

COMMITTEE REPORT
SENATE

FURTHER:

3/24/86

Date 4/25/86

Mr. President

The Committee on FINANCE considered CSHB 382 (Fin) am

creating a retirement incentive program for state employees in the Public Employees' Retirement System and the Teachers' Retirement System; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt SCS for CSHB 382 (Fin) ^{4/24/86}
- new title
- same title and recommends DO PASS
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
@ DDA
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]

Rich Hayward

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

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[Signature]

[Signature]

[Signature]

Paul Fitch NR

Co - [Signature]

Chairman do pass

Chairman recommendation

Cramer ✓

A M E N D M E N T

Offered in the SENATE FINANCE COMMITTEE

By Eliason
& Kerittula

TO: SCS CSHB 382 (Finance)

Page 3, line 15, after "Alaska" insert:

"or a member of the Teacher's Retirement System other than
an employee of the University of Alaska;"

Page 3, line 19, after "System;" insert "and"

Page 3, lines 20 - 21, delete all material

Page 5, line 16, after "Alaska" insert:

"or a member of the Teacher's Retirement System other than
an employee of the University of Alaska"

Page 5, line 21, after "1987." through page 5, line 22,
delete all material

Adapted
4/25/86

SECTIONAL ANALYSIS FOR SCS FOR CS HOUSE BILL 382 (Fin)

An Act creating a retirement incentive program for members of the Public Employee's Retirement System and the Teacher's Retirement System and providing for an effective date

Section 1 PURPOSE

Because of declining revenues, it may be necessary for the State, local government and school districts to reduce their personnel costs. Therefore, a program encouraging voluntary retirement may reduce the hardship of layoffs and result in sufficient economies to offset the cost of awarding retirement credits.

Section 2 STATE EMPLOYEES

State agencies shall consider the potential savings of employee participation in a Retirement Incentive Program (RIP) before laying off workers. Each agency head shall designate groups of employees (members of either PERS or TRS) that are eligible to participate in RIP.

The Office of Management and Budget will then assess whether participation in the RIP program will result in overall savings to the agency. In other words, the savings in personnel costs must offset the costs of retirement incentives.

Eligible employees must be vested in either the Public Employees Retirement System or the Teacher's Retirement System and have been continuously employed since January 1, 1986. However, anyone that was laid off after December 31, 1985 may participate.

Section 3 OTHER EMPLOYEES IN THE PUBLIC EMPLOYEES RETIREMENT SYSTEM

This section allows local governments with employees in PERS the option of establishing a similar program.

Section 4 OTHER EMPLOYEES IN THE TEACHER'S RETIREMENT SYSTEM

This section allows local school districts with employees in TRS the option of establishing a similar program.

Section 5 PROGRAM REQUIREMENTS

Applications for participation in RIP will be accepted if a vested employee (by adding the 3 additional years)

qualifies to retire on or before the following dates:

- 1) October 1, 1987 for state employees;
- 2) January 1, 1988 for University of Alaska employees;
- 3) April 1, 1988 for local government employees and classified school district employees;
- 4) July 1, 1988 for teachers.

State agencies shall reimburse the retirement system for the costs of each employee participating in RIP. The amount is determined by the difference between what the member receives after the RIP benefit over what he or she would have received without the program less the additional employee contribution mandated in this bill.

Each agency shall pay an appropriate share of the administrative costs of the program.

Employees taking advantage of the Retirement Incentive Program shall receive three years retirement credit to be applied in the following order:

- 1) to reduce age or service required for eligibility for normal retirement currently at 55 or early retirement which is currently at 50;
- 2) to increase the retirement benefit of the employee to lessen the impact of early retirement;
- 3) as years of credited service for calculating the retirement benefit;
- 4) or a combination of all of the above.

Employees taking advantage of RIP are required to contribute to the cost by paying the retirement system 3 times their retirement contribution rate times their annual compensation rate. Employees are given the option of paying off the indebtedness or taking an actuarial reduction in benefits.

Persons that take advantage of RIP and then decide to return to a job which enrolls them in PERS or TRS would lose the incentive credits previously obtained. In addition, they would be indebted to the system in an amount equal to 110% of what they receive as well as health insurance costs.

Employees could apply and be eligible for the Retirement

Incentive Program between the following dates:

- 1) State employees, July 1, 1986 to October 1, 1987;
- 2) University employees, October 1, 1986 to September 30, 1987;
- 3) Classified school district employees, January 1, 1987 and December 31, 1987;
- 4) Teachers, April 1, 1987 and March 31, 1988.

State employees that were previously employed by a municipality before they were a part of PERS may claim that credit.

Section 6 OFFICE OF MANAGEMENT AND BUDGET

State agencies shall provide OMB with all the necessary information regarding employee participation in the Retirement Incentive Program. OMB will report to the Legislature in January of 1987 and 1988 regarding the impact of RIP on state operation and personnel costs.

Section 7 DEFINITIONS

Current statute definitions of teachers enrolled in TRS and state employees enrolled in PERS are used in this bill.

Section 8

Any member that submits a timely application for participation in RIP shall be considered eligible notwithstanding the repealer date of April 1, 1988.

Section 9

This law is repealed April 1, 1988.

Section 10

This act takes effect immediately.

4/19/86 Adopted CS (Fin)
Ferguson Amend. Adopted
KerHula Amend. Adopted

4/19/86
Sackitt 3-
H
H

WORK DRAFT 4/24/86 Humphrey amendment Adopted p. 2 letter 4/22/86 WORK DRAFT
Eliason → 2 2 5(d) —
Humphrey p. 4 insert (repealed by 9) Cramer 4/18/86 ✓

Original sponsors: Duncan, M.M. Miller,
Gruenberg, et al

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 382 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act creating a retirement incentive program for
7 members of the Public Employees' Retirement System
8 and the Teachers' Retirement System; and providing
9 for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. PURPOSE. Since it is necessary for state agencies and may
12 be necessary for other employers who participate in the state retirement
13 systems to reduce their personal services costs because of declining state
14 revenue, a program encouraging employees to retire voluntarily may reduce
15 the hardship of layoffs. This program is intended to realize sufficient
16 economies to offset the cost of administration and benefits to state agen-
17 cies and other employers resulting from the award of retirement credits and
18 to result in a net reduction in personal services costs to the state or
19 other employer during a period of declining revenue.

20 * Sec. 2. STATE EMPLOYEES. (a) Before a state agency lays off employ-
21 ees, the executive head of the agency shall consider the potential savings
22 in personal services costs from the agency's participation in the retire-
23 ment incentive program. The agency head may designate organizational units
24 composed of members of the Public Employees' Retirement System or the
25 Teachers' Retirement System who are eligible to participate in the retire-
26 ment incentive program. The administrator shall approve a designated
27 organizational unit if the Office of Management and Budget certifies that
28 participation in the program by the unit will result in a savings to the
29 agency in personal services costs and that the designation only includes

1 representatives from job classifications whose inclusion contributes to the
2 overall cost savings.

3 (b) A vested member who is a state employee in the Public Employees'
4 Retirement System and who is in a designated organizational unit on the
5 date the agency head designates the unit and who has been continuously
6 employed by the state since January 1, 1986, is eligible to participate in
7 the retirement incentive program. A vested member who is a state employee
8 in the Teachers' Retirement System and who is in a designated organization-
9 al unit on the date the agency head designates the unit and who has been
10 continuously employed by the state since January 1, 1986, is eligible to
11 participate in the retirement incentive program.

12 (c) Notwithstanding (b) of this section and sec. 5(e) of this Act, a
13 member who was laid off from state employment after December 31, 1985, and
14 who meets the other requirements of this Act is eligible to participate in
15 the program even if the member has not been continuously employed by the
16 state since January 1, 1986.

17 * Sec. 3. OTHER EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM.
18 The governing body of a municipality, other political subdivision of the
19 state, or public organization that has elected to participate in the Public
20 Employees' Retirement System under AS 39.35.550 - 39.35.650 may adopt a
21 resolution designating organizational units in the municipality, political
22 subdivision, or organization and establishing requirements for employees
23 who are eligible to participate in the retirement incentive program. The
24 administrator shall approve the designation after receiving a certified
25 copy of the resolution if the employer meets the requirements of this Act.
26 A vested member of the Public Employees' Retirement System who meets the
27 requirements established by the resolution is eligible to participate in
28 the retirement incentive program.

29 * Sec. 4. OTHER EMPLOYEES IN THE TEACHERS' RETIREMENT SYSTEM. A school

1 board or other employer under the Teachers' Retirement System may designate
2 organizational units and establish requirements for employees who are
3 eligible to participate in the retirement incentive program. The employer
4 shall notify the administrator of the designation and the administrator
5 shall approve it if the employer meets the requirements of this Act. A
6 vested member of the Teachers' Retirement System who meets the requirements
7 of the designation is eligible to participate in the retirement incentive
8 program.

9 * Sec. 5. PROGRAM REQUIREMENTS. (a) The administrator shall accept
10 the application of an eligible vested member if

11 (1) the member will be qualified to retire under AS 14.25.110 or
12 AS 39.35.370 after receipt of the retirement incentive and will be appoint-
13 ed to retirement on or before

14 (A) October 1, 1987, if the member is an employee of the
15 state other than the University of Alaska;

16 (B) January 1, 1988, if the member is an employee of the
17 University of Alaska;

18 (C) April 1, 1988, for all other members of the Public
19 Employees' Retirement System;

20 (D) July 1, 1988, for all other members of the Teachers'
21 Retirement System; and

22 (2) the member's agency or the employer under AS 14.25 or
23 AS 39.35.550 - 39.35.650 has signed a reimbursement agreement that

24 (A) requires the agency or employer to reimburse the system
25 for each member who is retired within three years after the end of the
26 fiscal year in which the member is appointed to retirement in an
27 amount equal to

28 (i) the actuarial equivalent of the difference between
29 the benefits the member receives after the addition of the

1 retirement incentive under this section and the amount the member
2 would have received without the incentive less the amount the
3 participant has paid on the indebtedness determined under (c) of
4 this section; and

5 (ii) an appropriate share of the administrative costs
6 of the program; and

7 (B) provides that contributions from the agency or employer
8 to the system under this section take priority over other obligations
9 of the agency or employer to the maximum extent permitted by law.

10 (b) A participant in the retirement incentive program receives a
11 credit of three years. The three years must be applied in the following
12 order

13 (1) to reduce the age or service required for eligibility for
14 normal retirement or the age required for eligibility for early retirement
15 under AS 14.25.110, AS 39.35.370, or 39.35.385;

16 (2) to reduce the actuarial adjustment required for early re-
17 tirement;

18 (3) as years of credited service, ^{from Dec 1, 1986} for calculating retirement
19 benefits; or

20 (4) a combination of (1) - (3) of this subsection.

21 (c) A participant in the retirement incentive program is indebted to
22 the system. For a member in the Public Employees' Retirement System, the
23 amount of the indebtedness is 15 percent for a peace officer or fireman, or
24 12 and three-quarters percent for other members, of the member's actual
25 annual compensation, or the calculated annual compensation for a member who
26 works fewer than 12 months, for the calendar year in which the member
27 terminates employment to participate in the program. For a member in the
28 Teachers' Retirement System, the amount of indebtedness is 21 percent of
29 the member's actual compensation for the school year, or the calculated

1 school year compensation for a member who works less than the entire school
2 year, for the school year in which the member terminates employment to
3 participate in the program. An outstanding indebtedness at the time a par-
4 ticipant is appointed to retirement shall necessitate an actuarial adjust-
5 ment to the benefits payable.

6 (d) If a participant in the retirement incentive program is reem-
7 ployed as a member of the Public Employees' Retirement System under AS 39.-
8 35 or the Teachers' Retirement System under AS 14.25 after appointment to
9 retirement under the program, the participant loses the incentive credit
10 received under (b) of this section and is indebted to the system. The
11 amount of the indebtedness is equal to 110 percent of the amount the par-
12 ticipant received as a result of participation in the program for which the
13 participant was not otherwise entitled, including the cost of health insur-
14 ance. The participant is entitled to a credit to be applied against the
15 reemployment indebtedness in the amount the participant has paid under (c)
16 of this section. Interest accrues on the indebtedness at the rate estab-
17 lished by regulation from the date of reemployment until the member is
18 appointed to retirement and accepts an actuarial adjustment to the member's
19 future benefits or until the amount is paid in full.

20 (e) A member who wishes to participate shall apply on a form provided
21 by the administrator. A member may not apply for participation in the
22 retirement incentive program unless the member is employed in a position in
23 a designated organizational unit. A state employee other than an employee
24 of the University of Alaska may apply for participation in the program
25 until June 30, 1987. An employee of the University of Alaska may apply for
26 participation in the program between October 1, 1986, and September 30,
27 1987. Other members of the Public Employees' Retirement System may apply
28 for participation in the program between January 1, 1987, and December 31,
29 1987. Other members of the Teachers' Retirement System may apply for

1 participation in the program between April 1, 1987, and March 31, 1988.

2 (f) Notwithstanding other provision of law, a vested member who is a
3 state employee may receive credit for municipal employment before the
4 municipality became an employer under the system for purposes of determin-
5 ing eligibility for retirement under AS 14.25.110 or AS 39.35.370. The
6 member may not receive credit under this subsection for those years for
7 purposes of determining benefits. *Ferguson insert*

8 (g) To recover a delinquency owed by an employer other than the state
9 under an agreement entered under (a)(2) of this section, the Department of
10 Administration may

11 (1) bring an action against the employer; or

12 (2) direct that the amount of the delinquency or a lesser amount
13 be withheld from any money payable to the employer by a state department or
14 agency and that the amount withheld be credited to the delinquency.

15 * Sec. 6. OFFICE OF MANAGEMENT AND BUDGET. (a) When designating an
16 organizational unit for participation in the retirement incentive program,
17 the executive head of a state agency shall provide the Office of Management
18 and Budget with information that describes with particularity the expected
19 effect of participation in the program on the agency's personal services
20 cost and operation by employees in the unit.

21 (b) A state agency that is participating in the retirement incentive
22 program shall report as required by the Office of Management and Budget on
23 the cost of each member's participation and the effect on the agency's
24 personal services cost and operation.

25 (c) The Office of Management and Budget shall report to the legisla-
26 ture in January 1987 and 1988 on the effect of the retirement incentive
27 program on state operation and personal services costs.

28 * Sec. 7. DEFINITIONS. The definitions set out in AS 14.25.220 apply
29 to this Act for members of the Teachers' Retirement System. The

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definitions set out in AS 39.35.680 apply to this Act for members of Public Employees' Retirement System.

* Sec. 8. A member who is eligible under secs. 2 - 5 of this Act who has submitted a timely application for participation in the retirement incentive program may be considered for participation in the program notwithstanding sec. 9 of this Act.

* Sec. 9. Sections 1 - 7 of this Act are repealed July 1, 1988.

* Sec. 10. This Act takes effect immediately in accordance with AS 010.070(c).

SFC-86
4/19/86
Adopted

SCS CSHB 382 (FIN)

TO : Robanne
Rep Duncan's Office

FROM John Logan
Retirements

SUBJECT HB 382 DATE 4/17/86

MESSAGE

We're opposed to allowing employees to use non-PERS/TRS service credit to qualify in the program, but if it is going to be added, we'd like to see the following sentence included at the end of the paragraph:

"In order for an employee to receive credit under this subsection, the state agency must show that the employee's participation in the program will contribute to the overall savings of that agency."

thanks,
John

SIGNED

Amendment
By Ferguson

Pg. 6, Line 7
Add the word
"benefits." Insert:



SCS-86

4/19/86

[Handwritten signature]

4-19-86

PROPOSED AMENDMENT TO SCS CSHB-382 (FINANCE) BY KERTTULA

Page 4, after line 20, add a new subsection to read:

"(C) Only service credit for employment rendered to an employer under AS 14.25 or AS 39.35 may be used to qualify a participant for retirement under the retirement incentive program."

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

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT & BENEFITS

PLEASE REPLY TO:

POUCH CR (MS 0203)
JUNEAU, ALASKA 99811
PHONE (907)465-4460

2600 DENALI ST. SUITE 401
ANCHORAGE, ALASKA 99503
PHONE (907) 277-7504

Bill Sheffield, Governor

April 17, 1986

The Honorable Jay Kerttula
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

APR 18 1986

Dear Senator Kerttula:

At the Senate Finance Committee hearing on House Bill 382 on April 14, 1986, you expressed concern that members of the retirement systems could qualify for retirement under the bill by using credit for service not actually rendered in the systems, e.g., military service, outside teaching, etc. Because the bill already provides that members must be vested, the only way a member could use such service to meet the requirements for retirement under the bill would be in the instance of service retirements ("30 and out" in the PERS and "25 and out" and the "20 and out" with combined membership and Alaska BIA service in the TRS). The following amendment would preclude that from happening.

Draft SCS CSHB 382 (Finance) Page 4, after line 17, add a new subsection to read:

"(C) Only service credit for employment rendered to an employer under AS 14.25 or AS 39.35 may be used to qualify a participant for retirement under the retirement incentive program."

The division would have no objection to this amendment. If you have other concerns about the bill, I will be happy to work with you on them.

Sincerely,


J.K. Humphreys
Director

JKH/JAL/cam/4

cc: The Honorable Jan Faiks
Chairperson, Senate Finance Committee
Alaska State Legislature

The Honorable Jim Duncan
Representative
Alaska State Legislature

Mike McMullen, Special Assistant
Department of Administration

Cramer
4/12/86

Original sponsors: Duncan, M.M. Miller,
Gruenberg, et al

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 382 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act creating a retirement incentive program for
7 members of the Public Employees' Retirement System
8 and the Teachers' Retirement System; and providing
9 for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. PURPOSE. Since it is necessary for state agencies and may
12 be necessary for other employers who participate in the state retirement
13 systems to reduce their personal services costs because of declining state
14 revenue, a program encouraging employees to retire voluntarily may reduce
15 the hardship of layoffs. This program is intended to realize sufficient
16 economies to offset the cost of administration and benefits to state
17 agencies and other employers resulting from the award of retirement credits
18 and to result in a net reduction in personal services costs to the state or
19 other employer during a period of declining revenue.

20 * Sec. 2. STATE EMPLOYEES. (a) Before a state agency lays off employ-
21 ees, the executive head of the agency shall consider the potential savings
22 in personal services costs from the agency's participation in the retire-
23 ment incentive program. The agency head may designate organizational units
24 composed of members of the Public Employees' Retirement System or the
25 Teachers' Retirement System who are eligible to participate in the retire-
26 ment incentive program. The administrator shall approve a designated
27 organizational unit if the Office of Management and Budget certifies that
28 participation in the program by the unit will result in a savings to the
29 agency in personal services costs and that the designation only includes

074170

Cramer
4/12/86

*Outdated
SCS*

M.M. Miller,
et al

BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 382 (Finance)

LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act creating a retirement incentive program for members of the Public Employees' Retirement System and the Teachers' Retirement System; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. PURPOSE. Since it is necessary for state agencies and may be necessary for other employers who participate in the state retirement systems to reduce their personal services costs because of declining state revenue, a program encouraging employees to retire voluntarily may reduce the hardship of layoffs. This program is intended to realize sufficient economies to offset the cost of administration and benefits to state agencies and other employers resulting from the award of retirement credits and to result in a net reduction in personal services costs to the state or other employer during a period of declining revenue.

* Sec. 2. STATE EMPLOYEES. (a) Before a state agency lays off employees, the executive head of the agency shall consider the potential savings in personal services costs from the agency's participation in the retirement incentive program. The agency head may designate organizational units composed of members of the Public Employees' Retirement System or the Teachers' Retirement System who are eligible to participate in the retirement incentive program. The administrator shall approve a designated organizational unit if the Office of Management and Budget certifies that participation in the program by the unit will result in a savings to the agency in personal services costs and that the designation only includes

1 representatives from job classifications whose inclusion contributes to the
2 overall cost savings.

3 (b) A vested member who is a state employee in the Public Employees'
4 Retirement System and who is in a designated organizational unit on the
5 date the agency head designates the unit and who has been continuously
6 employed by the state since January 1, 1986, is eligible to participate in
7 the retirement incentive program. A vested member who is a state employee
8 in the Teachers' Retirement System and who is in a designated organization-
9 al unit on the date the agency head designates the unit and who has been
10 continuously employed by the state since January 1, 1986, is eligible to
11 participate in the retirement incentive program.

12 (c) Notwithstanding (b) of this section and sec. 5(e) of this Act, a
13 member who was laid off from state employment after December 31, 1985, and
14 who meets the other requirements of this Act is eligible to participate in
15 the program even if the member has not been continuously employed by the
16 state since January 1, 1986.

17 * Sec. 3. OTHER EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM.
18 The governing body of a municipality, other political subdivision of the
19 state, or public organization that has elected to participate in the Public
20 Employees' Retirement System under AS 39.35.550 - 39.35.650 may adopt a
21 resolution designating organizational units in the municipality, political
22 subdivision, or organization and establishing requirements for employees
23 who are eligible to participate in the retirement incentive program. The
24 administrator shall approve the designation after receiving a certified
25 copy of the resolution if the employer meets the requirements of this Act.
26 A vested member of the Public Employees' Retirement System who meets the
27 requirements established by the resolution is eligible to participate in
28 the retirement incentive program.

29 * Sec. 4. OTHER EMPLOYEES IN THE TEACHERS' RETIREMENT SYSTEM. A school
SCS CSHB 382(Fin)

1 board or other employer under the Teachers' Retirement System may designate
2 organizational units and establish requirements for employees who are
3 eligible to participate in the retirement incentive program. The employer
4 shall notify the administrator of the designation and the administrator
5 shall approve it if the employer meets the requirements of this Act. A
6 vested member of the Teachers' Retirement System who meets the requirements
7 of the designation is eligible to participate in the retirement incentive
8 program.

9 * Sec. 5. PROGRAM REQUIREMENTS. (a) The administrator shall accept
10 the application of an eligible vested member if

11 (1) the member will be qualified to retire under AS 14.25.110 or
12 AS 39.35.370 after receipt of the retirement incentive and will be appoint-
13 ed to retirement before

14 (A) October 1, 1987, if the member is an employee of the
15 state other than the University of Alaska;

16 (B) January 1, 1988, if the member is an employee of the
17 University of Alaska;

18 (C) April 1, 1988, for all other members; and

19 (2) the member's agency or the employer under AS 14.25 or
20 AS 39.35.550 - 39.35.650 has signed a reimbursement agreement that

21 (A) requires the agency or employer to reimburse the system
22 for each member who is retired within three years after the end of the
23 fiscal year in which the member is appointed to retirement in an
24 amount equal to

25 (i) the actuarial equivalent of the difference between
26 the benefits the member receives after the addition of the re-
27 tirement incentive under this section and the amount the member
28 would have received without the incentive less the amount the
29 participant has paid on the indebtedness determined under (c) of

1 this section; and

2 (ii) an appropriate share of the administrative costs
3 of the program; and

4 (B) provides that contributions from the agency or employer
5 to the system under this section take priority over other obligations
6 of the agency or employer to the maximum extent permitted by law.

7 (b) A participant in the retirement incentive program receives a
8 credit of three years. The three years must be applied in the following
9 order

10 (1) to reduce the age or service required for eligibility for
11 normal retirement or the age required for eligibility for early retirement
12 under AS 14.25.110, AS 39.35.370, or 39.35.385;

13 (2) to reduce the actuarial adjustment required for early re-
14 tirement;

15 (3) as years of credited service for calculating retirement
16 benefits; or

17 (4) a combination of (1) - (3) of this subsection.

18 (c) A participant in the retirement incentive program is indebted to
19 the system. For a member in the Public Employees' Retirement System, the
20 amount of the indebtedness is three multiplied by the member's contribution
21 rate under AS 39.35.160 and that number multiplied by the member's actual
22 annual compensation, or the calculated annual compensation for a member who
23 works fewer than 12 months, for the calendar year in which the member
24 terminates employment to participate in the program. For a member in the
25 Teachers' Retirement System, the amount of indebtedness is three multiplied
26 by the member's contribution rate under AS 14.25.050 and that number multi-
27 plied by the member's actual compensation for the school year, or the
28 calculated school year compensation for a member who works less than the
29 entire school year, for the school year in which the member terminates

1 employment to participate in the program. An outstanding indebtedness at
2 the time a participant is appointed to retirement shall necessitate an
3 actuarial adjustment to the benefits payable.

4 (d) If a participant in the retirement incentive program is reem-
5 ployed as a member of the Public Employees' Retirement System under
6 AS 39.35 or the Teachers' Retirement System under AS 14.25 after appoint-
7 ment to retirement under the program, the participant loses the incentive
8 credit received under (b) of this section and is indebted to the system.
9 The amount of the indebtedness is equal to 110 percent of the amount the
10 participant received as a result of participation in the program for which
11 the participant was not otherwise entitled, including the cost of health
12 insurance. The participant is entitled to a credit to be applied against
13 the reemployment indebtedness in the amount the participant has paid under
14 (c) of this section. Interest accrues on the indebtedness at the rate
15 established by regulation from the date of reemployment until the member is
16 appointed to retirement and accepts an actuarial adjustment to the member's
17 future benefits or until the amount is paid in full.

18 (e) A member who wishes to participate shall apply on a form provided
19 by the administrator. A member may not apply for participation in the
20 retirement incentive program unless the member is employed in a position in
21 a designated organizational unit. A state employee other than an employee
22 of the University of Alaska may apply for participation in the program
23 between July 1, 1986, and June 30, 1987. An employee of the University of
24 Alaska may apply for participation in the program between October 1, 1986,
25 and September 30, 1987. Other members of the Public Employees' Retirement
26 System or the Teachers' Retirement System may apply for participation in
27 the program between January 1, 1987, and December 31, 1987.

28 * Sec. 6. OFFICE OF MANAGEMENT AND BUDGET. (a) When designating an
29 organizational unit for participation in the retirement incentive program,

1 the executive head of a state agency shall provide the Office of Management
2 and Budget with information that describes with particularity the expected
3 effect of participation in the program on the agency's personal services
4 cost and operation by employees in the unit.

5 (b) A state agency that is participating in the retirement incentive
6 program shall report as required by the Office of Management and Budget on
7 the cost of each member's participation and the effect on the agency's
8 personal services cost and operation.

9 (c) The Office of Management and Budget shall report to the legisla-
10 ture in January 1987 and 1988 on the effect of the retirement incentive
11 program on state operation and personal services costs.

12 * Sec. 7. DEFINITIONS. The definitions set out in AS 14.25.220 apply
13 to this Act for members of the Teachers' Retirement System. The defi-
14 nitions set out in AS 39.35.680 apply to this Act for members of the Public
15 Employees' Retirement System.

16 * Sec. 8. A member who is eligible under secs. 2 - 4 of this Act and
17 who has submitted a timely application for participation in the retirement
18 incentive program may be considered for participation in the program not-
19 withstanding sec. 9 of this Act.

20 * Sec. 9. Sections 1 - 7 of this Act are repealed April 1, 1988.

21 * Sec. 10. This Act takes effect immediately in accordance with AS 01.-
22 10.070(c).

RECEIVED APR - 7 1986

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF ADMINISTRATION

POUCH C (MS 0200)
JUNEAU, ALASKA 99811
PHONE: (907) 465-2200

OFFICE OF THE COMMISSIONER

April 3, 1986

The Honorable Jan Faiks
Co-Chairman, Senate Finance Committee
P.O. Box V
Juneau, AK 99811

Dear Madam Chairman:

Since House Bill 382 is moving rapidly through the legislature with wide support and is scheduled for hearing in your committee next week, I would like to provide some advance comments concerning possible amendments to the bill.

As you know, there has been considerable interest in the possibility of including municipalities and school districts in HB 382. While we do support HB 382 and feel that it will be appropriate to include these other entities in the future, I would like to point out some of the reasons why we feel strongly that the coverage of the bill should not be extended at this time.

Although a considerable amount of staff effort has been expended in an attempt to determine the actual impact of the bill, we are still in the process of identifying and developing remedies for the pitfalls that will be encountered when the bill becomes law and we must administer it. Administering the program for state employees only for the first year will allow the department and the legislature to learn from the mistakes that have been made and then include non-state employees with appropriate adjustments in the program to accommodate them.

We know that a great deal of extra staff time and effort will be required to administer this program with the approximately 2400 employees who are potentially eligible as the bill stands now. To increase that number of potential retirees by a factor of two or three by including non-state employees would exceed our ability to provide the necessary counseling to individuals and agencies and process the retirement documents. Even with the use of project employees funded by the program, additional fully trained staff would not be immediately available. A stampede situation must be avoided when the program is still untried. The only drawback to waiting is the relatively short delay itself. By January 1987, at the time that the Office of Management and Budget must report to the

legislature on the bill, there should be sufficient experience gained in the program's administration to allow an informed decision as to changes that should be made along with the inclusion of employers other than the state early in the 1987 session.

Even under the current version of HB 382, the Division of Retirement and Benefits will be hard pressed to properly administer the program with so little lead time since eligible employees can be placed on retirement immediately. The likelihood of errors will increase sharply in the rush to retire employees on time, and more than likely, some retirement checks will still be late.

In addition there are several amendments we wish to propose. The Division of Retirement and Benefits has received numerous inquiries on HB 382 regarding its interpretation and application, which convinces me that a loophole and a considerable amount of misunderstanding exist as a result of the current language in the bill. If there is misunderstanding now, there most certainly will be once the bill becomes law. The problem is that the existing language would allow for an agency to help a "favored employee" qualify for the Retirement Incentive Program (RIP) by allowing his or her job classification to piggy-back on the savings being realized by another classification in the same designated unit even though the inclusion of the "favored employee's" job classification does not contribute to the overall cost savings of the unit. Following is proposed language which should preclude that from happening, maximize cost savings, facilitate the administration of the RIP, and further the stated purpose of the bill.

Section 2 subparagraph (a) should be changed to read:

"Section 2. RETIREMENT INCENTIVE PROGRAM. (a) Before a state agency lays off employees, the executive head of the agency shall consider the potential savings in personal services costs from the agency's participation in the retirement incentive program. The executive head of the agency may designate organizational units composed of members of the Public Employees' Retirement System or the Teachers' Retirement System in the agency eligible to participate in the retirement incentive program. The administrator shall approve a designated organizational unit if the Office of Management and Budget certifies that participation in the program by the organizational unit will result in a savings to the agency in personal services costs and that the designation is valid. In order to be valid, a designated organizational unit may not include representatives from a job classification unless their inclusion contributes to the overall cost savings."

To be consistent with this change, the word "classification" on lines 28 and 29 of page 1 and lines 3 and 4 of page 2 should be changed to read "organizational unit".

Lines 12 through 16 on page 2 should be changed to read:

"(2) the member's agency has signed a reimbursement agreement that

(A) requires the agency to reimburse the system for each member who is retired within three years after the end of the fiscal year in which that member is appointed to retirement in an amount equal to"

This change makes it clear that an agency is expected to sign a single agreement with the system prior to the beginning of participation of each designated unit, not an agreement for each employee who retires. It also allows the agency a full three fiscal years to make repayment.

Change the phrase "to employment with an employer" on lines 7 and 8 of page 3 to "as a member of the Public Employees' Retirement System under AS 39.35 or the Teachers' Retirement System under AS 14.25"

This change is necessary to make it clear that the subparagraph (e) will apply to participants in the retirement incentive program if they return to employment in either system.

Line 9 on page 3 should be changed to read:

"... is indebted to the system in an amount equal to 110% of what the participant received as a ..."

This should insure that sufficient disincentive will exist to preclude most employees from taking advantage of the RIP and then returning to covered employment at a later date and be no worse off than if they had taken out a relatively low interest loan.

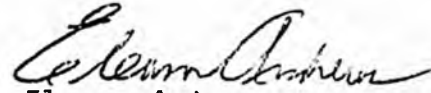
Senator Jan Faiks

-4-

April 3, 1986

Thank you for your consideration. My staff will be happy to provide further information or discuss the bill at your convenience.

Sincerely,




Eleanor Andrews
Commissioner

EA/JAL/cam/1

cc: The Honorable Jim Duncan
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Ski Olsonoski
Deputy Commissioner
Department of Administration

J.K. Humphreys
Director
Division of Retirement and Benefits
Department of Administration

JFC-86
4/25/86
For
Intro. 

WORK DRAFT

WORK DRAFT

WORK DRAFT

14-2061
Cramer
4/10/86 ✓

1 IN THE SENATE BY THE FINANCE COMMITTEE
 2 SENATE CONCURRENT RESOLUTION NO.
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA
 4 FOURTEENTH LEGISLATURE - SECOND SESSION
 5 Suspending Uniform Rules 41(b), 24(c),
 6 and 35 of the Alaska State Legislature
 7 concerning House Bill No. 382.

8 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 That under Rule 54 of the Uniform Rules of the Alaska State Legisla-
 10 ture the provisions of Rule 41(b) of the Uniform Rules and the provisions
 11 of Rule 24(c) and Rule 35, regarding changes to the title of a bill, are
 12 suspended in consideration of House Bill No. 382, relating to a retirement
 13 incentive program.

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B

POSITION PAPER

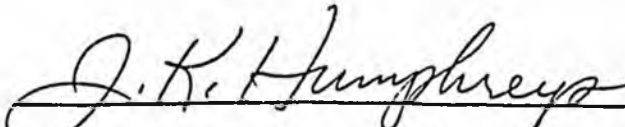
Draft CS HB 382 (Finance)

This bill would establish retirement incentive program to allow eligible state employees to retire from the Public Employees' Retirement System (PERS) or Teachers' Retirement System (TRS) (1) as early as age 47, (2) receive a reduction of their early retirement adjustment, (3) receive additional service credit or a combination of these.

Incentives such as these, may avoid the need for lay-offs in certain agencies and serve to alleviate some of the trauma normally associated with reductions in force.

There is no cost to the PERS or TRS since the bill requires the agency participating in the program to pay the additional costs of retirement under the program and to demonstrate that a savings to the state will result.

The Department of Administration supports this bill with its guarantees of fiscal responsibility.

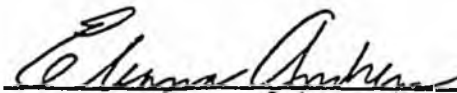


J.K. Humphreys, Director, Division of Retirement & Benefits

20

2/26/86

Date



Eleanor Andrews, Commissioner, Department of Administration

2/26/86

Date

Offered: 2/28/86
Referred: Rules

Original sponsors: Duncan, M.M. Miller,
Gruenberg, et al

1 IN THE HOUSE BY THE FINANCE COMMITTEE
2 CS FOR HOUSE BILL NO. 382 (Finance) am
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act creating a retirement incentive program for
7 state employees in the Public Employees' Retirement
8 System and the Teachers' Retirement System; and
9 providing for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. PURPOSE. Since state agencies will find it necessary to
12 reduce their personal services costs because of declining state revenue, a
13 program encouraging employees to retire voluntarily would reduce the hard-
14 ship of potential layoffs. This program is intended to realize sufficient
15 economies to offset the cost of administration and benefits to state
16 agencies resulting from the award of retirement credits and to result in a
17 net reduction in personal services costs to the state during a period of
18 declining revenue.

19 * Sec. 2. RETIREMENT INCENTIVE PROGRAM. (a) The executive head of a
20 state agency may designate divisions, offices, units, or other classifica-
21 tions of members of the Public Employees' Retirement System or the Teach-
22 ers' Retirement System in the agency eligible to participate in the retire-
23 ment incentive program. The administrator shall approve a designated
24 classification if the Office of Management and Budget certifies that par-
25 ticipation in the program by the classification will result in a savings to
26 the agency in personal services costs.

27 (b) A vested member in the Public Employees' Retirement System who is
28 in a designated classification on the date the agency head designates the
29 classification and who has been continuously employed with the state since

1 January 1, 1986, may elect to participate in the retirement incentive
2 program. A vested member in the Teachers' Retirement System who is in a
3 designated classification on the date the agency head designates the clas-
4 sification and who has been continuously employed by the state since Janu-
5 ary 1, 1986, may elect to participate in the retirement incentive program.
6 The member shall apply on forms provided by the administrator.

7 (c) The administrator shall accept the application of an eligible
8 vested member if

9 (1) the member will be qualified to retire under AS 14.25.110 or
10 AS 39.35.370 after receipt of the retirement incentive and will be appoint-
11 ed to retirement before October 2, 1987; and

12 (2) the member's agency has signed a reimbursement agreement
13 that

14 (A) requires the agency to reimburse the system within
15 three years after the date for each member who is appointed to retire-
16 ment in an amount equal to

17 (i) the actuarial equivalent of the difference between
18 the benefits the member receives after the addition of the re-
19 tirement incentive under this section and the amount the member
20 would have received without the incentive; and

21 (ii) an appropriate share of the administrative costs
22 of the program; and

23 (B) provides that contributions from the agency to the
24 system under this section take priority over other obligations of the
25 agency to the maximum extent permitted by law.

26 (d) A participant in the retirement incentive program receives a
27 credit of three years. The three years must be applied in the following
28 order

29 (1) to reduce the age or service required for eligibility for

1 normal retirement or the age required for eligibility for retirement under
2 AS 14.25.110, AS 39.35.370, or 39.35.385;

3 (2) to reduce the actuarial adjustment required for retirement;

4 (3) as years of credited service for calculating retirement
5 benefits; or

6 (4) a combination of (1) - (3) of this subsection.

7 (e) If a participant in the retirement incentive program returns to
8 employment with an employer, the participant loses the incentive years and
9 is indebted to the system in the amount the participant received as a
10 result of participation in the program for which the participant was not
11 otherwise entitled, including the cost of health insurance. Interest
12 accrues on the indebtedness at the rate established by regulation from the
13 date of reemployment until the member is appointed to retirement and ac-
14 cepts an actuarial adjustment to the member's future benefits or until the
15 amount is paid in full.

16 (f) The Department of Education is the only employer under AS 14.-
17 25.220 eligible to participate in the retirement incentive program under
18 this section. An employer under AS 39.35.550 - 39.35.650 is not eligible
19 to participate in the retirement incentive program under this section.

20 (g) The definitions set out in AS 14.25.220 apply to this section for
21 members of the Teachers' Retirement System. The definitions set out in
22 AS 39.35.680 apply to this section for members of the Public Employees'
23 Retirement System.

24 * Sec. 3. OFFICE OF MANAGEMENT AND BUDGET. (a) When designating a
25 classification for participation in the retirement incentive program, the
26 executive head of a state agency shall provide the Office of Management and
27 Budget with information that describes with particularity the expected
28 effect of participation in the program on the agency's personal services
29 cost and operation by employees in the classification.

1 (b) A state agency that is participating in the retirement incentive
2 program shall report as required by the Office of Management and Budget on
3 the cost of each member's participation and the effect on the agency's
4 personal services cost and operation.

5 (c) The Office of Management and Budget shall report to the legisla-
6 ture in January 1987 and 1988 on the effect of the retirement incentive
7 program on state operation and personal services costs.

8 * Sec. 4. A member who is eligible under sec. 2 of this Act and who has
9 submitted an application for participation in the retirement incentive
10 program before July 1, 1987, may be considered for participation in the
11 program notwithstanding sec. 5 of this Act.

12 * Sec. 5. Sections 1 and 2 of this Act are repealed July 1, 1987.

13 * Sec. 6. Section 3 of this Act is repealed February 1, 1988.

14 * Sec. 7. This Act takes effect immediately in accordance with AS 01.-
15 10.070(c).