

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672

6242 SENATE HEALTH, EDUCATION AND SOCIAL SERVICES

8/16

SECTIONAL ANALYSIS FOR SENATE BILL 12

"An Act providing for the issuance of general obligation bonds in the amount of \$17,550,000 for the purpose of paying the cost of school construction; and providing for an effective date."

Section 1 - For the purpose of paying the cost of school construction, general obligation bonds of the state in the principal amount of not more than \$17,550,000 may be issued and sold. The bonds shall be issued under the provisions of AS 37.15.

Section 2 - Establishes the "1990 school construction fund" if the issuance of these bonds is authorized by the qualified voters of the state.

Section 3 - Appropriates \$17,550,000 from the "1990 school construction fund" to the Department of Education for the Tok School construction (\$13,250,000) and Glennallen School construction (\$4,300,000).

Section 4 - Appropriates up to \$61,425 from the general fund to the state bond committee to carry out the provisions of this Act and to pay expenses incident to the sale and issuance of bonds authorized in this Act, if the issuance of these bonds is authorized by the qualified voters of the state. The amount appropriated in this section shall be reimbursed to the general fund from the proceeds of the sale of the bonds authorized by this Act.

Section 5 - Amounts withdrawn from the public facility planning fund for the purpose of advance planning for the improvements financed under this Act shall be reimbursed to the fund from the proceeds of the sale of the bonds.

Section 6 - Submits the question of whether or not the bonds authorized in this Act are to be issued to the qualified voters of the state at the next general election.

Section 7 - Effective date - immediately

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: Obligation Bonds, School
Construction (17,550.0)
 Sponsor: Cochill
 Requestor: Cochill

Agency Affected: Office of the Governor
 BRU: Division of Elections
 Components: I Elections

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	-0-	-0-	2.2*	-0-	-0-	-0-
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	2.2*	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	2.2*	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	2.2*	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

* Costs included cover 2 to 3 pages in each Official Elections Pamphlet, for printing and typesetting, and costs estimated to cover computer programming requirements for vote (Continued)

Prepared by: Linda Edgeworth Phone: 465-4611
 Division: Elections Date: 1/12/89

Approved by Commissioner: *Sandra Stewart* Date: 1/13/89
 Agency: Division of Elections

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 12

counting purposes. However, these costs are based on the assumption that all candidates and issues will fit on three ballot cards, which is the norm. It should be noted, however that should the inclusion of this issue require a 4th ballot to be printed, the cost increase would have to be calculated at 16 cents per ballot x approximately 320,000 voters. The total cost of printing the additional ballot card would be \$51.2.

Under these circumstances the fiscal note would be:

53.4

Copper River School District



Superintendent's Office
Box 108
Glennallen, Alaska 99588
(907) 822-3234

OCT 4 1988

September 27, 1988

Senator Jack Coghill
Box 55028
North Pole, AK 99705

Dear Jack:

Just a note of thanks for your efforts to establish early funding for education in the Alaska Legislature.

Early funding is a poor excuse for forward funding, however, it is a step forward for education.

I am also encouraged that you are proposing a bonding program that will produce the sufficient revenues to complete the Glennallen High School Project. Please know that the failure to provide funds this fiscal year placed a hardship upon the district by forcing us to continue the operations in both the old building and the incomplete, new facility. One can not save money by operating two facilities when the plan was to complete the new facility and close the old one.

I know I'm preaching to the choir, however, sometimes I just get carried away.

Thanks for your efforts!

Professionally yours,

Leland L. Dishman
Superintendent

S B

13

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Administration
 Title: An Act relating to reimbursement BRU: Retirement and Benefits
of certain medicare premiums.
 Sponsor: Duncan Components: Retirement and Benefits
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	11.2	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	11.2	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	11.2	0	0	0	0	0
TOTAL	11.2	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	1	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

This analysis is written with the assumption that this bill would not become effective until FY 91. If the bill became effective earlier than FY 91, the costs shown for that year would become FY 90 costs at the rate of \$3.7 per month of FY 90 up to the total of \$11.2.

THIS BILL IS ESTIMATED TO COST ALL STATE AGENCIES \$8,676.5 IN INCREASED PERSONAL SERVICES COSTS. THIS BILL IS ESTIMATED TO COST POLITICAL SUBDIVISIONS AND SCHOOL DISTRICTS \$9,394.0 in FY 91.

See pages 2 through 4 for a detailed analysis.

Prepared by: Sally Smith *Sy Mike Paughlin* Phone: 465-4460
 Division: Retirement and Benefits Date: 1/29/90

Approved by Commissioner: Frank S. Baxter Date: 1/31/90
 Agency: Department of Administration

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Senate Bill 13
 Financial Implications on Retirement Funds
 Prepared by the Division of Retirement and Benefits
 Department of Administration

This analysis is written with the assumption that Part B premium reimbursement could be made on a monthly basis and that all PERS and TRS retirees over the age of 65 would receive reimbursement. Passage of this bill will require a number of changes in the data processing system to automate the reimbursement requirements for eligible retirees. These changes will require an Analyst/Programmer IV for an estimated three months. The total cost for this position is \$11,172 and is the only funding anticipated for operational costs.

There will be an impact to the State for employer contributions. This bill is estimated to increase the State's contributions by 1.43 percent of the Public Employees' Retirement System (PERS) payroll and 1.24 percent of the Teachers' Retirement System (TRS) payroll. The FY 91 State PERS payroll, including the University of Alaska, is estimated to be \$556,310,861 (State \$492,656,834, and University of Alaska \$63,654,027). It is assumed to remain level each year thereafter.

The FY 91 State TRS payroll, including the University of Alaska, is estimated to be \$58,159,258 (Department of Education/Legislature \$5,673,729, and University of Alaska \$52,485,529). TRS salaries are also assumed to remain level each year thereafter.

The total estimated FY 91 cost to the State of \$9,099.5 is calculated as follows:

Estimated State PERS FY 91 payroll . . .	\$492,656,834	
PERS contribution rate increase . . .	x	1.43%
State Total PERS cost		\$7,045.0
Estimated University of Alaska PERS		
FY 91 payroll	\$ 63,654,027	
PERS contribution rate increase . . .	x	1.43%
University of Alaska Total PERS cost		\$ 910.3
Estimated Department of Education/ Legislature TRS FY 91 payroll . . .		
	\$ 5,673,729	
TRS contribution rate increase . . .	x	1.24%
Department of Education Total TRS cost		\$ 70.0
Estimated University of Alaska TRS		
FY 91 payroll	\$ 52,485,529	
TRS contributions rate increase . . .	x	1.24%
University of Alaska Total TRS cost		\$ 650.8

In addition to the State cost, there would also be an increase in the political subdivisions' contribution rate to the PERS by 1.43 percent of PERS payroll and school districts' contribution rate to the TRS by 1.24 percent of TRS payroll. The FY 91 PERS payroll for political subdivisions is estimated

to be \$358,420,788. The FY 91 TRS payroll for school districts is estimated to be \$344,238,828. Salaries for both systems are assumed to remain level each year thereafter.

The total estimated FY 91 cost to these entities of \$9,394.0 is calculated as follows:

Estimated political subdivision
 FY 91 payroll \$358,420,788
 PERS contribution rate increase . . . x 1.43%
 Political subdivision Total PERS cost \$5,125.4

Estimated school district FY 91
 payroll \$344,238,828
 TRS contribution rate increase x 1.24%
 School district Total TRS cost \$4,268.6

INCREASE IN FY 91 COSTS DUE TO
 REIMBURSEMENT OF MEDICARE PART B PREMIUMS

	PERS	TRS	TOTAL
State	\$7,955.3	\$ 721.2	\$8,676.5
Political Subdivisions and School Districts	\$5,125.4	\$4,268.6	\$9,394.0

If this bill becomes law, the unfunded liability will increase by \$30,800,000 and the funding ratio will decrease by 2.2 percent in the TRS. The unfunded liability will increase by \$67,200,000 and the funding ratio will decrease by 1.43 percent in the PERS.

Position Title Analyst/Programmer IV		No. of Positions 1	Range/Step 19A	Barg. Unit G
Time Status FT Nonpermanent	Staff Months 3.0	Location AWA		Election District Juneau (4)
Type of Expenditure		Amount		
1	2	3		
Salary	10,008			
Benefits	1,164			
Premium Pay				
Other				
Total Personal Services		11,172		
Travel				
Contractual				
Commodities				
Equipment				
Other				
Total Cost				
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004			
I-A Receipts	1006			
CIP Receipts	1061			
Other				

Justification
SB 13 requires the reimbursement of all retirees in the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), for Medicare Part B Premiums.

The Analyst/Programmer IV requested on this form will be responsible for designing, writing and testing the automated program to implement payment to retirees. Specifically, the program must accomplish the following:

1. Identify all retirees age 65 or more in the PERS and TRS.
2. Generate notification letter to each retiree identified explaining monthly benefit check will be increased by the amount of Medicare Part B premiums.
3. Increase monthly benefit by premium amount and maintain appropriate percentages for other benefit components.
4. Identify other retirees as they turn age 65 and notify them as in 2 above and increase benefit as in 3 above.

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4/11B4/012901-9/1

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 1 of 1
 Revised Date _____

FY 91

FISCAL NOTE

REQUEST: _____ FEB 16 1989

Revision Date: _____ Agency Affected: Department of Administration
 Title: An Act relating to reimbursement of certain medicare premiums. BRU: Retirement and Benefits
 Sponsor: Duncan Components: Retirement and Benefits
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	11.2	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	11.2	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	1	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

This analysis is written with the assumption that Part B premium reimbursement could be made on a monthly basis and that all PERS and TRS retirees over the age of 65 would receive reimbursement. Passage of this bill will require a number of changes in the data processing system to automate the reimbursement requirements for eligible retirees. These changes will require an Analyst/Programmer IV for an estimated three months. The total cost for this position is \$11,172 and is the only funding anticipated for operational costs.

THIS BILL IS ESTIMATED TO COST ALL STATE AGENCIES \$9,099.5 IN INCREASED PERSONAL SERVICES COSTS. THIS BILL IS ESTIMATED TO COST POLITICAL SUBDIVISIONS AND SCHOOL DISTRICTS \$10,353.3 IN FY 90. See pages 2 and 3 for a detailed analysis.

Prepared By: Sally Smith *Sally Smith* Phone: 465-4460
 Division: Retirement and Benefits Date: 2/10/89
 Approved by Commissioner: John M. Andrews *JMA* Date: 2/15/89
 Agency: Department of Administration

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Page 2 of 3
 Senate Bill 13
 Financial Implication on Retirement Funds
 Prepared by Division of Retirement and Benefits
 Department of Administration
 February 10, 1989

There will be an impact to the State for employer contributions. This bill is estimated to increase the State's contributions by 1.6% of the PERS payroll and 1.38% of the TRS payroll. The FY 90 State PERS payroll, including the University of Alaska is estimated to be \$521,208,708 (State \$463,907,093; and University of Alaska, \$57,301,615.) It is assumed to remain level each year thereafter.

The FY 90 State TRS payroll, including the University of Alaska, is estimated to be \$55,085,786 (Department of Education, \$5,025,700; and the University of Alaska, \$50,060,086). TRS salaries are also assumed to remain level each year thereafter.

The total estimated FY 90 cost to the State of \$9099.5 is calculated as follows:

Estimated State PERS FY 90 payroll.....	\$463,907,093
PERS contribution rate increase.....x	1.6%
	State total PERS cost...\$7422.5

Estimated University of Alaska PERS	
FY 90 payroll.....	\$ 57,301,615
Pers contribution rate increase.....x	1.6%
	University of Alaska total PERS cost...\$ 216.8

Estimated Department of Education TRS	
FY 90 payroll.....	\$ 5,025,700
TRS contribution rate increase.....x	1.38%
	Department of Education total TRS cost...\$ 69.4

Estimated University of Alaska TRS	
FY 90 payroll.....	\$ 50,060,086
TRS contributions rate increase.....x	1.38%
	University of Alaska total TRS cost...\$ 690.8

In addition to the State cost there would also be an increase in the political subdivisions' contribution rate to the PERS by 1.6% of PERS payroll and school districts' contribution rate to the TRS by 1.38% of TRS payroll. The FY 90 PERS payroll for political subdivisions is estimated to be \$354,521,366. The FY 90 TRS payroll for school districts is estimated to be \$339,201,043. Salaries for both systems are assumed to remain level each year thereafter.

The total estimated FY 90 cost to these entities of \$10,353.3 is calculated as follows:

Estimated political subdivision	
FY 90 payroll.....	\$354,521,366
PERS contribution rate increase.....x	1.6%
	Political subdivision total PERS cost...\$5672.3

Estimated school district
 FY 90 payroll.....\$339,201,043
 TRS contribution rate increase.....x 1.38%
 School district total TRS cost...\$4681.0

INCREASE IN FY 90 COSTS DUE TO
 REIMBURSEMENT OF MEDICARE PART B PREMIUMS

	PERS	TRS	TOTAL
State	\$8339.3	\$ 760.2	\$ 9099.5
Political Subdivisions and School Districts	\$5672.3	\$4681.0	\$10353.3

If this bill becomes law, the unfunded liability will increase by \$34,400,000 and the funding ratio will decrease by 2.4% in the TRS. The unfunded liability will increase by \$75,000,000 and the funding ratio will decrease by 1.3% in the PERS.

CARTA

Central Alaska Retired Teachers Association

Advocate for Retired and Pre-Retired Educators

MAR 1 1990

February 5, 1990
5801 Radcliffe Drive
Anchorage, AK 99504

Senator Paul Fischer, HESS Committee

The Legislative Committee of the Central Alaska Retired Teachers Association (CARTA) has the passage of SB 13 and HB 127 both dealing with Social Security reimbursement for Medicare B a high priority. The Alaska health insurance plan discriminates against retirees over age 65.

Basic health care is provided premium-free by TRS until age 65, when Medicare B becomes the primary provider. For this coverage the over 65 retiree pays \$33.90 per month for Medicare B. The TRS pays an Aetna premium of \$76.37 for over age 65 retirees. The monthly premium for Aetna under 65 is \$267.43 paid by the TRS system. If the TRS covered the Medicare and added the Aetna cost, the total insurance premium would be about \$110.00 per month, or less than half the premium for under 65 retirees. In addition, the over 65 must meet two deductibles, Medicare B and Aetna. The over 65 retirees are paying premiums for coverage that is decreasing substantially in payments from the insurance providers.

SB 13 and HB 127 speak to the issue of reimbursements of Part B of Medicare and the committee urges enactment of the legislation.

SINCERELY,

Joan S. McKinnon

Joan S. McKinnon, Chairman
Legislative committee

S B

14

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Administration
 Title: An Act Relating to Eligibility BRU: Retirement and Benefits
for Retirement under the TRS.
 Sponsor: Duncan Components: Retirement and Benefits
 Requestor: HESS

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

This bill will not result in increased costs to the Division.
 THIS BILL IS ESTIMATED TO COST THE DEPARTMENT OF EDUCATION AND THE UNIVERSITY OF ALASKA \$34.9 IN INCREASED PERSONAL SERVICE COSTS IN FY 91. THIS BILL IS ESTIMATED TO COST SCHOOL DISTRICTS \$206.5 IN INCREASED PERSONAL SERVICE COSTS IN FY 90. Please refer to page 2 for a detailed discussion of these costs.

Prepared by: Sally Smith, Director *Sally Smith* Phone: 465-4470
 Division: Retirement and Benefits Date: 12/18/89
 Approved by Commissioner: Frank S. Baxter *Frank S. Baxter* Date: 12/29/89
 Agency: Department of Administration

Distribution (by preparer):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Senate Bill 14
 Analysis of the Fiscal Implications to the Retirement Fund
 Prepared by Division of Retirement & Benefits
 Department of Administration
 December 15, 1989

Analysis: This bill would enable members of the TRS to receive full credit for part-time and 1/2 year teaching to establish eligibility for benefits. Benefits would continue to be calculated at half-credit. Passage of this bill is estimated to increase the state TRS contribution rate for FY90 by .06%. The FY90 state TRS payroll is estimated to be \$58,159,258 (Department of Education, \$5,673,729; and University of Alaska, \$52,485,529) and remain level for each year thereafter.

The cost to the state of \$34.9 is calculated as follows:

Estimated U of A FY90 payroll	\$ 52,485,529	
TRS contribution rate increase	X <u>.06%</u>	
Total U of A cost.....		<u>\$ 31,491</u>
Estimated D.O.E. FY90 payroll	\$ 5,673,729	
TRS contribution rate increase	X <u>.06%</u>	
Total D.O.E. cost.....		<u>3,404</u>
Total State Cost.....		<u>\$ 34,895</u>

In addition to the state cost, there would also be an increase in the school districts' contribution rate of .06%, resulting in a total contribution increase of \$206.5 for FY90 and for each year thereafter.

Estimated School District FY90 payroll	\$ 344,238,828	
TRS contribution rate increase	X <u>.06%</u>	
Total School District cost....		<u>\$ 206,543</u>

There would not be an adverse impact on the actuarial soundness of the TRS fund. The increase in unfunded liability and the decrease in funding ratio would be negligible.

FEB 17 1989

Jay Davis
3071 Bettles Bay Lp.
Anchorage, Alaska
99515

Dear Senate Health, Education and Social Services Committee:

I am writing in support of SB 14 which concerns eligibility requirements in the teacher retirement system. The only change this bill speaks to is to clear up the intent and language in section 1 (7) which says: "has at least one-half year of membership service as a [PART-TIME] teacher for each of twenty school years". I am in total agreement with this seemingly small change but all of a sudden this item makes some sense.

As it is now interpreted, a teacher must work a minimum of 20 years, but every one of them must be Part Time. If a teacher somehow works only one full time year or more within this twenty years, that teacher is ineligible under the present retirement system. The SB 14 says that a combination of part time and full time years would be used to reach that twenty year mark, which makes the system fair and equitable. Let me give an example: If a teacher worked one full time year and nineteen part-time years, that teacher would have to work an equivalent of nine and one-half more full years to be eligible under the present system.

I believe the present language is very inequitable and the language in SB 14 would make a good situation out of a very very poor one. If one were to stop and think about the bill SB 14 is replacing, I really believe there would be no discussion.

Thank you for this consideration of SB 14.

Sincerely,


Jay Davis

Alaska State Legislature



SENATOR JIM DUNCAN

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

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

MEMORANDUM

TO: Senator Paul Fischer, Chairman
Senate Health, Education and Social Services Committee

FROM: Senator Jim Duncan

SUBJECT: Hearing for SB 14

DATE: February 1, 1989

Please find attached background information concerning Senate Bill 14, "An Act relating to eligibility for retirement under the teachers' retirement system."

I am requesting your favorable consideration for scheduling a hearing on SB 14 before the Senate Health, Education and Social Services committee at your earliest convenience. Please contact Dale Staley of my staff if you need any additional information.

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Administration
 Title: An Act relating to eligibility BRU: Retirement and Benefits
for retirement under the TRS.
 Sponsor: Duncan Components: Retirement and Benefits
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

This bill will not result in increased operational costs to the Division.
 THIS BILL IS ESTIMATED TO COST THE DEPARTMENT OF EDUCATION AND THE UNIVERSITY OF ALASKA \$33.0
 IN INCREASED PERSONAL SERVICES COSTS IN FY 90. THIS BILL IS ESTIMATED TO COST SCHOOL DISTRICTS
 \$203.5 IN INCREASED PERSONAL SERVICE COSTS IN FY 90. Please refer to page 2 for a detailed
 discussion of these costs.

Prepared By: R. J. Stalnaker Phone: 465-4470
 Division: Retirement and Benefits Date: 1/25/89
 Approved by Commissioner: John M. Andrews Date: 1/26/89
 Agency: Department of Administration

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Senate Bill 14
 Analysis of the Fiscal Implications to the Retirement Fund
 Prepared by Division of Retirement & Benefits
 Department of Administration
 January 25, 1989

Analysis: This bill would enable members of the TRS to receive full credit for part-time and 1/2 year teaching to establish eligibility for benefits. Benefits would continue to be calculated at half-credit. Passage of this bill is estimated to increase the state TRS contribution rate for FY90 by .06%. The FY90 state TRS payroll is estimated to be \$55,085,786 (Department of Education, \$5,025,700; and University of Alaska, \$50,060,086) and remain level for each year thereafter.

The cost to the state of \$33.0 is calculated as follows:

Estimated U of A FY90 payroll	\$ 50,060,086
TRS contribution rate increase	X <u> .06%</u>
 Total U of A cost.....	 \$ 30,000
 Estimated D.O.E. FY90 payroll	 \$ 5,025,700
TRS contribution rate increase	X <u> .06%</u>
 Total D.O.E. cost.....	 \$ 3,000

In addition to the state cost, there would also be an increase in the school districts' contribution rate of .06%, resulting in a total contribution increase of \$203.5 for FY90 and for each year thereafter.

Estimated School District FY90 payroll	\$ 339,201,043
TRS contribution rate increase	X <u> .06%</u>
 Total School District cost....	 \$ 203,521

There would not be an adverse impact on the actuarial soundness of the TRS fund. The increase in unfunded liability and the decrease in funding ratio would be negligible.

SENATE BILL 14

BY SENATOR DUNCAN

COUNTING FULL-TIME AND PART-TIME SERVICE

" An Act relating to eligibility for retirement under the teachers' retirement system."

Section 1.

Changes the eligibility requirements for normal retirement for members of the Teachers Retirement System to allow for the accumulation of both full-time and part-time membership service to count toward the total of 20 years necessary for retirement.



NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

ANCHORAGE REGIONAL OFFICE

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September 6, 1988

Senator Jim Duncan
Alaska State Senate
P.O. Box 20690
Juneau, AK 99802

Senator Mike Szymanski
Alaska State Senate
11920 John's Road
Anchorage, AK 99515

Representative Mike Navarre
Alaska House of Representatives
P.O. Box 169
Kenai, AK 99611

Dear Jim, Mike, and Mike:

An inequity exists in the eligibility provisions of the Teacher Retirement statutes as they pertain to part-time teachers.

Initially, we felt the issue might have an administrative resolution through interpretation or regulation but that appears not to be the case as a result of an opinion by the Attorney General (attached).

I am writing to request your assistance in dealing with this matter, hopefully by pre-filing legislation which would specifically address the concern. The changes required seem to be relatively simple although I am sure that there will be some actuarial impact.

Currently teachers can retire with 20 years of full-time membership service or with 20 years of part-time membership service.

The specific problem is that a teacher with a combination of full-time and part-time membership service which produces a total of 20 years of membership service is not eligible for retirement. We would like for this circumstance to be changed.

Apparently there would be an adverse cost or actuarial impact on the system since more teachers might become eligible earlier for retirement benefits. However, it would also seem that this might be offset somewhat by virtue of the fact that the part-time service could be considered pro-rata in terms of benefit computation.

Also, the system does currently provide that a person who has 20 years of full-time membership service may use any additional part-time service in benefit computations.

The appropriate legislative change which might resolve this problem is to amend AS 14.25.110 by adding a new paragraph (8) to section (a).

(8) has at least 20 years of combined full-time and part-time membership service for each of 20 years.

Thanks for your interest and cooperation. Please don't hesitate to let us know if you need additional information.

Sincerely,



Robert Manners
Executive Secretary

M1:55

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT & BENEFITS

PLEASE REPLY TO:

P.O. BOX CR
JUNEAU, ALASKA 99811-0203
PHONE: (907)465-4460

701 EAST TUDOR ROAD, SUITE 240
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Public Employees Retirement System
Teachers Retirement System
Judicial Retirement System
Elected Public Officers Retirement System
National Guard Retirement System
Territorial Retirement System
Retirees Voluntary Dental-Vision-Audio Plan
Supplemental Benefits System
Group Health/Life Insurance Benefits
Deferred Compensation Plan
Public Employers Social Security Contributions

STEVE COWPER, GOVERNOR

August 17, 1988

The Honorable Mike Szymanski
Alaska State Senate
3111 C Street, Suite 510
Anchorage, AK 99503

Dear Mike:

Enclosed is a copy of the opinion from the Attorney General that relates to your question about retirement for Sharon Traber.

As you will note, the ruling will preclude our being able to process retirement for Ms. Traber at this time.

Hope you're enjoying a relaxing interim.

Sincerely,

Jelly
Jelly Smith
Director

✓ copy handed to me

SS/nlm/1
Enclosure
cc: Bob Manners
Executive Secretary
National Education Assn
105 Municipal Way, #30.
Juneau, AK 99801

Dean Gotthrer
Special Assistant to the Commissioner
Department of Administration

8/19/88
Judy - FBI - Follow-up
It looks like we are going to have to seek legislative to deal with the issue.
Please advise if there is another alternative you think we should pursue.
Tex 13

MEMORANDUM

State of Alaska

Department of Law

ALASKA
LEGISLATIVE
COUNCIL
6:00P

TO: Hon. John Andrews, Commissioner
Department of Administration

DATE: August 15, 1988

FILE NO: 663-88-0515

TEL. NO: 465-3600

SUBJECT: TRS part-time 20-and-out provisions

FROM:

Virginia B. Ragle
Virginia B. Ragle
Assistant Attorney General
Governmental Affairs Juneau

You have asked whether a teacher may combine years of part-time with years of full-time membership service to meet the 20-year requirement of AS 14.25.110(a)(7) allowing normal retirement regardless of age. We conclude that the answer is no.

AS 14.25.110(a) sets out the eligibility requirements for normal retirement under the Teachers' Retirement System. Generally, a member must reach the age of 55 and have a certain number of years of membership service in order to take normal retirement. However, a teacher may take normal retirement at any age upon completion of 20 years of membership service (AS 14.25.110(a)(5)) or combined membership and Alaska Bureau of Indian Affairs teaching service (AS 14.25.110(a)(6)) or upon completion of 25 years of credited service, the last five of which are membership service (AS 14.25.110(a)(4)). Because part-time teachers accrue service credit in proportion to their part-time work (i.e., a half-time teacher accrues one-half year of membership service for each school year worked), career part-time teachers derive little benefit from these "20-and-out" and "25-and-out" provisions, since they usually reach age 55 before they accrue 20 years of membership service or 25 years of credited service.

In 1985, HB 228 "relating to retirement benefits for part-time teachers" was introduced at the urging of a group of teachers in Ketchikan. As enacted in 1986, the bill amended AS 14.25.110(a) by adding paragraph (7), which provides that a member may take normal retirement if the member "has at least one-half year of membership service as a part-time teacher for each of 20 school years." A bill analysis prepared by the staff of the bill's prime sponsor noted that, while 489 teachers had some part-time teaching, only a few teachers choose to work part-time throughout their careers. At the time the bill was introduced, no teacher had more than 13 years of part-time teaching, and only two had 13 years. The analysis stated that

[p]art-time teaching may be all that is available in a given community at a given time, or an indi-

vidual may make a personal choice to work part-time. This legislation makes part-time teaching a more viable long-term option for those people who, by choice or by necessity, teach on a part-time basis."

The analysis went on to explain that "[t]he fiscal impact of the bill is minor, because so few teachers have accumulated lengthy part-time service. However, the bill would provide an incentive for those teachers to continue working part-time...."

We have reviewed the minutes and committee files of all the legislative committee meetings at which HB 228 was considered, and tape recordings of the House State Affairs Committee and both the Senate and House Finance Committee meetings at which HB 228 was considered. In letters to the prime sponsor and discussion by legislators, the advantage to the state of encouraging long-term part-time teaching was that employment of part-time teachers enabled school districts to offer programs they might not otherwise be able to offer because there were not enough students to justify a full-time teacher. It was also acknowledged that half-time teachers tended to work more than half the number of hours of full-time teachers, to the schools' advantage.

As you know, in 1985-1986, fiscal impact of legislation was a matter of some concern to the legislature. 1/ Ken Humphreys, director of the division of retirement and benefits, testified before the House State Affairs Committee and the House and Senate Finance Committees that the reason the fiscal impact of the bill was so low was that the bill would only affect those teachers who served 20 years as part-time teachers. 2/ Both Mr. Humphreys and the bill's prime sponsor specifically testified

1/ That concern led the House Finance Committee to adopt a committee substitute (CS) for HB 228 that deleted a provision in the House State Affairs Committee CS that would have allowed part-time teachers to "vest" in TRS with eight years of part-time service. The deleted provision increased the fiscal impact on the state from \$14,600 to \$478,100 in 1986 alone.

2/ The actuary consultant who assisted the division in preparing the fiscal note has advised us that the assumptions upon which the fiscal note was based included assumptions that the amendment would allow no combining of part-time and full-time years to meet the 20-year requirement and that relatively few teachers would ultimately retire under the provision.

that only years of part-time service could be used to satisfy the 20-year requirement of proposed AS 14.25.110(a)(7), and that years of full-time service could not be combined with years of part-time service under the bill. 3/ See House State Affairs Committee tape #47 (Mar. 29, 1985); House Finance Committee minutes (May 10, 1985), p. 929, and tape HFC 85-59; Senate Finance Committee, tape SFC-86, #60 (May 7, 1986).

The division of retirement and benefits has consistently maintained the position that only years of part-time service may be considered in determining whether a teacher is eligible to take normal retirement at any age under AS 14.25.110(a)(7). This position is amply supported by the legislative history of AS 14.25.110(a)(7).

A question has been raised as to whether AS 14.25.100-(a)(7) violates the right of teachers who have taught for 20 school years in Alaska, but who have a mixture of full-time and part-time years, to equal protection of the law under article I, section 1 of the Alaska Constitution. We believe that the provision will withstand a challenge on equal protection grounds.

Article I, section 1 of the Alaska Constitution provides that "all persons are equal and entitled to equal rights, opportunities and protection under the law." The Alaska Supreme court employs a "sliding scale" analysis in determining the standard to be applied to a case in which a legislative enactment is challenged on equal protection grounds. State v. Erickson, 574 P.2d 1 (Alaska 1978). Determination of the standard of review to be applied is based on an analysis of the "importance of the individual rights asserted and ... the degree of suspicion with which [the court views] the resulting classification scheme." State v. Ostrosky, 667 P.2d 1184, 1193 (Alaska 1983). Once a standard of review is selected, the court applies it to the challenged legislation

by scrutinizing the importance of the governmental interests which it is asserted that the legislation is designed to serve and the closeness of the

3/ Mr. Humphreys clarified that full-time and part-time years of service may be combined to determine years of accrued service credit for other purposes, such as determining whether a teacher is vested. Of course, full-time years and part-time years are combined in determining whether a member has 20 years of membership service under AS 14.25.110(a)(5) or five years of membership service as required by AS 14.25.110(a)(4) and (6).

means-to-ends fit between the legislation and those interests. As the level of scrutiny selected is higher on the Erickson scale, we require that the asserted interests be relatively more compelling and that the legislation's means-to-ends fit be correspondingly closer. On the other hand, if relaxed scrutiny is indicated, less important governmental objectives will suffice and a greater degree of over/or underinclusiveness in the means-to-ends fit will be tolerated. ... As a minimum, we require that the legislation be based on a legitimate public purpose and that the classification "be reasonable, not arbitrary, and ... rest on some ground of difference having a fair and substantial relation to the object of the legislation."

Ostrosky, 667 P.2d at 1193 (quoting State v. Wylie, 516 P.2d 142, 145 (other citations and footnote omitted)).

The interest in taking retirement at any age involves no fundamental or important individual right, as a matter of constitutional law. 4/ No other interest is impaired by the classification created by the legislation. Therefore, a relaxed level of scrutiny of AS 14.25.110(a)(7) is appropriate.

The purpose of the chapter providing for the Teachers' Retirement System is "to encourage qualified teachers to enter

4/ Laws that impair fundamental rights such as the rights to vote, speak freely and travel and classifications based on race, ethnicity, gender, and legitimacy are scrutinized under a strict standard. Interests and rights that the Alaska Supreme Court has found not to be fundamental include the interest in receiving a particular level of workers' compensation benefits, Alaska Pacific Assurance Co. v. Brown, 687 P.2d 264 (Alaska 1984); the interest in "obtaining the right to fish as a gear license holder by lottery or apprenticeship rather than by purchase or inheritance, State v. Ostrosky, *supra*; the right to a limited entry permit, Isakson v. Rickey, 550 P.2d 359 (Alaska 1976); the right to pursue a chosen vocation (although there is a "strong" interest in this right), Hilbers v. Municipality of Anchorage, 611 P.2d 31 (Alaska 1980); and the interest in suing a particular party (although "the interest in redressing wrongs through the judicial process is significant"), Wilson v. Municipality of Anchorage, 669 P.2d 569 (Alaska 1983). Laws that impair the interests are scurtinized under relaxed standards.

and remain in service with participating employers...." AS 14.-25.012. It goes without saying that the state benefits from entry of qualified teachers into teaching service. It is also evident that the state benefits from the expertise developed by teachers who have taught for a number of years. In order to make entry into service more attractive to experienced teachers, AS 14.25 provides, among other things, that teachers with teaching service outside the state and teaching service in Alaska with the Bureau of Indian Affairs may claim a certain amount of TRS service credit for that teaching. In order to encourage teachers to remain in service in the state, AS 14.25 provides that a teacher vests in the system upon completion of specified years of membership service or combinations of membership and other service. Vesting entitles a teacher to take normal retirement at age 55, or reduced early retirement at age 50. An even greater incentive to remain in service in the state is provided by the provisions under which a teacher may take normal retirement at any age after completion of 20 or 25 years of specified service. AS 14.25.110-(a)(4) -- (7).

When it considered HB 228, the legislature recognized that promotion of long-term part-time teaching was also beneficial to the state's school districts. The purpose of the legislation was to secure this benefit for the state by making "part-time teaching a more viable long-term option for those people who, by choice or by necessity, teach on a part-time basis" and to "provide an incentive for" teachers who had worked part-time for a number of years "to continue working part-time...." The means by which the legislature accomplished its goal was to allow part-time teachers to take normal retirement after 20 years of part-time teaching, instead of requiring part-time teachers to wait until age 55 to take retirement. This provision serves the purpose of encouraging teachers to continue to teach in programs that call for part-time teachers instead of either seeking full-time teaching positions in order to take advantage of provisions allowing retirement before age 55 or leaving teaching service in order to obtain benefits from other employment.

We believe that the legislative purpose of HB 228 is consistent with the general purpose of AS 14.25, is legitimate, and that there is at least a substantial relationship between the purpose of the legislation and the means by which the purpose is accomplished. Although allowing a combination of full-time teaching years and part-time teaching years to satisfy the 20-year requirement of AS 14.25.110(a)(7) would arguably also encourage teachers to teach part-time, it would not serve as well to encourage long-term commitment of experienced teachers to part-time teaching positions. The classification created by the legisla-

Hon. John Andrews, Commissioner
Department of Administration
663-88-0515

August 15, 1988
Page #6

tion rests on a ground of difference that is substantially related to the object of the legislation. Any over- or underinclusiveness in the classification resulting from the legislative enactment does not rise to the level of denial of equal protection.

Please let us know if you need further advice in this matter.

VBR/pjg

cc: Sally Smith, Director
Division of Retirement and Benefits

(e) The monthly amount of a retirement benefit must be determined in accordance with (d) of this section as it is in effect on the date of termination of the retiring member's last segment of employment.

(f) The annual amount of retirement benefits for a retiring member who was a member of the retirement system established by the Retirement Act of 1945 may not be less than \$975 plus 10 percent of the total contribution made by the member to the retirement fund of 1945.

(g) A member who is eligible for a service retirement salary under this chapter or under the Retirement Act of 1945 is entitled to a benefit of at least \$25 per month for each year of credited service, excluding adjustments made under AS 14.25.142 or 14.25.143. If the member elected option two under AS 14.25.063(b)(2) for payment of any indebtedness when the member initially applied for a retirement benefit, or if the member elected to receive an early retirement benefit under (b) of this section, the resulting benefit reduction continues in effect.

(h) The monthly retirement benefit for a member who was receiving a retirement benefit on July 1, 1955, is \$50 a month if the member was at least 55 years of age on July 1, 1955.

(i) Benefits payable under this section accrue from the first day of the month after which all of the following requirements are met: (1) the member meets the eligibility requirements of this section; (2) the member terminates employment; and (3) the member applies for retirement. Benefits are not payable under this section during a school year in which credit for a full year of service is granted. The benefits are payable the last day of the month. If payment is delayed, a retroactive payment must be made for the month in which a benefit is payable under this section. The last payment shall be for the month in which the member dies or is no longer eligible for a benefit under this section. (§ 12 ch 145 SLA 1955; am § 4 ch 142 SLA 1957; am § 9 ch 89 SLA 1960; am § 4 ch 86 SLA 1963; am § 6 ch 151 SLA 1966; am § 2 ch 85 SLA 1971; am § 8 ch 66 SLA 1973; am § 1 ch 77 SLA 1973; am § 2 ch 57 SLA 1974; am §§ 1 — 3 ch 173 SLA 1975; am § 5 ch 169 SLA 1976; am § 14 ch 13 SLA 1980; am § 2 ch 146 SLA 1980; am § 9 ch 137 SLA 1982; am § 1 ch 81 SLA 1986; am §§ 1, 2 ch 117 SLA 1986)

Effect of amendments. — The first 1986 amendment added paragraph (7) of subsection (a) and made minor, related word and punctuation changes.

The second 1986 amendment added "Subject to AS 14.25.167" at the beginning of subsections (a) and (b) and made related grammatical changes.

Editor's notes. — The 1982 amendment of AS 14.25.063(b), which is referred to in subsection (g), deleted the language

The reference to AS 14.25.063(b)(2) in subsection (g) is incorrect in light of the 1982 amendment of that section, which rewrote subsection (b).

Opinions of attorney general. — The legislature did not intend such a strict interpretation as to require a teacher to work the last 5 school years for the full 140-day year. 1966 Op. Att'y Gen. No. 2

A teacher satisfies the requirement of subsection (a) by working any five creditable years or combination of fractional

credit for service as an employee of the Territory of Alaska was granted for the same period under the public employees' retirement system (AS 39.35).

(c) A teacher who elects to receive credited service under this section for service to the Territory of Alaska shall make a retroactive contribution under this system for the period of territorial employment following June 30, 1955. (§ 1 ch 146 SLA 1980)

Sec. 14.25.107. Credit for Alaska BIA service. A member who joins the system on or after July 1, 1978, who has Alaska BIA service may claim all of that service as credited service. A retirement benefit payable under this chapter for Alaska BIA service shall be reduced by an amount equal to the retirement benefits paid to the member by the United States government for the same service. (§ 8 ch 137 SLA 1982)

Sec. 14.25.110. Retirement benefits. (a) Subject to AS 14.25.167, a member is eligible for a normal retirement benefit if the member

(1) was first hired before July 1, 1975, has attained the age of 55 years, and has at least 15 years of credited service, the last five of which have been membership service;

(2) has attained the age of 55 years and has at least eight years of membership service;

(3) has attained the age of 55 years, has at least five years of membership service, and has at least three years of Alaska BIA service;

(4) has at least 25 years of credited service, the last five of which have been membership service;

(5) has at least 20 years of membership service;

(6) has at least 20 years of combined membership service and Alaska BIA service, the last five of which have been membership service; or

(7) has at least one-half year of membership service as a part-time teacher for each of 20 school years.

(b) Subject to AS 14.25.167, a member is eligible for an early retirement benefit upon completing any one of the service requirements in (a)(1), (2), or (3) of this section and attaining the age of 50 years.

(c) The burden is on the applicant to prove eligibility for retirement benefits to the full satisfaction of the administrator.

(d) The monthly amount of a retirement benefit for a member who has paid the full amount of any indebtedness is two percent of the member's average base salary during any three school years of membership service times the years of credited service, including credited fractional years, divided by 12. An actuarial adjustment must be made for early retirement.