

HB

73

Alaska State Legislature



SENATOR JIM DUNCAN

P. O. BOX V JUNEAU, ALASKA 99811-3100

(907) 465-4766

COMMITTEES:
FINANCE
VICE CHAIR -
HEALTH EDUCATION
& SOCIAL SERVICES
BUDGET & AUDIT
BANKING &
ECONOMIC
DEVELOPMENT

MEMORANDUM

February 8, 1989

TO: Representative Peter Goll

FROM: Senator Jim Duncan

SUBJECT: Senate Bill 73, an act relating to retirement incentive programs for the public employees' retirement system and the teachers' retirement system

I would like to provide you with information on the Retirement Incentive Program since I know that many of you are receiving calls and letters from your constituents in support of the program. I provide the following background information for your use in answering their questions and yours.

The original Retirement Incentive Program was established in 1986 "to reduce the hardship of layoffs and was intended to result in a net reduction in personal services costs to the state or other employer during periods of declining revenue." The program, running from 1986 to late 1987, allowed an incentive credit of three years to employees in the Public Employees' Retirement System and the Teachers' Retirement System. During that window period, a total of 2,346 public employees including teachers, state employees, university, and municipal employees took advantage of the Retirement Incentive Program.

Senate Bill 73, which I introduced this year, re-establishes the Retirement Incentive Program and will allow three month application periods in 1990 for state employees, teachers, municipal employees, and University of Alaska employees. Those periods are summarized in the following table:

<u>Employee Type</u>	<u>Application Period</u>	<u>Employee must Retire on or before</u>
State	January-February, 1990	May 1, 1990
Teachers	March-May, 1990	July 1, 1990
University	May-July, 1990	September 1, 1990
Municipal	July-September, 1990	November 1, 1990

Retirement Incentive Program
February 8, 1989
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There has been a great deal of interest expressed by school districts and teachers in beginning the window period for teachers this year and extending it for a longer period of time. Also, many individuals have asked that the window periods be longer and span more than one fiscal year in order to spread the impact of retirements over a wider period. I would like to know your feelings on these suggestions. I expect that changes will be made in the window periods during the committee hearings.

Under the bill, the three year credit can be added to service years or age depending on the individual's requirements for retirement in the following order:

1. to meet the age or service required for eligibility for normal retirement; or
2. to meet the age required for early retirement; or
3. to reduce the actuarial adjustment required for early retirement; or
4. as years of credited service for calculating retirement benefits if the person is already eligible to retire.

Under the program, if the employer elects to participate, long term employees are provided an incentive to retire, but the decision on whether or not each employee chooses to participate in the program is entirely at that employee's option.

A report issued by the Department of Administration in January of 1988 projected the savings of the last Retirement Incentive Program for state employees to be \$19.7 million over a five year period. The Division of Legislative Audit is currently conducting an audit which traces each position vacated as the result of the RIP to determine the actual savings accruing to state government from the last incentive program. This report should be available soon after the next Legislative Budget and Audit Meeting.

The Division of Retirement and Benefits is currently in the process of gathering information from school districts and municipalities about the savings which they realized from the last incentive program. The preliminary report indicates the savings, especially to school districts, was substantial. For example:

Retirement Incentive Program
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Employer	Savings over a Five Year Period (in thousands)
Copper River School District	\$670.5
Yukon Koyukuk School District	414.6
Alaska Gateway School District	129.7
City of Wrangell	186.5
Kodiak Island School District	527.8
Lower Kuskokwim School District	2,220.8
North Slope School District	1,315.5
Dillingham City Schools	773.9
City of Ketchikan	1,214.9
Valdez City Schools	1,630.3
Fairbanks School District	2,579.1
Haines School District	1,013.5
Kenai Peninsula Borough	639.4
Juneau School District	1,290.0
Municipality of Juneau	1,140.0

Not all districts have reported in, Anchorage and the Northwest Artic Schools are working on their reports and should have them to the Division of Retirement and Benefits within a week. I have attached a copy of the latest version of the report from the Division of Retirement and Benefits and will be provide you with updates as additional school districts and municipalities report in.

I know that many of you are concerned, as I am, about possible abuses which might have occurred in the last Retirement Incentive Program. For this reason, Senate Bill 73 explicitly states in Section 4 (b), that "the plan may not permit an employee who is the commissioner or a deputy commissioner of a state department to participate."

Another indirect benefit of the Retirement Incentive Program is that compensation dollars are retained in our economy which would otherwise have been lost if employees were laid off. Many employees who are laid off move out of state to find work, whereas around 70 percent of retirees in both the Public Employees and Teachers' Retirement systems choose to remain in Alaska after retirement. Thus, we retain the salaries of the lower level employees who are not laid off and we retain 70 percent of the retirement compensation which is paid out as the result of the Retirement Incentive Program. We estimate that for state employees alone the net cash gain to our economy of the original incentive program was almost \$30 million.

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February 8, 1989
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I have asked that SB 73 be scheduled in the Senate State Affairs Committee as soon as possible after the audit becomes available. I have been awaiting completion of the two studies underway on the financial impact of the last incentive program, because I believe that you should have that information before you as the bill is considered.

If you or your staff have questions on Senate Bill 73, please contact Roxanne Stewart of my staff at 465-4766.

Attachment

DIVISION OF RETIREMENT AND BENEFITS
 RETIREMENT INCENTIVE PROGRAM (RIP)
 SUMMARY RESULTS OF POLITICAL SUBDIVISION SURVEY
 January 30, 1989

EMPLOYER	NUMBER RETIRED	POS. REFILLED	COST OF POSITIONS FOR 5 YRS (\$1000's)	COST TO RE- FILL POS. (over 5 yrs (\$1000's)	RIP COST (\$1000's)	SAVINGS or (COST) FOR 5 YRS (\$1000's)
S.E. Resource center	3	0	800.0	0.0	83.0	717.0
Unalaska City School District	1	1	322.5	165.8	34.1	122.6
Copper River School District	11	1	2,854.7	1,904.9	279.3	670.5
City of Skagway	1	1	18.8	Not Provided	Not Provided	0.0
Galena City School District	1	1	264.6	198.0	60.0	6.6
Petersburg Public Schools	2	2	437.5	338.6	55.1	43.8
Yukon Koyukuk School District	5	4	2,006.5	1,414.4	177.0	414.6
Alaska Gateway School District	4	4	1,055.5	745.0	180.8	129.7
Bristol Bay School District	1	1	273.8	186.7	50.3	36.8
City of Wrangell	1	0	220.0	0.0	33.5	186.5
Kodiak Island School District	17	16	4,487.7	3,380.0	579.9	527.8
Delta/Greely School District	2	2	700.9	644.0	96.4	(- 39.6)
City of Palmer	4	3	1,024.1	715.3	101.0	207.8
Yukon Flats School District	5	4	Not Provided	Not Provided	128.5	Not Provided

RETIREMENT INCENTIVE PROGRAM (RIP)
SUMMARY RESULTS OF POLITICAL SUBDIVISION SURVEY
PAGE 2

EMPLOYER	NUMBER RETIRED	POS. REFILLED	COST OF POSITIONS FOR 5 YRS (\$100's)	COST TO RE- FILL POS. (over 5 yrs (\$100's)	RIP COST (\$100's)	SAVINGS or (COST) FOR 5 YRS (\$100's)
L. Kuskokwim School District	31	26	7,535.6	4,637.6	677.2	2,220.8
North Slope School District	28	23	7,643.0	5,600.5	727.0	1,315.5
City of Soldotna	2	1	482.8	212.7	47.8	222.3
Dillingham City Schools	6	2	1,231.7	180.0	277.8	773.9
City of Ketchikan	11	8	4,093.0	2,358.6	519.5	1,214.9
Wrangell Public School	2	2	455.5	330.6	43.7	81.2
Valdez City Schools	10	3	2,519.1	604.4	284.4	1,630.3
Adak Region School District	3	3	817.1	611.6	111.4	94.1
Fairbanks School District	71	71	17,998.0	13,592.1	1,826.8	2,579.1
Haines School District	5	1	1,529.6	384.8	131.3	1,013.5
Cordova Public Schools	1	1	185.3	112.4	19.3	53.6
Kenai Peninsula Borough	14	7	3,234.0	2,270.4	324.2	639.4
Juneau School District	42	40	3,750.0	1,449.0	1,010.6	1,290.4
Lake and Penin. School District	2	2	675.0	600.0	53.6	21.4
City/Borough Juneau	13	9	3,574.1	2,134.8	298.9	1,140.4

HOUSE COMMITTEE ON STATE AFFAIRS

RECAP OF
HB 73

Tech. Amendments ; Public Employee Benefits

Received January 9, 1989
by the Rules Committee
by Request of the Governor

Heard January 26, 1989

Passed Out of Committee January 26, 1989
6 Do Pass

TABLE OF CONTENTS

HB 73: Tech. Amendments - Public Employee Benefits

- Item 1: HB 73 by Rules Committee
by Request of the Governor
- Item 2: Governor's Transmittal Letter
- Item 3: Fiscal Note

HOUSE COMMITTEE REPORT

(5)

Date Referred: January 9, 1989

FURTHER REFERRALS: JUDICIARY
FINANCE

Date of Committee Action: _____

The STATE AFFAIRS Committee recommends that:

HOUSE BILL NO. 73 [TECH. AMENDT'S - PUB. EMP. BENEFITS]

"An Act making technical amendments to public employee benefits statutes; and providing for an effective date."

[] be replaced with _____ [] the same title
[] 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):

- [] fiscal impact
[] zero fiscal note
[] zero with analysis

APPROVES PREVIOUS:

[] fiscal note(s) published:

zero fiscal notes(s) published:

1/9/89 Dept of Admin

SIGNING DO PASS:

Eileen P. McKeon
Carl Jones
Scott W. ...
Blaise ...
Joseph D. ...
W. A. ...

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

W. A. ...
Chairman's signature

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 9, 1989

The Honorable Sam Cotten
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Cotten:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to public employee benefits. The bill amends provisions of the teachers' retirement, judicial retirement, and supplemental benefits systems.

Section 1 of the bill amends the definition of "retirement fund" in the teachers' retirement system statutes to correct the inadvertent deletion last session of two provisions that provided specific statutory authority for dedication, to the fund, of income and interest earned on assets of the fund. Section 4, ch. 141, SLA 1988 deleted a provision allowing the commissioner of revenue to collect the interest and deposit it in the fund. Section 19, ch. 106, SLA 1988 deleted from the definition of "retirement fund" a pre-statehood provision that the fund includes "income and interest derived from the investment" of money. The bill's amendment reinstating that language is retroactive to June 5, 1988, the effective date of ch. 106, SLA 1988. Section 4 of the bill.

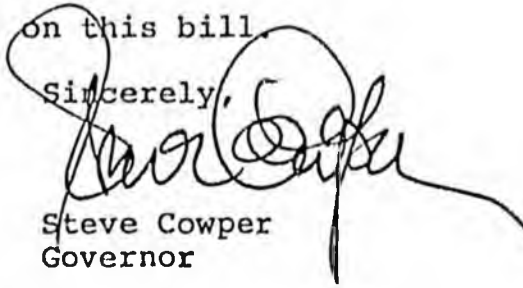
Section 2 of the bill amends a provision enacted last session by sec. 3, ch. 89, SLA 1988, which allows a former judge or justice whose judicial retirement system contribution account has been involuntarily refunded due to a levy, to repay his or her contribution account, whether or not the judge or justice returns to active service. Under AS 22.25.041(b), a former judge or justice may repay an involuntarily refunded contribution account under AS 22.25.041(a), which requires repayment to be made within one year after return to active service. The amendment made by sec. 2 of the bill clarifies that judges and justices who do not return to active service are not subject to the requirement that repayment of an involuntarily withdrawn contribution account be made within one year.

Section 3 of the bill amends AS 39.30.150(a) to clarify that, because municipal as well as state employees can be members of the system, the employer of a supplemental benefits system member, not the Department of Administration, is required to make payments to the member's individual annuity account.

Section 5 provides for an immediate effective date.

I urge your favorable action on this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", with a long horizontal flourish extending to the right.

Steve Cowper
Governor

27

STATE OF ALASKA
1989 LEGISLATIVE SESSION

Bill Version: HB 73
Publish Date: HOUSE 1/9/89

Item 3
No. 1

FISCAL NOTE

REQUEST: _____

Revision Date: _____ Agency Affected: Administration
Title: An Act Relating To BRU: Retirement and Benefits
Public Employee Benefits . . .
Sponsor: Rules Components: Retirement and Benefits
Requestor: Governor Comper

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	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	0	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	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:	0	0	0	0	0	0
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

This bill provides for technical corrections to the Teachers' Retirement System, Judicial Retirement System and the Supplemental Benefits System. There is no fiscal impact anticipated resulting from these changes.

Prepared By: Sally Smith *Sally Smith* Phone: 465-4470
Division: Retirement and Benefits Date: _____

Approved by Commissioner: John M. Andrews *J.M.A.* Date: 12/21/88
Agency: Department of Administration

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

STATE OF ALASKA
1989 LEGISLATIVE SESSION

Bill Version: HB 73
Publish Date: HOUSE 1/9/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Relating to Public Employee
Benefits
Sponsor: Rules
Requestor: Governor

Agency Affected: Department of Revenue
BRU: Treasury Division
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	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
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	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	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

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

ANALYSIS:

Prepared By: Milt Barker *MB*
Division: Treasury

Phone: 465-2350
Date: 12-19-88

Approved by Commissioner: *[Signature]*
Agency: Department of Revenue

Date: 12/19/88

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



Alaska Court System

State of Alaska

303 "K" STREET
ANCHORAGE, ALASKA
99501

ARTHUR H. SNOWDEN II
ADMINISTRATIVE DIRECTOR

(907) 274-6611

February 8, 1989

Sally Smith
Director
Division of Retirement and Benefits
Department of Administration
P.O. Box CR
Juneau, Alaska 99811

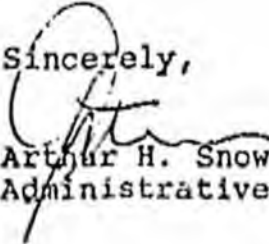
Re: HB 73

Dear Sally:

Assistant Attorney General Virginia Ragle drafted HB 73 and suggested that I ask you if the court system could include two employee benefit provisions in HB 73 which is now before House Judiciary Committee. The first bill would give the same exemption from execution for judicial retirement as PERS and the teacher's retirement system now has. The second bill would remove district court judges from the classified leave system and place them in the leave system for superior and appellate court judges under Administrative Rule 28. The Department of Administration has indicated that this change would have no fiscal impact. I am enclosing copies of the proposed draft legislation as well as (1) a comparison of the present district court leave with the leave provisions of Administrative Rule 28 and (2) a letter from Michael McMullen explaining the Department of Administration's fiscal analysis.

We discussed the inclusion of these provisions with Representative Gruenberg's aide, Mark Handley, and would appreciate your prompt agreement to them. If you have any questions or concerns, please call me.

Sincerely,


Arthur H. Snowden, II
Administrative Director

cc: Representative Goll
Representative Gruenberg

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

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

January 27, 1987

RECEIVED

FEB 03 1987

Ms. Carla Forsythe
Staff Counsel
Office of Administrative Director
Alaska Court System
303 K Street
Anchorage, AK 99501

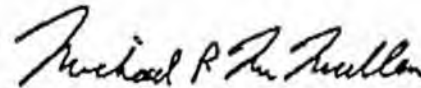
Office of Administrative Director
Alaska Court System

Dear Ms. Forsythe:

This will confirm our telephone conversation regarding your potential legislation to move district court judges from the statutory leave system to the judicial leave system. All the potential costs discussed in my January 12, 1987 letter would fall to the Court System. If required to prepare a fiscal note, our note would be \$0.0, except for a possible very minor amount if we are required to modify the Leave Accounting System or an interface with the Payroll System. Under the version we discussed by phone, there would not be a cost at all.

Please let me know if you need any further information.

Sincerely,



Michael P. Mc Mullen
Special Assistant

IN THE HOUSE

BY HOUSE JUDICIARY
BY REQUEST

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "Exemption of judicial retirement from execution."

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

* Section 1. AS 22.25 is amended by adding a new section to read:

AS 22.25.____. EXEMPTION OF JUDICIAL RETIREMENT FUNDS AND BENEFITS. Contributions by judges and other amounts held in the system and retirement benefits payable under this chapter are exempt from levy to enforce the collection of a debt as provided in AS 09.38 (exemptions).

For an Act entitled: "An Act relating to leave for district court judges."

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

* Section 1. AS 39.20.245(b) is amended to read:

(b) An officer or employee, with the approval of the person authorizing the employment, may donate accrued personal or annual leave to another officer or employee only for use as leave for medical reasons. The official responsible for employee accounts shall debit the donor's personal or annual leave account and credit the donee's personal leave account, or sick leave account, as appropriate, for medical reasons only, by converting the donated leave into cash value at the donor's rate of pay and reconvertng the cash value to hours of leave at the donee's rate of pay. Leave donated under this subsection is not leave taken by the donor for purposes of AS 39.20.225(c). An employee who is covered by a collective bargaining agreement may donate leave to or receive donation of leave from an employee or officer who is not covered by a collective bargaining agreement, notwithstanding AS 39.20.310(7) and (8) [AS 39.20.310(8) and (9)].

* Section 2. AS 39.20.270 is amended to read:

Sec. 39.20.270. COURT LEAVE. Notwithstanding AS 39.20.310(6) [AS 39.20.310(7)], court leave shall be granted to an employee who is classified as full time, whether permanent, nonpermanent, or temporary. An officer or

employee called to serve as a juror or subpoenaed as a witness is entitled to administrative leave with pay, but compensation received by the employee or to which the employee is entitled, whichever is greater, for service as a juror or witness shall be deducted from pay to which the employee is entitled as a state officer or employee.

* Sec. 3. AS 39.20.310 is amended to read:

Sec. 39.20.310. EXCEPTIONS. AS 39.20.200 - 39.20.330 do not apply to

(1) members of the state legislature, the governor, the lieutenant governor, and justices and judges of the supreme, [AND] superior, and district courts and of the court of appeals, but nothing in AS 39.20.200 - 39.20.330 may be construed to diminish the salaries fixed by law for these officers by reason of absence from duty on account of illness or otherwise;

(2) magistrates serving the state on less than a full-time basis;

(3) officers, members of the teaching staff, and employees of the University of Alaska;

(4) [REPEALED

(5)] Persons employed in a professional capacity to make a temporary and special inquiry, study, or examination as authorized by the governor, the legislature, or a legislative committee;

(5) [(6)] members of boards, commissions, and authorities who are not otherwise employed by the state;

(6) [(7)] temporary employees hired for periods of less than 12 consecutive months;

(7) [(8)] persons employed by the division of marine transportation as masters and members of the crews operating the state ferry system who are covered by collective bargaining agreements as provided in AS 23.40.040, except as expressly provided by law;

(8) [(9)] persons employed by the state who are covered by collective bargaining agreements as provided in AS 23.40.210, except as expressly provided by law.



Official Business

COMMITTEE:

HOUSE JUDICIARY

DATE: 2/8/89

SIGN-IN

Subject of meeting:

HBZ - IGNITION INTERLOCK DEVICES

HB 58 - FIRE PROTECTION

HB 73 TECH. AMENDMENT - PUBLIC EMPLOYEES BENEFITS

NAME

ADDRESS FULL ADDRESS PLEASE!

PHONE

REPRESENTING

DO YOU WANT TO TESTIFY? WHICH BILL?

NAME	ADDRESS <u>FULL ADDRESS PLEASE!</u>	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY? WHICH BILL?
Jilly Amish	PO Box CR Juneau 99801 0203	4470	Ret. & Ben.	Y 73
Gordon Bruntm	PO Box N Juneau 99811	465-4331	Public Safety	HB 58 if question
Em Parker	Box T	3376	CORRECTIONS	HB 2 NO. QUESTIONS

all
OK



Official Business

COMMITTEE:

HOUSE JUDICIARY

DATE: 2/8/89

SIGN-IN

Subject of meeting:

HBZ - IGNITION INTERLOCK DEVICES

HB 58 - FIRE PROTECTION

HB 73 TECH. AMENDMENT - PUBLIC EMPLOYEES BENEFITS

NAME

ADDRESS

FULL ADDRESS PLEASE !

PHONE

REPRESENTING

DO YOU WANT TO TESTIFY? WHICH BILL?

NAME	ADDRESS	FULL ADDRESS PLEASE !	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY? WHICH BILL?
Sally Smith	TPC Box CR	Juneau 99801 0203	4470	Ret. & Ben.	Y 73
Gordon Branton	PO Box N	Juneau 99811	465-4331	Public Safety	HB 58 if questions
Eric Patten	Box T		3376	CORRECTIONS	HB 2 NO. QUESTIONS

OK
OK

