE BENEFIT"

PURPOSE

Allows the PERS and TRS retirement boards to meet conditions of AS39.35.300¹ and AS 39.35.370² in retirement.

PRECEDENCE.

Under ERISA Employees are vested within 5 years. The state is exempt. (U. S. Employment Retirement Income Security Act)

NO COST TO STATE

If retirement funds are insufficient, employee pays the actuarial costs.

STATE BENEFIT

Gain greater utilitarianism of employee skills and production and promote greater satisfaction by not locking employees into positions determined by retirement programs or presenting employee down-sizing problems.

3

MY RETIREMENT OPTION WITHOUT SB 85-

Withdraw my contributions plus 4-1/2% totaling \$18,438.85 as of 7/1/99.

IMPACT TO FUNDS SHOULD I WITHDRAW.

Should I die 3 yrs. later than predicted by 1984 fund mortality table, considering past fund earnings and future earnings of 8%⁴ \$1,053,388 remains in the fund based on my employment and lifetime. (appendix C)

IMPACT TO FUNDS UNDER SB 85 AND I RETIRE. receiving \$217.82 plus \$371 insurance benefit. With lifetime benefit for 250 months of \$151,580 per mortality table costing the fund \$74,110 principal.

My contributions plus earnings will pay my benefit for 216 months, at that time State contributions fund balance will be \$584,065 and earning \$3897 per month. When I die the remaining value will be \$705,549.69 earning \$4703.66 per month (fund earnings as of 1997 and future earnings of 8% (Appendix A and B, and 1984 Pension Mortality Table)

¹"Employment with the State. (a) An active employee is entitled to credited service for periods of employment with the state after January 1, 1961, regardless of the office, department, division, or agency of the state in which the person was employed..."

²"AS 39.35.370 Retirement benefits (1)... a terminated employee is eligible for a normal retirement benefit (1) at the age of 60 with at least five years credited service..."

³Clarke Damon, Bx. 455 Douglas, AK 364-3453

Jeff Barnhart (from Kodiak) wants to testify on Tuesday regarding SB 85.

486-1816

LM

Jeff Barnhart
Kodick

Supports the bill -

3/31 -

Tracie's office transferred
the call to me.

Index

CSSB 85(Rules)

1. Memo dated 4/3/00 to Representative Jeannette James,
Chair, House State Affairs Committee
2. Sponsor Statement SB 85
3. Bill History / Action Display
4. Fiscal Note CSSB 85(Fin) w/ analysis Dated 2/14/00
5. BILL TEXT - CSSB 85(RULES)
6. Committee Minutes:
 - Senate L&C Cmte. March 9, 1999
 - Senate Finance Cmte. March 31, 1999
 - Senate Finance Cmte. January 21, 2000
7. Miscellaneous Support Letters and Petitions

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

ALASKA STATE LEGISLATURE

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

SENATOR JERRY MACKIE

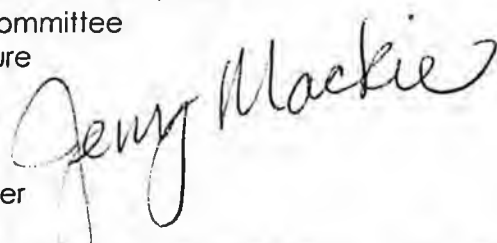
SENATE MAJORITY LEADER

MEMORANDUM

April 3, 2000

To: Representative Jeannette James, Chair
House State Affairs 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 schedule CSSB 85(Rules) for a hearing in the House State Affairs Committee as soon as possible. CSSB 85(Rules) passed out of the Senate on March 30, 2000 by a vote of Y-19, 0-N, and 1-Absent. This legislation was referred to the House State Affairs Committee March 31, 2000.

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.

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Juneau, Alaska 99801-2105

Copies of minutes listed below were originally included in this file. The minutes are available on the legislative computer database. In order to save space copies of minutes have not been left in the files.

Mary Pagenkopf

SLC 3/9/99 1:41 p.m.

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>Peter J Rob</i> | PETER J ROB | Box 381 Nome AK 99762 | ADF+G |
| <i>Peter Bente</i> | Peter J Bente | Box 1611 Nome, AK 99762 | ADF+G |
| <i>Kate Persons</i> | Kate Persons | Box 381 Nome, AK 99762 | ADF+G |
| <i>Jeanne Walker</i> | Jeanne Walker | Box 2078 Nome, AK 99762 | Dept. of Labor |
| <i>Vickie Erickson</i> | Vickie Erickson | Box 1967 Nome, AK 99762 | Dept. of Labor |
| <i>John Merkatis</i> | John Merkatis | PO Box 1476 Nome AK 99762 | Labor |
| <i>Elisabeth M. Brennan</i> | Elisabeth M. Brennan | P.O. Box 11033 Nome, AK 99762 | ADF+G |
| <i>Juliana Vaccaro</i> | Juliana Vaccaro | PO Box 1858 Nome, AK 99762 | ADF+G |
| <i>Charles Lean</i> | Charles Lean | P.O. Box 1716 Nome AK 99762 | ADF+G |
| <i>Fred Burr</i> | Fred Burr | Box 1215 Nome AK 99762 | ADF+G |
| <i>Lowell Fair</i> | Lowell Fair | 2814 Colantona Drive Anchorage, AK 99517 | ADF+G |
| <i>Paul Thompson</i> | Paul Thompson | POB 1123 Nome AK 99762 | ADF+G |
| <i>Tom Kron</i> | Tom Kron | 9650 Arlene, Anch 99515 | " |
| <i>Dave Mesiar</i> | Dave Mesiar | 15740 Wind Song Dr Anch 99516 | ADF+G |
| <i>Beverly Cross</i> | Beverly Cross | 3932 Bulcher Dr | ADF+G |
| <i>DAN HATTUNEN</i> | DAN HATTUNEN | P.O. Box 874105 WASILCA, AK. | ADF+G |
| <i>Lawrence S. Buklis</i> | Lawrence S. Buklis | 2615 Brooke Dr. Anch AK | ADF+G |
| <i>Keith Weiland</i> | Keith Weiland | 3912 Dandelion Way Anch | ADF+G |
| <i>Daniel T. Moore</i> | Daniel T. Moore | P.O. Box 520509, Big Lake, AK | ADF+G |
| <i>Carmen Olito</i> | Carmen Olito | PO Box 111466, Anchorage AK 99511 | ADF+G |
| <i>Larry Peletz</i> | Larry Peletz | 701 Glacier Dr., Wasilla AK 99754 | ADF+G |
| | | | |
| | | | |

Joe Dinnocenzo
PO Box 3045
Kodiak, AK 99615

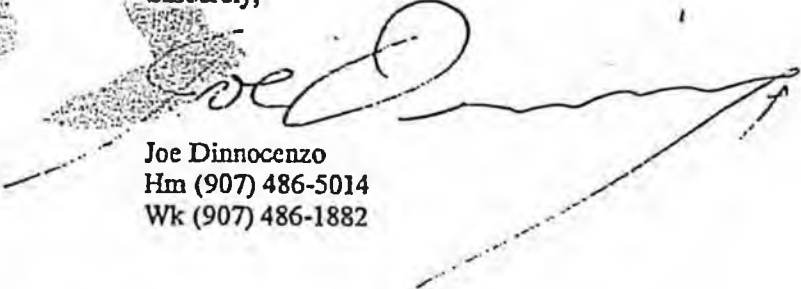
November 23, 1998

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.

Support 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

| | |
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|  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>

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 government 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 |
|----------------------------------------------------------------------------------------------|-----------------------------------------------|

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
:)

POM for Senator Mackie



From: Ms Susan Malutin
PO Box 2845

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.

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



Alaska State Legislature

Please enter into the record my testimony to the House State Affairs
 committee name
 committee on SB 85, dated 4-11-00
 bill/subject

See

Attached

Signed: Don Cox

Testifier

Equipment Operator / Leadman

Representing (Optional)

AIA, Field Maintenance

Address

745-3103

Phone No.

I am a 28 year employee with the
St of AK. I ask that you pass SB 85.
There are a few of us out there who started
a career with the State when there were no
permanent positions open. We worked as a
classified temporary employee who would now
like to add that time of service towards our
retirement. It doesn't cost the State anything
and as I seem to have to forget something to make
room for anything new I learn it must be time
for me to retire.

Thank you
Don L. Cox
equipment operator/Leadman
AIA, Field Maintenance



Alaska State Legislature

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 committee name
 committee on SB 85, dated 4-11-00
 bill/subject

See

Attached

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and as I seem to have to forget something to make
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for me to retire.

Thank you.
Don L. Cox
Equipment Operator/Leadman
AIA, Field Maintenance

March 3, 1999

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

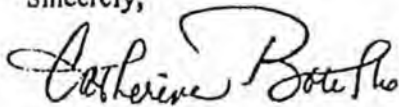
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Thank you, both for myself and on behalf of many dedicated state employees who worked for years as temporaries.

Sincerely,



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

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. CSSB 85 (FIN)

| | | | |
|---------------|------------------------------------------------------------------------------------------------------|----------------|--------------------------------------------|
| 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 | | | | | | |
|----------------------|--|--|--|--|--|--|

| | | | | | | |
|------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| FUND SOURCE | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 |
|--------------------------|------------|------------|------------|------------|------------|------------|
| 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.</u> | Date | <u>2/15/00</u> |
| Agency | <u>Department of Administration</u> | | |

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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.