

Fiscal Note

State of Alaska
2023 Legislative Session

| | |
|---------------------|-----------|
| Bill Version: | SB 14 |
| Fiscal Note Number: | 1 |
| (S) Publish Date: | 2/22/2023 |

Identifier: SB014-DOA-DRB-1-27-23
 Title: RIP FOR PUBLIC EMPLOYEES/TEACHERS
 Sponsor: KAWASAKI
 Requester: (S) EDC

Department: Department of Administration
 Appropriation: Centralized Administrative Services
 Allocation: Retirement and Benefits
 OMB Component Number: 64

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

| | FY2024 | Included in | Out-Year Cost Estimates | | | | | |
|-------------------------------|-------------------------|---------------------------|-------------------------|----------------|----------------|----------------|----------------|----------------|
| | Appropriation Requested | Governor's FY2024 Request | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
| OPERATING EXPENDITURES | FY 2024 | FY 2024 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
| Personal Services | 632.2 | | 632.2 | 632.2 | | | | |
| Travel | 16.0 | | 16.0 | 16.0 | | | | |
| Services | 100.1 | | 100.1 | 100.1 | | | | |
| Commodities | 45.0 | | 45.0 | 45.0 | | | | |
| Capital Outlay | | | | | | | | |
| Grants & Benefits | | | | | | | | |
| Miscellaneous | | | | | | | | |
| Total Operating | 793.3 | 0.0 | 793.3 | 793.3 | 0.0 | 0.0 | 0.0 | 0.0 |

Fund Source (Operating Only)

| | | | | | | | | |
|-------------------------|--------------|------------|--------------|--------------|------------|------------|------------|------------|
| 1029 PERS Trust (Other) | 606.8 | | 606.8 | 606.8 | | | | |
| 1034 Teach Ret (Other) | 186.5 | | 186.5 | 186.5 | | | | |
| Total | 793.3 | 0.0 | 793.3 | 793.3 | 0.0 | 0.0 | 0.0 | 0.0 |

Positions

| | | | | | | | | |
|-----------|-----|--|--|--|--|--|--|--|
| Full-time | 6.0 | | | | | | | |
| Part-time | | | | | | | | |
| Temporary | | | | | | | | |

Change in Revenues

| | | | | | | | | |
|--------------|------------|------------|------------|------------|------------|------------|------------|------------|
| None | | | | | | | | |
| Total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimated SUPPLEMENTAL (FY2023) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2024) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
 If yes, by what date are the regulations to be adopted, amended or repealed? TBD

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

| | | | |
|--------------|---|--------|---------------|
| Prepared By: | Ajay Desai, Director | Phone: | (907)465-4471 |
| Division: | Retirement & Benefits | Date: | 01/27/2023 |
| Approved By: | Leslie Isaacs, Administrative Services Director | Date: | 1/28/23 |
| Agency: | Department of Administration | | |

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2023 LEGISLATIVE SESSION

Analysis

This fiscal note details the anticipated operational fiscal impacts associated with this bill. The Division of Retirement and Benefits (DRB) anticipates fiscal impact to Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) trusts, however that impact is discussed in a separate fiscal note that will be submitted when that analysis is complete.

This bill will implement a temporary, voluntary Retirement Incentive Program (RIP) to produce cost-savings by allowing qualified public employees and teachers to retire up to three years early.

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, political subdivision employers, and school districts the opportunity to reduce operating costs by allowing certain positions to become vacant and/or eliminating positions.

This bill will allow for a retired teacher to be hired as a mentor without stopping the retiree's Teachers' Retirement System (TRS) monthly retirement benefit or receiving additional TRS service.

DRB will require six permanent employees, two Retirement and Benefits Specialist II positions and four Retirement and Benefits Technician II positions (personal services) plus computer, phone, cubicle, supplies (commodities) to provide member counseling support and to process required documents.

The Division will incur costs related to contracted actuarial consultants to support establishment of the RIP program and to advise on ongoing management activities, support from the Department of Law for legal and regulatory review, and will need to reprogram its computer systems, program an indebtedness calculation tool for employees and print/post online the necessary documents and election forms, as well as update existing publications (services). These costs are anticipated to largely accrue when the program is first established, however, some consulting and legal support services will be ongoing.

Education to employers will be required to detail enrollment policies and procedures and employer reporting requirements. Education to employees will be required for eligible PERS and TRS employees to make an informed decision during the enrollment period which will require travel to employer worksites (travel).

These costs will be split between the PERS and TRS trusts, with the total funds split by volume of PERS and TRS participants (76.49% to PERS, 23.51% to TRS). The RIP program would sunset on July 1, 2026, so out-year costs would only be incurred through FY26.

The Department would need to update regulations as a result of the passage of this bill. The timing of these regulations would be determined by the effective date of the bill.