



Senator Scott Jiu Wo Kawasaki

Alaska State Legislature

District A Fairbanks

CSSB 6 (EDC) Sponsor Statement

“An Act relating to retirement incentives for members of the defined benefit retirement plan of the Teachers' Retirement System and the defined benefit retirement plan of the Public Employees' Retirement System of Alaska; and providing for an effective date.”

Senate Bill 6 would implement a temporary, voluntary Retirement Incentive Program to increase state savings by allowing public employees to retire up to three years early. Long-serving public employees are among the highest paid in the state. In many cases, pensions paid to retiring employees would cost the state less money than their current salaries. Providing high-salaried employees the option to retire early would save Alaska money through lower personnel costs.

SB 6 could also help prevent layoffs. The bill presents a method of cost-cutting and payroll reduction without forcing anyone out of the workforce before they are ready to retire. This gives the State of Alaska the opportunity to reduce operating costs by opening vacancies that enable the placement of more junior employees. Retirement incentive programs are regularly used in the private sector to efficiently control personnel costs through market incentives rather than heavy-handed layoffs.

Retirement Incentive Programs have been used on a temporary basis three times in Alaska's history and was last proposed in 2004. In 1986, Senator Jim Duncan estimated savings at approximately \$25 million. A Legislative Audit of the 1989 Retirement Incentive Program demonstrated a savings of \$22.9 million with nearly 1,764 individual participants. In 1996, Rep. McGuire calculated the state gained \$41 million in savings through identical legislation.

Senate Bill 6 is an innovative policy option for state agencies, municipalities and school districts to consider as a means to reduce payroll costs without layoffs.

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In Juneau ○ Alaska State Capitol Room 7, Juneau, Alaska 99801
In Fairbanks ○ 1292 Sadler Way Suite 306, Fairbanks, Alaska 99701
Juneau ○ (907) 465-3466 ○ **Fairbanks** ○ (907) 456-7423
Email: Sen.Scott.Kawasaki@akleg.gov