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FIRST CLASS
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ALASKA PUBLIC EMPLOYEES ASSOCIATION

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HISTORY

Being the representative of the largest group of state employees, APEA has over the years received considerable input from these employees and others expressing their desire to withdraw from the Social Security system. With this in mind, APEA negotiators entered into an agreement with the State of Alaska to jointly conduct a study to determine the desirability of terminating participation in the Social Security system for employees of the State of Alaska. The result of this agreement is the report prepared by William M. Mercer, and is referred to hereafter as the Mercer Report.

The federal law which establishes the Social Security system provides that a public employer may withdraw from the Social Security system after two years advance notification of withdrawal is given. The State of Alaska gave such notification in December, 1975 and, unless the State advises the Social Security Administration otherwise, the employees of the State of Alaska will not make contributions to that system after December, 1977.

This report is not intended to be an in-depth study of the Social Security system but, rather, to make recommendations based on the Mercer Report, a report prepared by the professional staff of APEA, information published by the Social Security Administration, the Public Employees Retirement System, the U.S. Senate Subcommittee on Aging, and other information gathered concerning other public employers who have withdrawn from the Social Security system. More importantly, however, this report also contains a ballot which gives the employees of the State of Alaska what may very well be a once-in-a-lifetime opportunity to express their wants.

and needs concerning their future security and retirement.

The information collected from this ballot will be used, as much as is practical, to formulate a list of priorities for the purpose of drafting legislation that will effectuate those priorities. APEA's main lobbying effort during the 1977 session of the legislature will be the passage of this legislation. If the employees of the State of Alaska actually do opt-out of the Social Security system, assuming that they vote to withdraw, the benefit they may derive from that action will depend greatly on the success or failure of this legislation.

FOREWORD

Why do so many employees want to withdraw from the Social Security system? A recent survey conducted by APEA showed that 2/3 of the approximately 1500 employees who responded to that survey wanted to "opt-out" of Social Security. Why is this? Is the system really that bad? There is no question that some employees want to opt-out because they think that the system is "going broke." Others want to opt-out because they think that after they have established their 40 quarter eligibility they will be eligible for the maximum benefits provided by Social Security; for those employees there is no point to pouring more money into the system since they think they will not get any more out of it.

Both of these groups of employees are mistaken. In the first place, the system can never go broke. It is, quite literally, as strong as the U.S. Government itself. Or, to put it another way, it is as strong as the government's ability to collect taxes. What this means is that the government will simply raise Social Security taxes whenever the system needs more money to fund the programs it provides. As for the second group of employees who think they need only "40 quarters in," this report should clarify many of their misconceptions. However, it is safe to assume that the majority of employees who want to opt-out of Social Security do so because they feel they would receive greater benefits at retirement if the money that both they and the State are presently contributing to Social Security was invested, instead, in the Public Employees Retirement System.

There is no question that Social Security taxes are certain to increase dramatically in the future now that the taxable wage base is tied to the Consumer Price

Index. The tax (currently 5.85%) on the taxable wage base is also certain to increase. Although benefits are also tied to the Consumer Price Index, what these benefits will cost in the way of Social Security taxes to individuals cannot now be accurately predicted. With this "double indexing" of the Social Security benefit formula, some actuaries have projected Social Security benefit costs under the current system will reach as high as 30% to 50% of taxable pay in the years 2020 to 2050. That is, for many of us, eight to twelve times what we are now paying. Mr. A.H. Robertson, Chief Actuary of the Social Security Administration, in a speech he gave in October, 1975, said that, "Based on current projections of income to the Social Security system and benefit payouts, the current Social Security tax rates are insufficient to the extent that the Social Security Trust Fund could be depleted by 1982."

THE MAXIMUM BENEFIT PAYABLE TO AN INDIVIDUAL WHO RETIRED AT AGE 65 IN 1976 WAS \$364 PER MONTH. THE SPOUSE OF THAT INDIVIDUAL WOULD RECEIVE 50% OF THAT BENEFIT, ALSO AT AGE 65.

It is difficult to imagine how anyone could live on this amount of money today. Nevertheless, many do, although it is common knowledge that the standard of living among retired persons, living entirely on Social Security, is one of the lowest in the United States. The monthly check from Social Security is barely enough to provide shelter for these individuals, let alone food or any luxuries. So it is little wonder many of them end up living out their lives in some old-age home or turning their Social Security checks over to some other institution so they can survive. It is a national disgrace that we, a nation of incredible wealth, systematically do this to our parents and grandparents. Perhaps, consciously or subconsciously, this is why many people want to get out of Social

Security. As most workers are unable to accumulate enough wealth during their working years to enable them to maintain their standard of living after retirement, it would be prudent indeed for any worker to take advantage of an opportunity that will assist him in providing security for his retirement.

Such an opportunity is now at hand. If the employees of the State of Alaska withdraw from the Social Security system and, if the money that both the employees and the State are now paying into Social Security is reinvested in the Public Employees Retirement system, retirement benefits from P.E.R.S. can be substantially improved.

AN EMPLOYEE WHO RETIRED FROM STATE SERVICE AFTER 30 YEARS WOULD RECEIVE 75% OF THE AVERAGE OF HIS THREE HIGH YEARS' EARNINGS IF THE BENEFIT FORMULA WERE INCREASED TO 2-1/2%. AN EMPLOYEE WHO RETIRED AFTER 20 YEARS' SERVICE WOULD RECEIVE 50%.

What may be even more important, especially to young employees, is that under the P.E.R.S. they are eligible for a pension while they are still relatively young. An increased benefit formula could provide the means for these employees to advance their education or to pursue other careers. In any case, it would provide any career employee a benefit which would allow him to retire with the confidence of knowing that his future is secure.

COMPARISON OF FUTURE RETIREMENT BENEFITS

PUBLIC EMPLOYEES RETIREMENT SYSTEM/SOCIAL SECURITY SYSTEM

We do not get a realistic picture of what retirement benefits are worth if we compare future Social Security benefits with future P.E.R.S. benefits. The numbers that these kind of projections produce are so inflated, few are able to recognize their relative value. Nevertheless, because the Mercer Report contains a table (see page 10 of this report) showing "estimated future monthly Social Security retirement benefits at age 65", it is necessary when considering withdrawal from Social Security, that employees be able to make a comparison between those benefits and what benefits they could receive from the P.E.R.S. in the future in the event of withdrawal from Social Security.

With this in mind, the Committee has included in this report a table (shown on page 7) showing estimated future monthly P.E.R.S. retirement benefits at age 55.

However, it must be noted that these benefits are based on a 2-1/2% benefit formula, (the present benefit formula is 2%) and that these benefits would apply only to those "hypothetical employees" listed in the two columns to the left of the table. Also, it should be noted that these benefits are based on the assumption that salaries will increase at the annual rate of 6%. The 6% figure was used to parallel the assumption made in the Mercer Report, i.e. that future increases in the taxable wage base would be at the annual rate of 6%. (As explained elsewhere in this report the taxable wage base is the maximum amount of annual earnings subject to Social Security tax. How much that amount will be increased is determined by the average increase in wages of workers from one year to the next.)

EXPLANATION OF FUTURE RETIREMENT BENEFITS

When first examining the table showing "Estimated Future Monthly P.E.R.S. Retirement Benefits at Age 55", most people find it difficult to accept the fact that these numbers represent a realistic projection of what it will cost for employees who retire in the future to maintain the same level of retirement benefits as employees who are retiring now. Although these numbers are based on an increased benefit formula, it must be emphasized that most workers who receive these benefits in the future will not be eligible to receive Social Security benefits based on state service. That is, of course, assuming that the State of Alaska withdraws from the Social Security system. It must also be noted that the cost of providing the increased benefit formula will be paid for with the money that is presently going into the Social Security system, and will not be an additional cost to either the employees or the State of Alaska. In view of the fact that neither the employees or the State of Alaska have any control over what future Social Security costs will be, withdrawal from that system should result in a savings to both the employees and employer.

When examining future retirement benefits of the P.E.R.S., it may be useful to show what those benefits are worth in 1977 dollars. Page 6 of this report shows estimated monthly P.E.R.S. retirement benefits at age 55, with a 2-1/2% benefit formula, for employees who are eligible for retirement now. It can be assumed that these benefits have a relative value equal to the future P.E.R.S. benefits shown on page 7.

ESTIMATED CURRENT MONTHLY P.E.R.S. RETIREMENT BENEFIT

AT AGE 55 WITH 2-1/2% BENEFIT FORMULA

| Years of Service at age 55 | Est. P.E.R.S. Retirement benefit 3 high yr. average <u>\$15,300/yr</u> | Est. P.E.R.S. Retirement benefit 3 high yr. average <u>\$20,000/yr</u> | Est. P.E.R.S. Retirement benefit 3 high yr. average <u>\$25,000/yr</u> | Est. P.E.R.S. Retirement benefit 3 high yr. average <u>\$30,000/yr</u> |
|-------------------------------|---|---|---|---|
| 5 | \$159.38 | \$208.33 | \$260.42 | \$312.50 |
| 10 | \$318.75 | \$416.67 | \$520.83 | \$625.00 |
| 15 | \$478.13 | \$625.00 | \$781.25 | \$937.50 |
| 20 | \$637.50 | \$833.33 | \$1041.67 | \$1250.00 |
| 25 | \$796.88 | \$1041.67 | \$1302.08 | \$1562.50 |
| 30 | \$956.25 | \$1250.00 | \$1562.50 | \$1875.00 |

Assumptions:

- (1) 2-1/2% benefit formula "X" 3 high year average
- (2) Employee does not elect survivor option

ESTIMATED FUTURE MONTHLY P.E.R.S. RETIREMENT BENEFIT

AT AGE 55

| Current Age | Years of Service At age 55 | Est. P.E.R.S. Retirement benefit Current salary <u>\$15,300/yr</u> | Est. P.E.R.S. Retirement benefit Current salary <u>\$20,000/yr</u> | Est. P.E.R.S. Retirement benefit Current salary <u>\$25,000/yr</u> | Est. P.E.R.S. Retirement benefit Current salary <u>\$30,000/yr</u> | Year Employee becomes age 55 |
|-------------|-------------------------------|--|--|--|--|---------------------------------|
| 50 | 5 | \$201.21 | \$263.02 | \$328.77 | \$394.52 | 1982 |
| 45 | 10 | \$538.52 | \$703.95 | \$879.94 | \$1055.93 | 1987 |
| 40 | 15 | \$1081.00 | \$1413.07 | \$1766.33 | \$2119.60 | 1992 |
| 35 | 20 | \$1928.82 | \$2521.33 | \$3151.67 | \$3787.00 | 1997 |
| 30 | 25 | \$3226.50 | \$4217.65 | \$5272.06 | \$6326.47 | 2002 |
| 25 | 30 | \$5181.35 | \$6773.00 | \$8466.25 | \$10,159.50 | 2007 |

Assumptions:

- (1) Future salary increases at annual rate of 6%.
- (2) 2-1/2% benefit formula "X" 3 high year average
- (3) Employee becomes age 55 while in state service.
- (4) Employee does not elect survivor option.

Note: When comparing P.E.R.S. retirement benefits to those of Social Security, it should be noted:

- (1) That full Social Security retirement benefits do not begin until age 65.
- (2) That most employees will receive a Social Security retirement benefit at age 65 at some level, in addition to the P.E.R.S. benefit.
- (3) That Social Security benefits are not subject to federal tax.
- (4) That P.E.R.S. benefits are not subject to state and local taxes in Alaska.
- (5) That P.E.R.S. benefits are not subject to federal tax until after retirement benefits paid to an individual exceed the individual's

- (5) contributions to the P.E.R.S. system.
- (6) That many employees will be in higher salary ranges before retirement age because of promotions.
- (7) Employees who retire at age 55 under P.E.R.S. will receive payments from that system for 10 years (120 months) before Social Security benefits begin. That is, for employees with 30 years' service whose current salary is \$15,300: $\$5181.35 \times 120 \text{ months} = \$621,762.00$ before Social Security benefits begin. For employees whose current salary is \$30,000: $\$10,159.50 \times 120 \text{ months} = \$1,219,140.00$ before Social Security benefits begin. With a 4% annual cost of living adjustment, these 10 year totals would be increased by 148%. An employee whose current age is 25 and who is currently earning \$15,300 annually, and who retires from the P.E.R.S. at age 55 at \$5181.35 per month, would be receiving \$7670 per month at age 65 if a 4% annual, post-retirement, cost of living adjustment were in effect when he retired.

Included in this report is a table from the Mercer Report showing estimated monthly Social Security retirement benefits at age 65. Although it is safe to assume that the Social Security benefits shown in that table are correct, based on the assumptions made, it would have been helpful if more information had been provided concerning Assumption #5, i.e. "All workers remain eligible for Social Security benefit at some level." For instance: Line 1, Current age 30, in the column showing "Estimated Social Security Retirement Benefit -- Termination from GASDI (\$400, to or individual/ \$600 with spouse benefit).

The table shows that the worker terminated from Social Security at age 30. At that time he could have had as many as 10 or 12 years in the Social Security system while working for the state. He could then have continued working for the

state, after termination from Social Security, for another 20 years and retired under the P.E.R.S. at age 50. The question is: did that employee then go to work for an employer who was in the Social Security system? If he did, he would gain 15 more years of Social Security credits. The next logical question is: how many years did this worker contribute to the Social Security system and when, during his career, did he make the contributions which entitled him to a \$400.00 retirement benefit?

WILLIAM M. MERCER

Table 1
Estimated Monthly Social Security Retirement Benefit
At Age 65

| <u>Current Age</u> | <u>Estimated Social Security Retirement Benefit - Continuation in OASDI</u> | <u>Estimated Social Security Retirement Benefit - Termination From OASDI</u> | <u>Social Security Retirement Benefit Lost in Termination</u> | <u>Social Security Retirement Benefit Lost - With Spouse Benefit</u> |
|--------------------|---|--|---|--|
| 30 | \$ 3,824 | \$ 400/\$600* | \$ 3,424 | \$ 5,136 |
| 35 | \$ 2,793 | \$ 578/\$867* | \$ 2,215 | \$ 3,323 |
| 40 | \$ 1,968 | \$ 595/\$892* | \$ 1,373 | \$ 2,060 |
| 45 | \$ 1,423 | \$ 545/\$817* | \$ 878 | \$ 1,317 |
| 50 | \$ 1,060 | \$ 499/\$748* | \$ 569 | \$ 854 |

*with spouse's benefit

Assumptions

- (1) Future increases in wage base at the annual rate of 6%.
- (2) Future increases in the cost of living at the annual rate of 4%.
- (3) Spouse is same age as worker.
- (4) Worker's earnings in all years equal or exceed the wage base.
- (5) All workers remain eligible for Social Security benefit at some level.

NOTE: In comparing the benefits of the alternative programs to those of Social Security, the column headed "Social Security Retirement Benefit Lost - With Spouse Benefit" should be used.

When considering withdrawal from the Social Security system, the question of portability invariably arises. That is, that benefit accrual is fully portable for employees who go from one employer to another, so long as those employers participate in the Social Security system. Whereas, under the P.E.R.S., when employees leave state service benefit accrual stops, although they still may be eligible to receive retirement and death benefits. It should be noted that, currently under the P.E.R.S., any employee who leaves state service before reaching retirement age and who has at least 5 years of credited service will still be eligible for a retirement pension at age 50 or 55 if he has not withdrawn his contributions from the system (i.e. a deferred, vested member). His retirement benefit will be based on his years of credited service.

It should also be noted that, should this same employee die before retirement and after leaving state service, the surviving spouse may, at his or her discretion, receive either the lump sum death benefit or the 50% joint and survivor option, based upon the deceased employee's credited service. In addition, any person who is receiving a retirement benefit from the P.E.R.S. is also entitled to major medical insurance coverage. But they do not accrue credited service when they leave state employment and they are not eligible for any disability benefit after leaving state service.

However, under the latest revisions in the P.E.R.S., the death and disability benefits for employees who either die or become disabled while in state service and whose death or disability resulted from occupational causes, are not based on credited service. In the case of death, the surviving spouse will receive 40% of the deceased employee's monthly earnings at the time of death, until such time, if the deceased spouse had lived, he would have been eligible to retire. At that time the surviving spouse will receive the normal retirement pension

based on the deceased employee's three high-year earnings, with service credit up to his retirement age, had he lived.

In the case of disability, the disabled employee also receives 40% of his current monthly salary until he is eligible for retirement. At that time, he receives the normal retirement benefit based on his earnings at the time of disablement. The period of disability constitutes credited service.

It is the opinion of this committee that if the State of Alaska withdraws from the Social Security system and if the recommendations described elsewhere in this report concerning death and disability benefits affecting employees who leave state service are implemented, employees who leave state service will have adequate death and disability protection if they are not covered by Social Security and until such time as they may be eligible to receive these benefits from Social Security.

Another area of concern for some people is that the Federal Government will change the law which allows public employers to withdraw from Social Security or they will use general fund revenues to support the benefits of the Social Security system. The reason the Federal Government allows public employers a choice in participating in Social Security is due to the fact that it is questionable whether it is constitutional for the Federal Government to force public employers to belong. Even if the law is changed, it is doubtful whether it would apply to public employers who had already withdrawn.

As to the question of using general fund revenues to support Social Security benefits; this is quite possible. If this occurred after the State of Alaska withdrew from the Social Security system, public employees would, in fact, be

paying for some Social Security benefits by virtue of the fact that they pay federal taxes. If this were to happen, it is fairly safe to assume that Congress would, at the same time, make some benefits available to individuals who are not in the system, especially when one considers that there are so many federal employees, and they are not in the Social Security system.

As previously noted in this report, Social Security benefits are now tied to the Consumer Price Index. This was done, of course, to prevent inflation from reducing the buying power of retired workers living on Social Security. Now that this feature has been in effect for several years, there has been considerable concern expressed in the U.S. Congress about the cost of maintaining that provision. Thus, there is some possibility that Congress might put a limit on how much Social Security benefits will be increased due to inflation.

The fact that there is no automatic cost of living allowance built into P.E.R.S. benefits after retirement must be considered in regard to withdrawal from Social Security. It should be noted, however, that there is a provision in the P.E.R.S. whereby the Commissioner of Administration may authorize a cost of living adjustment for persons receiving benefits from the P.E.R.S., provided the financial condition of the retirement fund can permit it.

There is no question but that the cost of Social Security is going to increase substantially from now on, and it should not have to be pointed out that both the employee and the employer will pay the cost. In the event of withdrawal from the Social Security system, it would not be too optimistic to assume that any savings to both the employees and the State would be used to provide cost of living adjustments to retired employees.

THE BOTTOM LINE

STRUCTURE OF THE SOCIAL SECURITY BENEFIT FORMULA:

It is almost impossible to read anything about the Social Security system which doesn't express grave concern about the future of that system. There is no question but that the basic cause of this concern is the Social Security benefit formula. For many years it has been apparent that retired workers living on Social Security were one of the poorest classes of people in the United States. These people living on "fixed incomes" were going from bad to worse as each year went by because of increases in the cost of living. Finally, in 1972, Congress revised the Social Security law and established an automatic cost of living adjustment on Social Security retirement benefits by tying those benefits to the Consumer Price Index which reflects rises in the cost of living. At the same time, they also tied the taxable wage base to the benefit increases; that is, whenever retirement benefits are raised due to inflation, the taxable wage base is automatically increased by the same percentage that the average wages of the workers who are contributing to the system have increased, since the last increase in the taxable wage base.

Coincidentally, whenever the taxable wage base increases, the "average monthly wage" also increases and since the monthly benefits payable to an individual at retirement age is determined from a "schedule" based on "the average monthly wage", it also follows that as the average monthly wage increases, retirement benefits also increase. This is what is meant by "double indexing" of the benefit formula. That is, both the taxable wage base and the benefit are indexed. Or to put it another way, they are already scheduled.

However, neither the method of increasing the wage base, or the amount that retirement benefits are scheduled (indexed) to increase are integrated into any formula that will generate the revenue required to pay for these benefits.

Although the tax rate which is currently 5.85% is scheduled to increase to 6.05% in 1978, 6.30% in 1981, 6.45% in 1986 and to 7.45% in 2011, the Social Security Administration has stated that the tax rates are insufficient to fund the benefits.

Another concern is the fact that the taxable wage base is increasing at a greater rate than are the wages of many of the workers who are contributing to the system, and that every year more and more workers are not earning the maximum wage subject to Social Security tax.

Of course, if the tax rates increase as scheduled and double-indexing of the benefit formula continues, the inequities which already exist in the system will be greatly increased. That is, that workers who earn the maximum wages subject to Social Security taxes will be paying for an even greater share of the benefits paid to workers who do not earn the maximum amount subject to Social Security tax. By comparison, the retirement benefits paid to a worker under the P.E.R.S. are directly proportional to what that worker pays into the system.

In view of the fact that a worker may retire from the P.E.R.S. as early as age 50, or even earlier in many cases; and

---because that worker will almost certainly return to work for an employer who is in the Social Security system; and

---because retirement benefits for career employees are substantially greater

from the P.E.R.S. and will be even more so if the benefit formula is increased to replace any retirement benefit that may be lost to state employees after withdrawal from the Social Security system; and

---because short term staff employees would lose little, if any, Social Security retirement benefit; and

---because the Social Security retirement system contains numerous inequities which are discriminatory; and

---more importantly, because the cost of Social Security is certain to increase at a greater rate than benefits will be improved;

THIS COMMITTEE CAN FIND NO REASON OF SUFFICIENT CONCERN TO CAUSE STATE EMPLOYEES TO VOTE AGAINST WITHDRAWAL FROM THE SOCIAL SECURITY SYSTEM.

RECOMMENDATIONS IN GENERAL

- I. It is recommended that the employees of the State of Alaska vote "yes" to the question "Should the employees of the State of Alaska terminate their participation in the Social Security system?", on the condition that the State of Alaska contribute a sum of money to the Public Employees Retirement System equal to, or greater than, the sum that the State is currently contributing to the Social Security system on behalf of its employees.

Such money shall be used, as much as is practical, to improve and/or replace those benefits which may be lost to employees because of their non-participation in the Social Security system, or as otherwise determined by the tally of the Advisory Ballot accompanying this report.

- II. It is also recommended that the employees of the State contribute to the Public Employees Retirement system at least part of the money they are currently contributing to the Social Security system. Such amount shall be determined, as much as is practical, by the tally of the Advisory Ballot.

FACTORS WHICH MUST BE CONSIDERED BEFORE VOTING TO WITHDRAW FROM
THE SOCIAL SECURITY SYSTEM

- BENEFITS: (A) RETIREMENT
(B) SURVIVORS' BENEFIT
(C) DEATH & DISABILITY BENEFITS
(D) MEDICAL BENEFIT

The following discussion describes what benefits are provided by Social Security and how withdrawal from the Social Security system may affect state employees' eligibility for these benefits. This discussion also describes what benefits these employees may be eligible to receive from the P.E.R.S. Also included here are recommendations for improvement and/or replacement of benefits which may either be lost or decreased for some employees because of withdrawal from the Social Security system.

(A) RETIREMENT

1. SOCIAL SECURITY

- The normal retirement age for workers covered by Social Security is 65 years. A worker may retire at age 62 with a penalty of 5/9 of 1% for each month that he retires before his 65th birthday.
- To be "fully insured," a worker must have one "quarter of coverage" for each year after 1950 (or, 1 1/2 years later, the year he reaches age 21) or before the year death occurs or, if earlier, the year he reached age 62.

- The maximum number of "quarters of coverage" required is 40. The minimum number required is 6. A quarter of coverage is a calendar quarter in which a worker has earned at least \$50 in wages for employment covered under this law.
- The "taxable wage base" is the maximum amount of annual earnings subject to Social Security tax and used to calculate the average monthly wage. The taxable wage base in 1976 was \$15,300. The Social Security tax in 1976 was $5.85\% \times \$15,300 = \895 .
- The monthly retirement benefit payable to an individual at full retirement age is determined from a "schedule" based on the "average monthly wage."
- The "average monthly wage" is the average wage subject to Social Security tax earned by a worker over his career after 1950.
- The "Primary Insurance Amount" is the monthly benefit payable to an individual at full retirement age before application of any delayed retirement credit. Such amount is determined from a schedule based on the Average Monthly Wage.

This means that an employee's earnings (up to the maximum taxable wage) for each year after 1950 or, if later, the year he reaches 21, up to the year he is 62, are totaled and then divided by that number of years. (If an employee becomes 21 years of age after 1950, that is 41 years until he becomes 62. It is also 164 quarters of coverage: $41 \times 4 = 164$.) There is a provision in the law to drop from this total the five lowest earning years, which means that the average monthly wage is based on 36 years of employment. That may be important, especially if, in those years, the contribution to Social Security was \$0. The result of all the addition, subtraction and division is (when the total is divided by 12 months) the "average monthly wage."

The maximum average monthly wage possible up to 1976 was \$585. The maximum retirement benefit, payable to an individual who retired before June 1976, was \$364.

(i.e. primary insurance amount.) If the average monthly wage was one-half of the maximum possible (1/2 of \$585) or approximately \$293, the benefit from Social Security would be \$229. That is 78% of the average monthly wage, whereas \$364, the maximum benefit, is only 62% of \$585. In this way, Social Security retirement benefits are far more profitable for those workers who do not earn the maximum amount subject to Social Security tax.

WIFE'S BENEFIT

A wife or dependent husband of a retired worker receives 50% of the spouse's benefit at age 65. A wife may receive this benefit at age 62, but her benefit will be reduced by 25/36 of 1% for each month before she is 65 years old that she receives the benefit. A wife may receive her benefit at any age if she is caring for a child entitled to a child's benefit. Payments cease when either spouse dies, or when they are divorced after less than 20 years of marriage, or there is no child entitled to a child's benefit and the wife is under age 62.

CHILD'S BENEFIT

Every child of a worker who is entitled to a retirement benefit will receive 50% of the worker's benefit until age 18, or age 22 if the child is a full-time student. Payments cease when the child either dies, is married, or is no longer a student. If the child's benefit is based on his being disabled, the benefit stops the third month following the month he ceases to be disabled.

There is also a maximum limit that Social Security will pay to any family. That limit is approximately 180% of the retirement benefit. For 1976 that figure was $180\% \times \$364 = \655 .

REDUCED BENEFITS BASED ON EARNINGS

Social Security retirement benefits are reduced \$1.00 for every \$2.00 earned in excess of \$2760 in any year. However, benefits are not reduced in any month in which earnings are less than \$230. The maximum earnings limit is subject to possible increase every year based on increases in the taxable wage base.

Income earned from stock dividends, interest on savings, other pensions, annuities, gain or loss from the sale of capital assets, gifts or inheritances, or rental income, unless you are a real estate dealer, are not counted as earned income.

TO SUMMARIZE

A worker needs at least six (6) quarters of coverage, but not more than 40 quarters of coverage, to be eligible for a Social Security retirement benefit. The amount of that benefit is determined by the employee's "average monthly wage."

Because the taxable wage base is much greater during the worker's later years, his average monthly wage will be higher if he earns quarters of coverage just before reaching age 65.

The Social Security retirement benefit formula favors workers in the lowest income bracket; that is, those workers get a higher return on their money than do workers in higher income brackets. The taxable wage base on which Social Security contributions are based is currently \$15,300. By 1980, based on assumptions regarding wage increases, it is scheduled to climb to \$21,600. There is also a bill under consideration by the U.S. House Social Security Subcommittee which will further increase the taxable wage base to \$25,000 without any guarantee that benefits will be raised proportionately. This trend will have a greater impact on Alaskans than on workers in other states since wages are higher here.

Many employees in state service are either already vested in Social Security or will become vested in that system in the future, regardless of Alaska's withdrawal from the program, because a high percentage of state employees work for the State for less than four years. However, some employees, because of their long-term employment with the State of Alaska after withdrawal from the Social Security system, will lose some Social Security retirement benefit.

This may happen to an employe who is vested in Social Security before the State withdraws from that system but who continues in state employment for some time (possibly 10 or 20 years) after withdrawal from Social Security, and who does not contribute to Social Security after leaving state service.

If an employe retires under P.E.R.S., the Social Security retirement benefit that he would receive would be based on the "average monthly wage" he earned while he was contributing to the Social Security system. It follows, then, that the employe would receive a smaller Social Security retirement benefit at age 65 than he would have received had he remained in that system until his retirement age. This is true since the "average monthly wage" would have been higher if the employe had contributed to Social Security during his highest-earning years of employment.

However, if that employe left state service at age 40 or 50 or even 55 years of age (regardless of whether he received a retirement benefit from P.E.R.S.), and if he then went to work for an employer covered by the Social Security system, that worker would then add quarters of coverage to his Social Security earnings which would increase his average monthly wage. This is especially true at this time because the taxable wage base will normally be much higher during a worker's later years of employment. Consequently, an employe who leaves the Social Security system and later returns to it may receive, on retirement, a benefit only slightly reduced.

Also, it must be pointed out that single workers and married working women pay into the Social Security system for retirement benefits they may never receive.

That is, single workers pay for spouse and child benefits that they cannot possibly collect because they are not married. Also, a married working woman pays for full benefits but she can only receive 50% of her husband's benefit unless he dies. At that time she receives her own, or his full benefit, whichever is greater.

(A) RETIREMENT

2. P.E.R.S.

Unlike the Social Security system, the retirement benefit that an employee receives from the Public Employees Retirement System is directly proportional to what that employee pays into the system. State employees are currently contributing four and one-quarter percent of their earnings to the P.E.R.S. An employee is vested in this system after five years service. The benefit formula is: 2% X number of years of service X the average of three consecutive high year earnings. Normal retirement age after vesting is 55 years, with an option for retirement at age 50. An employee who elects to retire before his 55th birthday will lose 1/2 of 1% of his normal benefit for each month that he retires before his 55th birthday. That is to say, a 6% penalty for each year of early retirement. Also, it should be noted that any employee may retire without penalty after 30 years of service regardless of age, except that peace officers, firemen, correctional officers, and Fish and Game field biologists and technicians may retire after 20 years of service without penalty, regardless of age.

It is also worth noting that teachers and other employees who are required to hold a teaching certificate have their own retirement system. This system is the "Teachers Retirement System" and these employees may retire without penalty after 20 years of service regardless of age.

Employees who retire from state service under the P.E.R.S. may elect, at their own option, any one of three survivor options. Ordinarily, upon death after retirement, there will be no continuing benefit for the spouse unless the employee applies for 30 days prior to retirement. Under each of these options, normal retirement benefits are actuarially reduced, with the spouse continuing to receive payment after the employee's death in accordance with the plan that is chosen.

An employee who retires and wants to provide a continuing benefit to the spouse in the event of his own death may elect:

- A. 75% joint and survivor option; or
- B. 50% joint and survivor option; or
- C. 66 and 2/3% last survivor option.

An employee who elects either (A) or (B) above will have his normal retirement benefit actuarially reduced based on the age of the spouse at the time of the employee's retirement. Upon the employee's death, the spouse will receive either 75% or 50% of his reduced pension for life, whichever was chosen before retirement.

An employee who elects (C) above will have his normal retirement reduced also but, upon the death of either employee or spouse, the survivor receives 66 and 2/3% of the reduced benefit for life.

The difference between (C) and either (A) or (B) is that retirement benefits under (A) and (B) will not change on the death of the spouse. However, under option (C), either survivor receives 66 and 2/3% of the reduced benefit.

In selecting any of these options, an employee should keep two general principles in mind: (a) the lower the age of the spouse at the time the employee retires, the greater the reduction in the normal retirement benefit; and (b) the lower the continuing payments to the spouse, the smaller the reduction will be to normal retirement benefits.

Another option is also available under the P.E.R.S. called the "level income option," whereby employees who retire under the P.E.R.S. before they are eligible for Social Security retirement benefits, may have their P.E.R.S. benefit increased until their Social Security benefit payments begin. At that point, the P.E.R.S. benefit will be reduced proportionately. The result is a more "level income" throughout the retirement years.

It should be noted that any employee who leaves state service may withdraw all of his contribution plus interest from the system. Of course, if he does this he will not be eligible for any benefits. Additionally, there is a provision in the P.E.R.S. regulations whereby any employee who leaves state service and withdraws his contributions may be reinstated in the system at a later date without penalty, if he pays back his contributions plus interest.

(B) SOCIAL SECURITY SURVIVORS' BENEFIT

1. DEATH BENEFIT

A widow or dependent widower (who received at least half of his support from his wife) will receive at age 65 100% of the "primary insurance amount" the deceased spouse would have received at normal retirement age had he lived. The survivor may receive this benefit at age 60 with a penalty reduction of approximately 1/2 of 1% for each month that the survivor receives the benefit before she or he attains age 65. This benefit stops when the surviving spouse dies.

A widow not entitled to a widow's benefit may be entitled to a mother's benefit. (A widow must be at least 60 years old to receive a widow's benefit or 50 years of age if disabled.) A mother's benefit is payable to the widow of a worker who dies while fully insured (40 quarters of coverage) or currently insured (6 quarters of coverage in the 13 quarters period ending with the quarter in which the death of the worker occurred) provided the widow is:

- (a) not married
- (b) not entitled to widow's benefit
- (c) has in her care a child of her deceased husband entitled to a child's benefit.

A woman need not be age 60 to qualify for a mother's benefit. The mother's benefit is equal to 3/4 of the "primary insurance amount" the deceased spouse would have received at normal retirement, had he lived. The mother's benefit ceases when she dies or remarries, or becomes entitled to a widow's benefit, or no longer has a child who is entitled to a child's benefit.

Social Security also provides a child's benefit for children under 18 years of age or 22 years of age, if the child is a student. Eligibility requirements and benefits are similar to a mother's benefit. That is the worker who dies must be fully or currently insured.

Parents are also eligible for a Social Security benefit if they are dependent (receive 1/2 of their support) on a worker who dies. For the parent to be eligible, the worker who dies must be fully insured.

In addition to the benefits already mentioned, Social Security pays a one-time lump sum benefit of \$255.00 to the widow or widower of a worker who dies while fully or currently insured.

MAXIMUM LIMIT OF FAMILY BENEFITS

The total monthly benefit payable to any family from Social Security is approximately 180% of the primary insurance amount.

(B) P.E.R.S. SURVIVOR BENEFITS

DEATH BENEFIT

If an employee's death is the result of non-occupational causes, and if he has at least five years of service, his beneficiary may elect a lump sum death benefit or the 50% joint and survivor option, based on credited service. If death occurs before he has one year of service, his beneficiary will receive a refund of his contribution, plus interest.

LUMP SUM DEATH BENEFIT (Non-occupational Cause)

After one year of service, but less than five years of service, an employee's beneficiary will receive \$1000.00 plus \$100.00 for each year of service up to the time of his death, plus the balance of his contributions to the fund.

50% JOINT SURVIVOR OPTION (Non-occupational Cause)

After five years of service, an employee's beneficiary will receive 50% of: $23 \times$ the average of his three high consecutive years' earnings \times the number of years service he had until the time of his death. This amount is subject to actuarial reduction which is based on the age of the beneficiary or beneficiaries.

Additional death benefits are payable to beneficiaries of employees in the P.E.R.S. who are covered by medical insurance and/or collective bargaining agreements. In most cases, these benefits are lump sum payments.

P.E.R.S. DEATH BENEFIT BEFORE RETIREMENT

If death is a result of occupational causes in the performance of an employee's duties while in state service, the surviving spouse will receive 40% of the deceased employee's monthly compensation at the time of death, until such time as, if the deceased employee had lived, he would have been eligible to retire. At that time the surviving spouse will receive the normal retirement pension based on the deceased employee's 3 high year earnings, with service credit up to his retirement age, had he lived. If there is no surviving spouse, the pension will be paid to surviving children who are under 19 years of age or 23 years of age if full-time students. Payments cease when there is no surviving spouse or child.

To be eligible to receive any death benefit from Social Security, a widow must be at least 60 years old unless she has a child who is entitled to a child's benefit. Even then her deceased spouse must have died while "fully" or "currently" insured.

In the event the State of Alaska withdraws from the Social Security system, the employees most likely to lose this benefit are employees who are not vested under Social Security and who die while in state service. These employees may often be young people who may very well have children. Unless these employees have been in state service for a considerable number of years, their benefit under the P.E.R.S. would be less than what they could receive from Social Security had they been covered by that system. It is assumed the employee dies from non-occupational causes.

RECOMMENDATION:

It is recommended that should the State of Alaska withdraw from the Social Security system, the following revision be made in the P.E.R.S.:

Beneficiaries of employees who have five years or more of credited service, who die while in state service before retirement, and whose death results from non-occupational causes, shall be provided the same death benefit as provided when death is a result of occupational causes.

The above recommendations will certainly provide greater benefits to beneficiaries of employees who die while in state service than are provided from Social Security. This is especially true when one considers that under Social Security the surviving wife must be 65 years' old to get a full benefit unless

she has dependent children. Also, the husband will get nothing from Social Security if his working wife dies and he was not dependent on her while she was alive.

Under the P.E.R.S. a spouse will receive a pension regardless of his or her age and whether or not he or she was dependent.

It should be noted that under P.E.R.S., if there is no surviving spouse, this same pension will go to a surviving minor or minors (equally divided) until they are age 19 or 23, if full time students.

(C) SOCIAL SECURITY DISABILITY BENEFIT

To be eligible to receive any disability benefit from Social Security an individual must be unable to engage in any substantial gainful activity by reason of medically determined physical or mental impairment which can be expected to result in death, or has lasted, or can be expected to last, for a continuous period of not less than 12 months. In addition, a worker must be "fully insured", that is, have 40 quarters of coverage (ten years) and also have had not less than 20 quarters of coverage (5 years) during the ten years prior to becoming disabled. However, special exceptions apply in the case of individuals who become disabled prior to age 31 and in the case of the blind. Individuals who become disabled before age 24 need 6 quarters of coverage in the 13 quarter period ending with the quarter disability occurs. Individuals who become disabled between age 24 and age 30 need credit for half the period between age 21 and the time disability occurs.

The disability benefit payable from Social Security is based on average earnings subject to Social Security tax after 1950 with provisions for excluding lowest earning years based on age. The monthly benefit is approximately equal to the normal retirement benefit computed as though the worker had attained retirement age. A worker must wait 5 months before he receives any disability payment.

The wife or dependent husband of a disabled worker receives 50% of the spouse's benefit at age 62. A wife may receive a 50% benefit at any age if she is caring for a child entitled to a child's benefit. A child of a disabled worker is entitled to a 50% benefit also, if he is under 18 years old or 23 years old, if he is a student.

Maximum family benefit is approximately 175% of the disabled worker's normal retirement benefit.

(C) P.E.R.S. DISABILITY BENEFIT

Eligibility:

If an employee incurs a physical or mental condition which permanently prevents him from satisfactorily performing the duties of his position, or any other position for which he is qualified by education and training and which is made available by his employer, and if he is not eligible to retire:

Non-occupational disability (with 5 or more years credited service)

Benefit: 2% X (the average of the 3 consecutive high year earnings)

X number of years credited service.

OR

Occupational disability (no minimum service requirement)

Benefit: 40% of current monthly earnings while disabled or until employee is eligible for a retirement benefit. Service credit granted for entire period of occupational disability when computing retirement benefit. Upon the death of a retired employee who is receiving or is entitled to receive an occupational disability pension, a surviving spouse's pension equal to 40% of his average monthly compensation shall be paid to the surviving spouse. If there is no surviving spouse, the survivor's pension shall be paid in equal parts to his children who are under 19 years of age or, if full-time students, under 23 years of age. On the date normal retirement would have occurred if the employee had lived, monthly payments shall equal the monthly amount of the normal retirement benefit to which the employee, had he lived and continued his employment until his normal retirement date, would have been entitled with an average monthly compensation existed at his death and the credited service to which he would have been entitled.

It should be noted that under Social Security there is no distinction between occupational and non-occupational disability, but in order to receive any benefit a worker must have 40 quarters of coverage (10 years) and half of this must be in the 10 years prior to becoming disabled. (Unless under 31 years of age.)

In other words, "fully insured" employees in state service now, who are eligible for a Social Security disability benefit, if they become disabled, would still be eligible for that benefit for five years after withdrawal from the Social

Security system. They would also receive a disability benefit from P.E.R.S.

RECOMMENDATION

It is therefore recommended that, should the State of Alaska withdraw from the Social Security system, the following revision be made in P.E.R.S.:

Employees in state service who become disabled after completing 5 or more years of credited service and when such disability has resulted from non-occupational causes shall be provided the same disability benefit as provided when disability has resulted from occupational causes.

The most difficult situation that we have to deal with is: Should the P.E.R.S. provide a death or disability benefit to survivors or dependents of individuals who either die or become disabled after they leave state service but may not be eligible for death or disability benefits from Social Security because of the State's withdrawal from that system?

When answering this question, it should be remembered that even under Social Security a worker must be both "fully" and "disability" insured in order for him or his dependents to be eligible to receive any disability benefit. In the case of death a worker must be either "fully" or "currently" insured, for his dependents to be eligible for death benefits.

Nevertheless, there are undoubtedly some employees who are presently eligible for Social Security death and disability benefits who will lose eligibility for some of these benefits after they leave state service and after the State has withdrawn from the Social Security system.

For example, let us assume:

1. A worker who is fully insured under Social Security leaves state service and then dies. What benefits are lost?
 - (a) The widow or widower of a dependent worker will lose no eligibility for retirement benefits at age 65 because of withdrawal from Social Security.
 - (b) The widow will still be eligible for a mother's or a child's benefit.

2. A worker who is fully insured under Social Security leaves state service and then becomes disabled.
 - (a) The worker or his dependents will lose no disability benefits if the worker had 20 quarters of coverage during the 10-year period prior to becoming disabled. That is to say, a fully insured worker is still eligible for Social Security disability benefits for five years after he stops contribution to that system.

Summarizing the above examples, we find that the benefits lost to fully insured individuals who leave state service after withdrawal from the Social Security system depends on their "disability" insured status. If these individuals, after leaving state service, go to work for an employer who is in the Social Security system, and if they had lost their "disability" insured status by the time they left state service, they would again be "disability" insured under Social Security

in 5 years if 31 years of age or older. If under age 31, they may be again eligible in only 1-1/2 years depending on age.

Another question that must be considered is the problem of employees who leave state service and are not covered by Social Security.

For instance: An employee enters state service after Alaska withdraws from Social Security and never contributes anything to that system. There are two major concerns regarding these employees:

- 1 Many of these employees who leave state service will have dependents who need protection; and
2. What meaningful protection can the P.E.R.S. provide for these employees that is fair and equitable, not only to those employees who leave state service but to the rest who stay with the state.

RECOMMENDATION

This Committee recommends that in the event the State of Alaska withdraws from Social Security system and, if the majority of employees, as indicated by the tally of the Advisory Ballot accompanying this report, vote to provide death and disability protection for employees who leave state service before retirement, the following revisions be made in the P.E.R.S.:

When considering the following recommendations it should be remembered that employees in state service pay for these benefits every month.

Employees who, after completing at least five years of credited service and who then leave state service, shall remain eligible for death and disability benefits from the P.E.R.S. for a period not to exceed ten years from the

effective date of their termination from state service. The amount of death or disability benefit shall be based on the employee's earnings at the time of termination from state service.

Such eligibility shall be in effect only when all of the following requirements are complied with:

1. The employee is not eligible for retirement under P.E.R.S.
2. The employee or his beneficiaries must provide proof of disability or death as required by the Division of Retirement.
3. The employee must leave his contributions in the P.E.R.S. when he leaves state service.
4. The employee must make contributions to the P.E.R.S. on a monthly basis up to the time of his death or disability. The amount of such contribution shall be determined by the Division of Retirement. Such amount shall be the cost of those benefits, determined on an actuarial basis (i.e. the same amount that employees in state service will be required to pay, if the recommendation is implemented).

The employee may authorize the Division of Retirement to make monthly deductions from his contributions being held in the Retirement fund.

The employee shall refund to the P.E.R.S. those deductions with interest when he becomes eligible for retirement under the P.E.R.S.

5. Benefits under this section cease under the same conditions

affecting employees in state service.

It is also recommended that the provision which presently exists in the P.E.R.S. (section 39.25.420) insofar as it affects a deferred vested member of the P.E.R.S., be maintained. That is; if the death of a deferred vested member occurs before appointment to retirement and after completing at least 5 years of credited service, the surviving spouse may, at his or her discretion, receive either the lump sum death benefit or the 50% joint and survivor option based on credited service to the date of the employee's termination from state service.

However, no employee may simultaneously receive a pension under more than one section of the P.E.R.S.

(D) SOCIAL SECURITY MEDICAL BENEFIT

The full level of Social Security hospital insurance benefits is available to any individual who is age 65 and is receiving any retirement benefit from Social Security. In addition, supplementary medical insurance benefits are available, on an elective basis, to any individual who is eligible for hospital insurance. This means that any individual who is eligible for Social Security retirement benefits at any level will lose no Social Security medical care benefits because of withdrawal from the Social Security system. However, it must be noted that individuals who retire early are not eligible for Social Security medical benefits until they reach age 65.

It is possible that some individuals who become disabled while employed by the state or after leaving state service may not be eligible for Social Security

medical benefits. Medical benefits are provided for any individual who is under age 65 and has received Social Security disability benefits for at least 2 years. That is to say, the individual must be both fully and currently insured.

RECOMMENDATION

It is the opinion of this Committee that, should the recommendations given in the previous section of this report affecting employees who leave state service be adopted, no other changes be made in the P.E.R.S. affecting these employees.

(D) P.E.R.S. MEDICAL BENEFIT

Employees who retire from state service receive the same medical coverage that they received before retirement.

RECOMMENDATION

As most employees will be eligible for Social Security medical benefits after retirement based on either service with the state or service with other employers and, because employees who retire from state service receive medical insurance coverage from the P.E.R.S., no changes are recommended in the P.E.R.S. affecting employees who retire from state service.

TEMPORARY EMPLOYEES

Temporary employees do not participate in the P.E.R.S. However, they do contribute to the Social Security system and thus, earn "quarters of coverage" in

that system. Nevertheless, because the turnover rate of these employees is extremely high, it is not desirable to include them in the P.E.R.S. This would increase the administrative burden of that system substantially. It is, however, desirable to provide some benefit coverage for these employees.

RECOMMENDATION

This Committee recommends that, in the event the State of Alaska withdraws from the Social Security system, the State of Alaska shall provide a lump sum death benefit to beneficiaries of temporary employees who die while in state service. The amount of such benefit shall be equal to one full year's salary computed as though the employee had worked 12 continuous months.

The State of Alaska shall also provide a disability benefit to temporary employees who become disabled while in the employ of the state and when such disability has resulted from occupational causes. The disability benefit shall be equal to 40% of the disabled employees' monthly salary at the time disability occurs. Disability benefits begin the first month following the month disability occurs. The last payment shall be for the month in which: (1) The death of the disabled employee occurs; or (2) The month in which the disabled employee recovers from disability; or (3) The month in which the disabled employee ceases to be eligible for disability benefits under the Social Security Act; or (4) The month the disabled employee becomes eligible to receive a retirement pension from the P.E.R.S. (based on prior service).

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G.G.U. EVALUATION QUESTIONNAIRE

583 of the 5,187, or eleven (11) per cent, Alaska Public Employees Association members of the General Government Unit responded to the ballots sent out in the 'Report to Alaska Public Employees on Social Security Withdrawal.' The following is a break down of those returned G.G.U. membership ballots:

1) Do you favor withdrawal from the Social Security system.

A) 480 or 82% responded yes

B) 95 or 16% responded no

C) 8 or 1% had no opinion

2) If you voted yes to the first question; is your vote based on the condition that the money which the State of Alaska and the employees of the State of Alaska are contributing to Social Security be used to improve the benefits of the Public Employees Retirement System.

A) 415 or 71% responded yes

B) 63 or 10% responded no

C) 105 or 18% had no opinion

3) Please indicate order of priority:

First priority mark #1; second priority mark #2; third priority mark #3, etc. If you are opposed to any items mark no, write additional comments on the back of the ballot.

A) Increase retirement compensation to 2 1/2 per cent for each year of credited service.

- B) Equal benefits for occupational/non occupational death and disability.
- C) Increase death and disability benefits to 50% of monthly earnings.
- D) All state employees become eligible for retirement after 20 years credited service.
- E) Extend death and disability benefits to employees who leave state service.
- F) Provide death and disability insurance for temporary employees.

Generally, very little comment was received on the back of the Advisory Ballots. Below is a cross section of the most stated comments.

1. I would prefer other alternatives to putting the monies into our retirement fund. One of my alternatives would not be to just receive the extra monies as cash on each monthly paycheck.
2. I believe the 20 year retirement option is of vital importance as older employees will lose a minimum of social security income and younger employees will have an opportunity to qualify for benefits.
3. I would like to see retirement compensation increased to 3% for each year of credited service. Additionally, retirement compensation should be adjusted twice annually to compensate for changes in the Consumer Price Index (C.P.I.), similar to Federal Civil Service. Also the number of years necessary to qualify for vested rights should be reduced from five (5) to two (2) years.

4. I feel an automatic cost of living allowance should be built into P.E.R.S. benefits after retirement, irregardless of whether or not the State of Alaska withdraws from the Social Security system. This should not be left to the discretion of the Commissioner of Administration.

SUPERVISORY UNIT EVALUATION QUESTIONNAIRE

165 of the 816, or twenty (20) per cent, Alaska Public Employees Association members of the Supervisory Unit responded to the ballots sent out in the 'Report to Alaska Public Employees on Social Security Withdrawal.' The following is a break down of those returned S.U. membership ballots:

- 1) Do you favor withdrawal from the Social Security System.
 - A) 147 or 89% responded yes
 - B) 14 or 8% responded no
 - C) 4 or 2% had no opinion

- 2) If you voted yes to the first question; is your vote based on the condition that the money which the State of Alaska and the employees of the State of Alaska are contributing to Social Security be used to improve the benefits of the Public Employees Retirement System. (P.E.R.S.)
 - A) 129 or 78% responded yes
 - B) 16 or 9% responded no
 - C) 20 or 12% had no opinion

- 3) Please indicate order of priority: First priority mark #1; second priority mark #2; third priority mark #3, etc. If you are opposed to any item mark no, note additional comments on back of ballot.
 - A) Increase retirement compensation to 2 1/2% for each year of credited service.
 - B) All state employees become eligible for

- retirement after 20 years credited service.
- C) Equal benefits for occupational/non-occupational death and disability.
- D) Increase death and disability benefits to 50% of monthly earnings.
- E) Extend death and disability benefits to employees who leave state services.
- F) Provide death and disability insurance for temporary employees.

Contrary to the General Government Unit, the Supervisory Unit provides more comment on their Advisory Ballots. Below is a cross section of their comments.

- 1) I believe that prior to unilaterally transferring Social Security payments to P.E.R.S., a study should be conducted to determine the wage percentage necessary to parallel Social Security benefits.
- 2) Contributions now going to Social security should be used to increase payments to P.E.R.S. — both state and employee contributions should be increased in the future by the amount Social Security contributions would have increased. If, in the future, the P.E.R.S. fund improves its position, benefits for retirees should be increased; no decrease in contributions should be allowed the state or employees.
- 3) I am currently (1976) putting 62% of the amount I am putting into P.E.R.S. in F.I.C.A.. In other words for every one (1) dollar I put into P.E.R.S., I am also putting \$.62 in F.I.C.A. If the state is also contri-

buting to F.I.C.A. at the same rate that I am (an assumption), then I don't see how channeling all of it to P.E.R.S. will only increase the benefit formula from 2% to 2 1/2%. I think we need more facts on this magic number (2.5%) before we divert our investments to P.E.R.S.

- 4) I would like to see retirement based on 3% for each year of credited service, with possible a 75% of top three years ceiling. This should be affordable if we opt-out of Social Security.
- 5) Being a Supervisor and concerned about what the legislature is attempting to do with our Contract that was executed, at least by the Supervisors, in good faith leads me to believe that if we concur with the administration in dropping out of Social Security will we derive any benefits from this change? They could, as they are attempting to do with the Supervisors, give lip service to encourage an agreement then the next session revise it to our loss. Without and iron-clad irrevocable agreement my opinion is to say no. If they agree to the iron-clad bit I'd be agreeable. How about a commitment from the Administration before putting this to a vote.
- 6) Have sick leave not used, credited toward retirement at the time of retirement.