

S B

B 4 B

# HOUSE COMMITTEE REPORT

(11)

Date Referred: February 16, 1990

FURTHER REFERRALS:

Date of Committee Action: 3/7/90

The FINANCE Committee considered:

CSSB 343(SA)

CSSB NO. 343 (State Affairs)

RETIREMENT INCENTIVE PROGRAM

"An Act relating to the retirement incentive program; and providing for an effective date."

**RECOMMENDATIONS:**

- be replaced with \_\_\_\_\_  the same title
- be replaced with \_\_\_\_\_  a new title
- have attached amendment(s)
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of intent

ATTACHES NEW FISCAL NOTE(s):  
(Dept)

APPROVES PREVIOUS:

- fiscal impact \_\_\_\_\_ (2)  fiscal note(s) 1/17/90 / Admin.  
1/18/90 / Admin
- zero fiscal note \_\_\_\_\_  zero fiscal note(s) \_\_\_\_\_
- zero with analysis \_\_\_\_\_  zero fn/analysis \_\_\_\_\_

SIGNING DO PASS:

SIGNING:

Scale of 1-10 (Check approp. column)

Do Not Pass No Rec Amend

SIGNING DO PASS:	Scale of 1-10	SIGNING:	Do Not Pass	No Rec	Amend
<i>Ronald J. Larson</i> Larson	5 1/2				
<i>Cl Swackhammer</i> Swackhammer		<i>Eric Hoffman</i> Hoffman			
<i>Fan Brown</i> Brown		<i>Phillips</i> Phillips			
<i>Keponen</i> Keponen		<i>Wimer</i> Wimer			
<i>Gran Barnes</i> Barnes		<i>Rieger</i> Rieger			
<i>Dick Shultz</i> Shultz		<i>Wallis</i> Wallis			

*Eric Hoffman* Hoffman  
Chairman's Signature  
*Ronald J. Larson* Larson

FISCAL NOTE

REQUEST:

Revision Date: January 13, 1990 Agency Affected: Administration  
 Title: An Act relating to the Retirement Incentive Program BRU: Retirement and Benefits  
 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	57.0	0	0	0	0	0
TRAVEL	2.1	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	59.1	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	59.1	0	0	0	0	0
TOTAL	59.1	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	13.0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See attached.

Prepared by: Robert F. Stalhaber Phone: 465-4470  
 Division: Deputy Director Date: 01/16/90  
 Approved by Commissioner: Frank S. Baxter Date: 1/16/90  
 Agency: Department of Administration

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

ESSB <sup>sip?</sup>

Committee Substitute for ~~Senate Bill~~ 343  
Fiscal Note Analysis  
Prepared by Division of Retirement & Benefits  
Department of Administration  
January 16, 1990

**Analysis:** This bill would expand Chapter 89, SLA 1989 (the Retirement Incentive Program) for the Public Employees' (PERS) and Teachers' Retirement Systems (TRS) by allowing the employer 5 years in which to show a cost savings for eligible employees, by allowing eligible employees to assume part of the employer's costs so that a savings to the employer can be shown, and by extending the retirement window for designated employees in the Division of Elections.

The total estimated administrative cost to the division by fiscal year is as follows:

Personnel services costs:	<u>FY 90</u>	<u>FY 91</u>
FY 91		
1 Retirement Specialist I (2 mo.) \$	4.9	
8 Retirement Tech. I/II (2 mo.)	37.0	
2 Accounting Clerk III (2 mo.)	8.2	
2 Clerk II (2 mo.)	<u>6.9</u>	
Total FY 91		\$ 57.0
 Travel:		
FY 90		
2 trips each to ANCH & FBKS	\$ 4.1	
 FY 91		
1 trip to ANCH & FBKS	<u>        </u>	<u>2.1</u>
 Total Bill Cost		
FY90	<u>\$4.1</u>	
FY91		<u>\$ 59.1</u>

All administrative costs for this program will be paid in advance by the participating employers as required by Chapter 89, SLA 1989.

*CSSB slip*  
Committee Substitute for ~~Senate~~ Bill 343  
Analysis of Financial Implications on the Retirement Systems  
Prepared by Division of Retirement & Benefits  
Department of Administration  
January 16, 1990

Analysis: The retirement incentive program legislation requires state agencies and participating employers and employees to reimburse the PERS and TRS for the costs of participation in the program; it also requires a showing of a cost savings to participate in the program. There should be no long-term or short-term costs to the retirement systems' funds.

STATE OF ALASKA  
1990 LEGISLATIVE SESSION

BILL VERSION: CS SB 343 (SA)  
PUBLISH DATE: 1/18/90 (b)

FISCAL NOTE

REQUEST:

Revision Date: 1/13/90  
Title: An act relating to the  
retirement incentive program  
Sponsor: Duncan  
Requestor:

Agency Affected: Administration  
BRU: Finance  
Components: Finance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY91	FY92	FY93	FY94	FY95	FY96
PERSONAL SERVICES	31.2					
TRAVEL						
CONTRACTUAL	6.0					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	37.2	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	37.2					
FEDERAL FUNDS						
OTHER						
TOTAL	37.2	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-2-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Keith Busch Keith Busch Phone: 465-2200  
Division: Finance Date: 1/17/90  
Approved by Commissioner: Frank Bonet Date: 1/17/90  
Agency:

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 CS SB 343

The Division of Finance is responsible for the verification of employment history and processing termination pay. It is estimated that 500 employees will participate in the program. The estimated increased costs to process these employees are:

Data processing support	\$ 6.0
Two part-time Accounting Techs for five months	<u>31.2</u>
Total Costs	<u>\$37.2</u>

Original sponsor(s): SEN. DUNCAN, Faiks, Szymanski, Halford, Sturgulewski

1 IN THE SENATE BY THE STATE AFFAIRS COMMITTEE  
2 CS FOR SENATE BILL NO. 343 (State Affairs)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the retirement incentive program;  
7 and providing for an effective date."

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

9 \* Section 1. Section 2(b), ch. 89, SLA 1989, is amended to read:

10 (b) The organizational units of a plan must be selected so that  
11 implementation of the plan results in maximum savings to the employer  
12 in personal services costs within five [THREE] years after the com-  
13 mencement of the plan. A plan that results in savings in personal  
14 services costs in any amount that is in excess of all costs to the  
15 employer qualifies under this section. The designation may include  
16 only representatives from job classifications whose inclusion contrib-  
17 utes to the overall cost savings.

18 \* Sec. 2. Section 2(d), ch. 89, SLA 1989, is amended to read:

19 (d) A participating employer shall prepare and file the re-  
20 tirement incentive plan with the administrator. For state employees  
21 other than university employees, the administrator may approve a  
22 designated organizational unit only if the office of management and  
23 budget certifies that the unit's participation in the plan meets the  
24 requirements of (b) of this section. The administrator shall approve  
25 the plan if it meets the requirements of this section. The plan must

26 (1) identify organizational units and employees eligible to  
27 participate in the program;

28 (2) include a reimbursement agreement that

29 (A) requires the employer, for each employee who is

1           retired under the plan, to reimburse the system within three  
2           years after the end of the fiscal year in which the employee is  
3           appointed to retirement in an amount equal to

4                   (i) the actuarial equivalent of the difference  
5                   between the benefits the participant receives after the  
6                   addition of the retirement incentive under this section and  
7                   the amount the participant would have received without the  
8                   incentive, less the total of the amount the participant has  
9                   paid on the indebtedness determined under (e) or (f) of this  
10                  section and the amount paid under (i) of this section, if  
11                  any; and

12                  (ii) an appropriate share of the administrative costs  
13                  of the program; and

14                  (B) provides that contributions from the employer  
15                  under this section take priority over other obligations of the  
16                  employer to the maximum extent permitted by law.

17       \* Sec. 3. Section 2, ch. 89, SLA 1989, is amended by adding a new  
18       subsection to read:

19                  (i) In order to establish eligibility for participation under  
20                  (b) of this section, and in addition to the employee indebtedness  
21                  required under (e) or (f) of this section, an employee may elect to  
22                  assume a portion of the employer liability calculated under (d) of  
23                  this section. An outstanding indebtedness at the time the employee is  
24                  appointed to retirement will require an actuarial adjustment to the  
25                  benefits.

26       \* Sec. 4. Section 3(d), ch. 89, SLA 1989, is amended to read:

27                  (d) Under a plan adopted under this section, the administrator  
28                  may not accept the application of an employee unless the employee will  
29                  be appointed to retirement on or before

1           (1) February 1, 1991, for employees of the division of  
2           elections who were employed by the division of elections on or before  
3           February 1, 1990;

4           (2) November 1, 1990, for all other employees.

5 \* Sec. 5. Section 9(a), ch. 89, SLA 1989, is amended to read:

6           (a) If a participant in the retirement incentive program is  
7           reemployed as a member of the public employees' retirement system  
8           under AS 39.35 or the teachers' retirement system under AS 14.25 after  
9           appointment to retirement under the program, the participant loses the  
10          incentive credit received under sec. 2(g) of this Act and is indebted  
11          to the system. The amount of the indebtedness is equal to 110 percent  
12          of the amount the participant received as a result of participation in  
13          the program to which the participant was not otherwise entitled, in-  
14          cluding the cost of health insurance. The participant is entitled to  
15          a credit to be applied against the reemployment indebtedness in the  
16          amount the participant has paid under sec. 2(e), [OR] (f), and (i) of  
17          this Act. Interest accrues on the indebtedness at the rate estab-  
18          lished by regulation from the date of reemployment until the member is  
19          appointed to retirement and accepts an actuarial adjustment to the  
20          member's future benefits or until the amount is paid in full.

21 \* Sec. 6. This Act takes effect immediately under AS 01.10.070(c).

6-1631Eb  
Cramer

3/7/90  
not offered

A M E N D M E N T # 1

OFFERED IN THE HOUSE

BY REP. LARSON

TO: CSSB 343 (State Affairs)

Page 3, after line 20:

Insert a new bill section to read:

"\* Sec. 6. Section 13, ch. 89, SLA 1989, is amended to read:

Sec. 13. DEFINITIONS. The definitions set out in AS 14.25.220 apply to this Act for members of the teachers' retirement system. The definitions set out in AS 39.35.680 apply to this Act for members of the public employees' retirement system except that in computing retirement benefits for members who retire under the program "compensation" does not include overtime compensation."

Renumber the following bill section accordingly.

6-1631Ed  
Cramer

3/7/90

withdrawn

AMENDMENT #2

OFFERED IN THE HOUSE

BY RIEGER

TO: CSSB 343 (State Affairs)

Page 1, line 17, after ".":

Insert "The calculation of cost savings must be based on the assumption that, in the absence of the program, the employee would have retired as soon as the employee was eligible for ~~retirement~~ retirement."

2/23/90  
FIN

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_  
Title: An Act Relating to the Retirement Incentive Program  
Sponsor: Sen. Duncan  
Requestor: \_\_\_\_\_

Agency Affected: University of Alaska  
BRU: ATI  
Components: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	None	None	None	None	None	None

CAPITAL						
---------	--	--	--	--	--	--

REVENUE	None	None	None	None	None	None
---------	------	------	------	------	------	------

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

CS SB 343 is not expected to impact the University.

Prepared by: Jim Lynch  
Division: University of Alaska

Phone: 907-474-7711  
Date: February 15, 1990

Approved by Commissioner: Brian Rogers  
Agency: University of Alaska

Date: 2/15/90

**Distribution (by preparer):**

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