

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: 5  
 Bill Version: CSHB 329(STA)  
 (H) Publish Date: 2/23/04

Revision Date/Time (Note if correction): 2/13/04 Dept. Affected: Administration  
 Title An Act relating to Retirement Incentive Programs RDU ALL  
for PERS, TRS, JRS; related separation incentives Component ALL  
 Sponsor Rep. McQuire  
 Requester \_\_\_\_\_ Component No. 64

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	321.5	321.5	321.5	74.9	74.9	74.9
Travel	30.0	30.0	30.0	0.0	0.0	0.0
Contractual	295.0	210.0	210.0	0.0	0.0	0.0
Supplies	16.0	8.0	8.0	2.0	2.0	2.0
Equipment	80.0	0.0	0.0	0.0	0.0	0.0
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>742.5</b>	<b>569.5</b>	<b>569.5</b>	<b>76.9</b>	<b>76.9</b>	<b>76.9</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
Retirement System - PERS - 67%	497.5	381.6	381.6	51.5	51.5	51.5
Retirement System - TRS - 33%	245.0	187.9	187.9	25.4	25.4	25.4
<b>TOTAL</b>	<b>742.5</b>	<b>569.5</b>	<b>569.5</b>	<b>76.9</b>	<b>76.9</b>	<b>76.9</b>

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time	2	2	2	2	2	2
Part-time	0	0	0	0	0	0
Temporary	6	6	6	0	0	0

**ANALYSIS:** (Attach a separate page if necessary)

The above fiscal information relates to costs to administer the program only; see page 2.

AS 24.08.036 FISCAL NOTES ON BILLS AFFECTING STATE RETIREMENT SYSTEMS, requires an additional analysis of the long term and short term costs to the state if a bill is adopted, as well as the impact of the bill on the actuarial soundness of the funds. The analysis presented here does NOT include the employer and system wide costs related to RIP eligibles that results in a continuing liability to the system once the employee is retired, and the related increase in accrued liability for pension and post-retirement health costs over the life of RIP retirees.

Prepared by: Melanie Millhorn, Director Phone 465-4408  
 Division Retirement and Benefits Date/Time 2/13/04 4:27 p.m.  
 Approved by: Mike Miller, Commissioner Date \_\_\_\_\_  
 Agency Administration

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ANALYSIS CONTINUATION

The estimated administrative costs to the division by fiscal year are as follows:

	FY 2005	FY 2006	FY 2007	FY 08-10		
<b>PERSONAL SERVICES:</b>						
1 - R&B Specialist I - Range 16	Counsel	NP	52.0	52.0	52.0	0.0
4 - R&B Tech I/II - Range 12	Process	NP	159.6	159.6	159.6	0.0
1 - R&B Tech I/II - Range 12	Process	Perm	39.9	39.9	39.9	39.9
1 - Admin. Clerk - Range 10	Intake	NP	35.0	35.0	35.0	0.0
1 - Admin. Clerk - Range 10	Records	Perm	35.0	35.0	35.0	35.0
			<u>321.5</u>	<u>321.5</u>	<u>321.5</u>	<u>74.9</u>
TRAVEL:	Counsel Prospective Retirees and Seminars		30.0	30.0	30.0	0.0
<b>CONTRACTUAL:</b>						
	Communications & Postage		90.0	45.0	45.0	0.0
	Computer system modifications		50.0	10.0	10.0	0.0
	Actuarial Services		75.0	75.0	75.0	0.0
	Accounting & Legal Services		75.0	75.0	75.0	0.0
	Training \ Risk Management		5.0	5.0	5.0	0.0
			<u>295.0</u>	<u>210.0</u>	<u>210.0</u>	<u>0.0</u>
SUPPLIES:	Office supplies, calculators, desk-top software		16.0	8.0	8.0	2.0
EQUIPMENT:	Workstation & cubicle, chairs, file cabinets, computers, telephone, set-up costs		80.0	0.0	0.0	0.0
	For non-perms and temp. - set-up and take down.					
	TOTAL		742.5	569.5	569.5	76.9

This bill creates a retirement incentive program for the Public Employers' (PERS), Teachers' (TRS) and Judicial (JRS) Retirement Systems. In addition, it allows for separation bonuses for state employees. Authorization for state employees could begin as early as June 30, 2003 or as late as June 30, 2006 (for purposes of this analysis updated to 2004-2007 for the 2nd Session). RIP eligibility periods for state employees would be designated by the Commissioner of Administration. RIP window periods would last from 30-60 days. RIP eligibility periods for the University of Alaska would be designated by the Board of Regents. The Board of Regents could adopt a RIP any time between June 30, 2003 or as late as June 30 2006. Participating PERS political subdivision employers could adopt a RIP between October 31, 2003 and end no later than June 30, 2004. The chief justice of the state supreme court may adopt a retirement incentive plan for an administrative director of the Alaska Court System if the director is a member of JRS.

Active PERS, TRS and JRS members who meet the cost savings criterion could retire on an accelerated basis with an increased benefit under the following conditions: at age 47 or age 53 (depending on tier), if vested; with 17 years of service as a qualified peace officer, firefighter or teacher; or with 27 years of credited service in the PERS. Qualifying members are indebted to the retirement system and must make a lump sum payment or take an actuarial reduction from their lifetime benefit for the indebtedness amount. The total cost of the incentive is required to be paid within 3 years and will not impact the actuarial soundness of the systems.

Reemployment into the PERS, TRS or JRS or the optional university retirement program after appointment to a RIP retirement will require members to repay 110 percent of the amount they received as a result of RIP participation plus they will forfeit the RIP credit when they retire again.

We estimate that 2 permanent employees will be needed to manage the operations of the program and increased service demands into the future. 6 long-term non-permanent employees will also be needed over the next three fiscal years. Personnel will handle increased counseling in house as well as in field locations, address and beneficiary changes, account maintenance, and other services. Subsequent increases in the number of retirees will necessitate increased permanent employees to handle the increased demand for information and services.