

S

B

B

4

B

SENATE FINANCE COMMITTEE REPORT

DATE: January 17, 1990

FURTHER:

DATE TURNED INTO OFFICE: 1/23/90

The Finance Committee considered SENATE BILL NO. 343

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

and recommended:

[] replace with _____ CS
[/] or adopt _____ CS SB343(SA)
[] attached amendment(s)
[] _____ letter of intent adopted

[/] same title
[] new title
[] technical title change (HB only)

[/] do pass
[] do not pass
[] no recommendation
[] individual recommendations
[] further referral to _____

ATTACHES NEW FISCAL NOTE(S):
Dept/Date:
[] fiscal note(s) _____
[] zero fiscal note(s) _____
[] appropriation-no fiscal note

APPROVES PREVIOUS:
Dept/Date:
2 [/] fiscal note(s)
DCA - Retirement Benefits 39.1
DCA - Finance 37.2
[] zero fiscal note(s) _____

SIGNING DO PASS:
[Signature]
[Signature]
[Signature] (NO PASS)

OTHER RECOMMENDATIONS:
[Signature] NO Rec
[Signature] NO Rec
[Signature] NO Rec

1. [Signature] Do-PASS -- 2. [Signature]
Co-Chair's Signatures and Recommendations

FISCAL NOTE

REQUEST:

Revision Date: January 13, 1990
Title: An Act relating to the Retirement Incentive Program
Sponsor: Duncan
Requestor: _____

Agency Affected: Administration
BRU: Retirement and Benefits
Components: Retirement and Benefits

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. Stalnaker
Division: Deputy Director
Approved by Commissioner: Frank S. Baxter
Agency: Department of Administration

Phone: 465-4470
Date: 01/16/90
Date: 1/16/90

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

ESSB SP

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.

7/0 3FC 1-23-90

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 Brundage 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>

Offered: 1/17/90
Referred: Finance

6-1631E

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

09-89-4 372 018

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).

Alaska State Legislature

JAN 16 1990



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

DATE: January 16, 1990

TO: Senator Rick Uehling, Chair
Senate Finance Committee

FROM: Senator Jim Duncan

SUBJECT: CS Senate Bill 343 (State Affairs), Retirement Incentive Program Amendments

I request your prompt scheduling of CS Senate Bill 343(SA), which makes minor amendments to the existing Retirement Incentive Program. During the interim, I was contacted by a great many State employees with many years of service who did not qualify for the Retirement Incentive under the current statute and OMB guidelines. I believe the program is intended primarily for long term employees and therefore asked the Executive Branch how we could enable such employees to participate. Their suggestion was to allow the savings to be calculated over a five year term as was done in the 86-87 Retirement Incentive Program. Offsetting the cost to the State of the employee's participation in the program against the savings in personal services costs over a longer term will allow more employees to participate and increase the savings to the State.

I have requested statistical information from the Office of Management and Budget about the age and years of service of employees found eligible under the three year scenario versus those found ineligible. I expect to receive it very soon.

To summarize the proposed amendments to the program, it would;

1. increase the period within which savings must be shown from three to five years;
2. allow employees to pay part of the employer's share of the Retirement Incentive cost in order to show a savings; or
3. in lieu of payment, allow employees to elect a reduced benefit to reduce the employer's cost.

Senator Rick Uehling
January 16, 1990
Page 2

The State Affairs Committee added language which will allow Division of Election employees until February 1, 1991 to actually retire. This will allow the Division to retain RIP-eligible employees on board through the 1990 general election and its certification.

I feel it is very important to schedule this bill immediately because the application period for State employees closes on March 31, 1990. Currently, OMB is not allowing employees to apply if a savings is not found under the three year calculation. OMB has requested all agencies to recalculate savings over a five year period for non-qualifying employees so applications can be processed expeditiously when SB 343 is enacted.

I believe these amendments to the program will make the program more equitable and result in a larger savings to the State. If you have any questions, please contact me at 465-4766.

Attachments

1986-87

RETIREMENT INCENTIVE PROGRAM
 STATUS REPORT
 February 27, 1989

Employer	Eligible By Age/Svc	Designated By Empl.	Retired
Governor's Office	30	5	5
Administration	229	174	101
Law	41	18	11
Revenue	55	29	23
Education - PERS	72	71	28
Education - TRS	38	36	19
Health & Social Svc.	335	304	150
Labor	147	138	54
Commerce	88	55	28
Military Affairs	29	6	4
Natural Resources	160	139	65
Fish & Game	160	143	78
Public Safety	193	182	101
Environmental Consv.	36	34	12
Corrections	154	139	38
Comm. & Regional Aff.	21	18	7
Transportation	854	809	355
Ombudsman	1	0	0
Legislative Affairs	53	20	13
Legislative Finance	2	0	0
Legislative Audit	5	3	3
Court System	98	0	0
Total State PERS	2762	2287	1076
Total State TRS	38	36	19
University of Ak - PERS	325	319	107
University of Ak - TRS	372	349	95
Geophysical Inst - PERS	27	27	7
Geophysical Inst - TRS	38	35	8
Total University - PERS	352	346	114
Total University - TRS	410	384	103
Total Poly - Subs PERS	2661	1272	412
Total Schl Dists TRS	1773	1668	603
Grand Total PERS	5775	3905	1602
Grand Total TRS	2221	2088	725
Overall Total	7996	5993	2327

D R A F T

RETIREMENT INCENTIVE PROGRAM

DETAILED COST SAVINGS BY POSITION

DEPARTMENT: TRANSPORTATION AND PUBLIC FACILITIES

THESE CALCULATIONS ASSUME THAT YOU
HAVE BEEN CONTINUOUSLY EMPLOYED BY
THE STATE SINCE NOVEMBER 1, 1988

CALCULATION OF SAVINGS

	ESTIMATED FY 91	ESTIMATED FY 92	ESTIMATED FY 93	TOTAL
1. CURRENT RANGE AND STEP	20 L	20 L	20 L	
2. SALARY AND BENEFIT COST	\$75,412.18	\$75,412.18	\$75,412.18	\$226,236.54
3. REPLACEMENT RANGE AND STEP	20 A	20 B	20 C	
4. SALARY AND BENEFIT COST	\$59,035.88	\$61,047.32	\$62,801.66	\$182,884.87
5. FUNDS AVAILABLE (LINE 2 MINUS LINE 4)	\$16,376.30	\$14,364.86	\$12,610.52	\$43,351.68
6.A RETIREMENT AND BENEFITS ESTIMATE OF COST TO THE EMPLOYER (NOT INCLUDING THE PARTICIPANT'S SHARE OF THE COST) FOR THIS INDIVIDUAL TO TAKE PART IN THE RETIREMENT INCENTIVE PROGRAM.			\$43,055.00	
B ADMINSTRATIVE COST (.007 X RETIREMENT AND BENEFITS COST FROM 6A)			\$301.38	
			TOTAL COST (6A + 6B)	\$43,356.38
7. SAVINGS FOR THIS PCN (LINE 5 MINUS LINE 6)				\$-4.71

C

MEMORANDUM

State of Alaska
Department of Law

TO: Honorable Stephen McAlpine
Lieutenant Governor

DATE: January 12, 1989

FILE NO:

FILE NO:

465-3600

SUBJECT:

Requested amendment to
SB 343 - RIP retirement
date for division of
elections employees

RECEIVED
JAN 12 1990
GOVERNOR'S OFFICE

FROM:

Virginia B. Ragle
Virginia B. Ragle
Assistant Attorney General

In a telephone conversation on January 11, 1990, David Koivuniemi requested that we prepare an amendment to SB 343 to be presented to the Senate State Affairs Committee on Monday, January 15, 1990. The amendment would allow division of elections employees who are eligible to participate in the retirement incentive program to take retirement by February 1, 1991, instead of the current deadline of November 1, 1990. This amendment is expected to enable the division to retain needed RIP-eligible employees through the date of the 1990 general election and through the time needed to certify and respond to any challenges to the general election. We suggest the following amendment to SB 343:

Page 2, following line 25:

Insert a new bill section to read:

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

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

(1) February 1, 1991 for employees of the division of elections; or

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

Renumber the following bill sections accordingly.

Please let us know if we can provide further assistance in this matter.

Original sponsors: Duncan and Kerttula

1 IN THE SENATE BY THE CONFERENCE COMMITTEE
 2 CONFERENCE CS FOR SENATE BILL NO. 73
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA
 4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to retirement incentive programs for
 7 the public employees' retirement system and the
 8 teachers' retirement system; and providing for an
 9 effective date."

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

11 * Section 1. PURPOSE. Since it may be necessary for state agencies and
 12 other employers who participate in the state retirement systems to reduce
 13 their personal services costs because of declining state revenue, reimple-
 14 mentation of the retirement incentive program established by ch. 26, SLA
 15 1986, as amended by ch. 76, SLA 1988, encouraging employees to retire
 16 voluntarily, will reduce the hardship of layoffs. This program is intended
 17 to realize sufficient economies to offset the cost of administration and
 18 benefits to state agencies and other employers resulting from the award of
 19 retirement credits and to result in a net reduction in personal services
 20 costs to the state or other employers during a period of declining revenue.

21 * Sec. 2. RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a
 22 retirement incentive plan under secs. 3 - 6 of this Act, as appropriate, to
 23 designate organizational units of employees eligible to participate in the
 24 retirement incentive program.

25 (b) The organizational units of a plan must be selected so that
 26 implementation of the plan results in maximum savings to the employer in
 27 personal services costs within three years after the commencement of the
 28 plan. A plan that results in savings in personal services costs in any
 29 amount that is in excess of all costs to the employer qualifies under this

1 section. The designation may include only representatives from job class-
2 ifications whose inclusion contributes to the overall cost savings.

3 (c) A member is eligible to participate in the retirement incentive
4 program only if the member is vested, is employed in a position in a des-
5 igned organizational unit, and will be qualified to retire under AS 14.-
6 25.110 or AS 39.35.370 after receipt of the retirement incentive. To
7 participate, a member shall apply on a form provided by the administrator.

8 (d) A participating employer shall prepare and file the retirement
9 incentive plan with the administrator. For state employees other than
10 university employees, the administrator may approve a designated orga-
11 nizational unit only if the office of management and budget certifies that
12 the unit's participation in the plan meets the requirements of (b) of this
13 section. The administrator shall approve the plan if it meets the require-
14 ments of this section. The plan must

15 (1) identify organizational units and employees eligible to
16 participate in the program;

17 (2) include a reimbursement agreement that

18 (A) requires the employer, for each employee who is retired
19 under the plan, to reimburse the system within three years after the
20 end of the fiscal year in which the employee is appointed to retire-
21 ment in an amount equal to

22 (i) the actuarial equivalent of the difference between
23 the benefits the participant receives after the addition of the
24 retirement incentive under this section and the amount the par-
25 ticipant would have received without the incentive, less the
26 amount the participant has paid on the indebtedness determined
27 under (e) or (f) of this section; and

28 (ii) an appropriate share of the administrative costs
29 of the program; and

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

4 (e) A member of the teachers' retirement system who participates in
5 the retirement incentive program is indebted to the system. The amount of
6 indebtedness is equal to 21 percent of the member's actual compensation for
7 the school year, or the calculated school year compensation for a member
8 who works less than the entire school year, for the school year in which
9 the member terminates employment to participate in the program. An out-
10 standing indebtedness at the time a participant is appointed to retirement
11 will require an actuarial adjustment to the benefits payable.

12 (f) A member of the public employees' retirement system who partici-
13 pates in the retirement incentive program is indebted to the system. The
14 amount of indebtedness is equal to 22-1/2 percent for a peace officer or
15 fireman, and 20-1/4 percent for other members, of the member's actual
16 annual compensation, or the calculated annual compensation for a member who
17 works fewer than 12 months, for the year in which the member terminates
18 employment to participate in the program. An outstanding indebtedness at
19 the time a participant is appointed to retirement will require an actuarial
20 adjustment to the benefits payable.

21 (g) A participant in the retirement incentive program receives a
22 credit of three years. The three years must be applied in the following
23 order until exhausted:

24 (1) to meet the age or service required for eligibility for
25 normal retirement under AS 14.25.110 or AS 39.35.370, as appropriate;

26 (2) to meet the age required for early retirement under AS 14.-
27 25.110 or AS 39.35.370, as appropriate;

28 (3) to reduce the actuarial adjustment required for early re-
29 tirement under AS 14.25.110 or AS 39.35.370, as appropriate;

1 (4) as years of credited service for calculating retirement
2 benefits.

3 (h) Except as provided in sec. 7 of this Act, in the determination of
4 whether a member will qualify to retire under this section, credited ser-
5 vice may include only,

6 (1) for members of the teachers' retirement system, service
7 credit for employment rendered to an employer, territorial service under
8 AS 14.25.105, outside service and military service under AS 14.25.060, and
9 Alaska BIA service under AS 14.25.107;

10 (2) for members of the public employees' retirement system,
11 service credit for employment rendered to an employer.

12 * Sec. 3. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE. (a)
13 A state agency is authorized to adopt a retirement incentive plan for its
14 employees. A plan adopted under this section shall permit a designated
15 employee to apply to the retirement incentive program under sec. 2 of this
16 Act only from September 30, 1989, through March 31, 1990.

17 (b) The plan may not permit an employee who is the commissioner, a
18 deputy commissioner, or assistant commissioner of a state department to
19 participate.

20 (c) A plan adopted under this section may only permit participation
21 by an employee who is otherwise qualified and who

22 (1) has been continuously employed by the state since
23 November 1, 1988;

24 (2) is a permanent seasonal employee continuously employed by
25 the state in the permanent seasonal position during all of the time since
26 November 1, 1988, in which the position normally was filled;

27 (3) has a job sharing agreement with a state agency in which two
28 or more employees share a single position identified by a single position
29 control number and in which the employee choosing to participate was

1 continuously employed by the agency during all of the time since
2 November 1, 1988, in which the employee normally worked under the job
3 sharing agreement; or

4 (4) meets a combination of the requirements of this subsection.

5 (d) Under a plan adopted under this section, the administrator may
6 not accept the application of an employee unless the employee will be
7 appointed to retirement on or before November 1, 1990.

8 (e) In this section "state agency" does not include the University of
9 Alaska or an entity covered by sec. 4 of this Act.

10 * Sec. 4. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN
11 THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The governing body of a
12 political subdivision of the state or a public organization that has elect-
13 ed to participate in the public employees' retirement system under AS 39.-
14 35.550 - 39.35.650 is authorized to adopt a retirement incentive plan for
15 its employees under sec. 2 of this Act. A plan adopted under this section
16 shall permit designated employees to apply to the retirement incentive
17 program under sec. 2 of this Act from September 30, 1989, through March 31,
18 1990.

19 (b) Under a plan adopted under this section, the administrator may
20 not accept the application of an employee unless the employee will be
21 appointed to retirement on or before November 1, 1990.

22 * Sec. 5. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR THE EMPLOYEES OF
23 THE UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of
24 Alaska is authorized to adopt a retirement incentive plan for its employ-
25 ees. A plan adopted under this section shall permit designated employees
26 to apply to the retirement incentive program under sec. 2 of this Act from
27 June 30, 1989, through December 31, 1989.

28 (b) Under a plan adopted under this section, the administrator may
29 not accept the application of an employee unless the employee will be

1 appointed to retirement on or before August 1, 1990.

2 * Sec. 6. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN
3 THE TEACHERS' RETIREMENT SYSTEM. (a) An employer under the teachers'
4 retirement system who is not otherwise covered by secs. 3 or 5 of this Act
5 is authorized to adopt a retirement incentive plan for its employees under
6 sec. 2 of this Act. A plan adopted under this section shall permit des-
7 ignated employees to apply to the retirement incentive program under sec. 2
8 of this Act only from June 30, 1989, through December 31, 1989.

9 (b) Under a plan adopted under this section, the administrator may
10 not accept the application of an employee unless the employee will be
11 appointed to retirement on or before August 1, 1990.

12 * Sec. 7. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.
13 Notwithstanding other provisions of law, a vested member who is a state
14 employee and is participating in the retirement incentive program may
15 receive credit for employment with a political subdivision or public orga-
16 nization before the political subdivision or organization became an em-
17 ployer under the system for purposes of determining eligibility for retire-
18 ment under AS 14.25.110 or AS 39.35.370, as appropriate. The member may
19 not receive credit for those years under this subsection for purposes of
20 determining benefits. In order for a state employee to receive credit
21 under this subsection, the employee's participation in the program must
22 contribute to the overall cost savings of the agency.

23 * Sec. 8. RECOVERY OF EMPLOYER DELINQUENCIES. To recover a delinquency
24 owed by an employer other than the state under an agreement entered under
25 sec. 2(d)(2) of this Act, the Department of Administration may

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

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

1 * Sec. 9. REEMPLOYMENT INDEBTEDNESS AND REEMPLOYMENT PROHIBITION. (a)
2 If a participant in the retirement incentive program is reemployed as a
3 member of the public employees' retirement system under AS 39.35 or the
4 teachers' retirement system under AS 14.25 after appointment to retirement
5 under the program, the participant loses the incentive credit received
6 under sec. 2(g) of this Act and is indebted to the system. The amount of
7 the indebtedness is equal to 110 percent of the amount the participant
8 received as a result of participation in the program to which the partici-
9 pant was not otherwise entitled, including the cost of health insurance.
10 The participant is entitled to a credit to be applied against the reemploy-
11 ment indebtedness in the amount the participant has paid under sec. 2(e) or
12 (f) of this Act. Interest accrues on the indebtedness at the rate estab-
13 lished by regulation from the date of reemployment until the member is ap-
14 pointed to retirement and accepts an actuarial adjustment to the member's
15 future benefits or until the amount is paid in full.

16 (b) For one year after the date on which an employee who participated
17 in the program retired, the participant may not be employed by or enter
18 into a contract for personal services with a state department or agency
19 other than a personal services contract with the University of Alaska.
20 This subsection does not prohibit the university from entering into a
21 personal services contract with an employee who has participated in the
22 program during the year immediately following the employee's retirement.

23 * Sec. 10. OFFICE OF MANAGEMENT AND BUDGET. When designating an orga-
24 nizational unit for participation in the retirement incentive program, the
25 executive head of a state agency shall describe in detail the expected
26 effect of the program on the agency's personal services cost and operation.
27 This report shall be filed with the office of management and budget. For
28 each employee who will receive credit for employment under sec. 7 of this
29 Act, the agency head shall establish to the satisfaction of the office that

1 the proposed participation contributes to the overall agency cost savings.
2 The agency shall report as required by the office of management and budget
3 on the cost of each member's participation and the effect on the agency's
4 personal services cost and operation. The office of management and budget
5 shall submit to the legislature annual reports on the retirement incentive
6 program beginning on January 15, 1991, and continuing through January 15,
7 1993, and shall submit a final report on January 15, 1994. Each report
8 shall provide the information necessary for the legislature to evaluate the
9 effectiveness of the program in achieving its objectives. The report
10 should include information on the designated organizational units under the
11 retirement incentive plans including the cost of the retirement incentive
12 program per participant, the cost to the state, the cost to the employee,
13 the annual budgeted amount by agency for the retirement incentive, and the
14 projected or actual net savings over the three-year period.

15 * Sec. 11. PROGRAM CHANGES. An employee does not have a vested or
16 contractual right to any benefit under this Act until an agreement is
17 executed with the administrator that permits the benefits to be offered to
18 an organizational unit of which the employee is a member. The legislature
19 reserves the right to change any aspect of the incentive program as it
20 relates to members of organizational units for which participation agree-
21 ments are executed by the administrator after the effective date of the
22 changes.

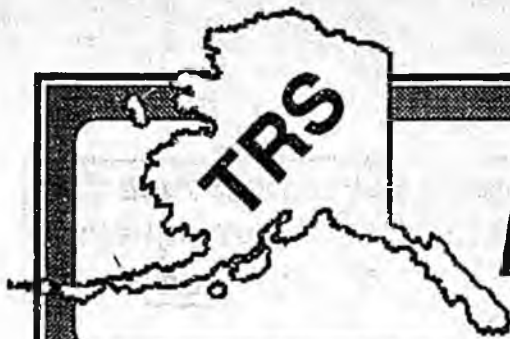
23 * Sec. 12. TIMELY APPLICATION. A member who is eligible under secs.
24 2 - 7 of this Act and who has submitted a timely application for participa-
25 tion in the retirement incentive program may be considered for participa-
26 tion in the program notwithstanding sec. 14 of this Act.

27 * Sec. 13. DEFINITIONS. The definitions set out in AS 14.25.220 apply
28 to this Act for members of the teachers' retirement system. The defini-
29 tions set out in AS 39.35.680 apply to this Act for members of the public

1 employees' retirement system.

2 * Sec. 14. Sections 1 - 7 of this Act are repealed July 1, 1991.

3 * Sec. 15. This Act takes effect immediately under AS 01.10.070(c).



NEWSBREAK

Teachers' Retirement System

Number 35

June 1989

Special Issue Retirement Incentive Program



Governor Cowper signing Senate Bill 73 with Senator Jim Duncan, the prime sponsor of the bill, standing to his left.

Senate Bill 73 was signed by Governor Cowper on the 2nd of June. This act, Chapter 89, Session Laws of Alaska 1989, encourages eligible employees to retire up to three years earlier than they had planned as a cost savings for public employers. Senators Jim Duncan and Jay Kerttula were the prime sponsors of this legislation.

Before employees will be considered for eligibility the employer must choose to participate in the program and the employee must be assigned to a designated unit by the employer.

Calling the Division

Call your employer and find out if they are planning to participate. If they are, find out if you have been designated to retire under the program. If both questions are answered with a "yes," learn as much as you can *from your employer* about the program and the procedure for your retirement.

If you need more information than your employer can provide, call one of the RIP telephone numbers at the Division of Retirement and Benefits.

- ☐ Juneau (907) 465-3233
- ☐ Anchorage (907) 563-3598

Your call will be answered by a recording, so that live staff can be dedicated to processing applications.

At the tone, leave the following information:

- ✓ your full name
- ✓ your social security number
- ✓ your address (if it is new)
- ✓ your telephone number
- ✓ your reason for calling

Continued on page 5

Participating TRS and Public Employees' Retirement System (PERS) employers are required to adopt a plan which shows a savings in personal serv-

Continued on page 2

Before you make plans to retire under this program, CALL YOUR EMPLOYER and ask:

- 1 Are they planning to participate in the RIP?**
- 2 Are you on their list of employees who are designated to participate?**

The answers to both must be YES.

Retirement Incentive Program

Continued from page 2

ices costs over a period of three years.

This plan must name the eligible employees (designated organizational unit) who are included. The costs of providing the retirement benefits will be carried by those employers and employees who elect to participate.

Following are answers to questions most often asked by employees:

Who is eligible to participate in the program?

To participate, employees must:

- 1 be vested;
- 2 meet the minimum retirement age or service requirements after the retirement incentive is added;
- 3 be approved for participation; and
- 4 be named in the organizational unit.

Additional requirements for State of Alaska Department of Education TRS members

Commissioners, deputy commissioners and assistant commissioners of State departments are not eligible to participate.

Additionally, a qualified State of Alaska employee may be permitted to participate only if the employee:

- ✓ has been continuously employed by the State since November 1, 1988; or
- ✓ is a permanent seasonal employee who has been continuously employed by the State in a permanent seasonal position since November 1, 1988; or
- ✓ has a job sharing agreement with a State agency in which two or more employees share a single position and the employee has been continuously employed in that position since November 1, 1988; or
- ✓ meets a combination of these requirements.

How does an employer determine if an organizational unit can be designated? How are units designated?

The employer is required to show that there will be a savings in personal services costs for all designated organizational units.

State of Alaska Department of Education organizational units will be designated by the executive heads of state agencies. The criteria to be used for designating units will be determined by the Governor's Office of Management and Budget. That office must then certify that each participating unit will save personal services costs.

University of Alaska and other TRS employers' organizational units will be designated by their respective governing bodies. Usually, a resolution will be adopted which designates units and establishes eligibility requirements additional to those in law.

What is the incentive and how does it work?

Three years of additional TRS credit will be offered to eligible employees. The three years of credit must be applied in the following order:

- 1 **First**, to reduce the age or service required for eligibility for early or normal retirement. This credit simply allows employees to retire earlier; it does not increase their benefits.
- 2 **Second**, to reduce the actuarial adjustment for early retirement. This credit increases benefits proportionate to the reduction.
- 3 **Last**, to increase employees' TRS service which increases their benefits.

Credit that is not used to satisfy the age or service required (1) will be used to reduce the actuarial adjustment for early retirement (2). If there is still unused credit, it will be used to increase the employee's TRS service (3). The *Retirement Eligibility Charts* on page 4 shows how the credit is applied.

What is the age requirement and how much TRS service is needed to be eligible for the RIP?

Vested employees are eligible for normal retirement at age 55 or early retirement at age 50. To be vested, an employee must have at least:

- ✓ eight years of paid-up TRS membership service; or
- ✓ five years of paid-up TRS membership and three years of paid-up Alaska Bureau of Indian Affairs (BIA) service; or
- ✓ 15 years of paid-up TRS credited service, the last five of which are membership service (applies only to members who were first hired under the TRS before July 1, 1975).

Retirement at any age

Employees are also eligible at any age for normal retirement with at least:

- ✓ 20 years of paid-up TRS membership service; or
- ✓ 20 years of paid-up combined TRS and Alaska BIA service, the last five of which are TRS membership service; or
- ✓ 20 years of paid-up part-time TRS membership service; or
- ✓ 25 years of paid-up credited service, the last five of which are TRS membership service.

The RIP allows eligible employees to retire at a younger age or with less service because of the three additional years of credit that they will receive.

Eligible employees who already qualify for normal retirement would have their benefits increased because they would receive an additional three years of TRS service.

By applying the three years of credit described above in *What is the incentive and how does it work?* and referring to the *Retirement Eligibility Charts* on page 4, you can see how the RIP credit works.

How can I find out if I will be eligible to retire under the program?

If your employer is a participant, they will know if you are named in a designated organizational unit. If you are, you should be eligible to retire under the program.

If I decide to retire under the RIP, will there be a cost to me?

Yes. The cost is equal to 21% of your annual compensation for the school year in which you terminate employment to participate. If you work less than a full school year, the total compensation that you earned will be used as a base to calculate an annualized amount.

If you do not want to pay this indebtedness before retirement, your benefits will be actuarially reduced for life.

If an employer participates in the RIP, will there be a cost to the employer?

Yes. Participating employers are required to reimburse the TRS for all costs associated with their employees' participation, except those charged to the employee. These costs must be paid within three years after the employees retire.

What are the deadlines for applying? When do I have to retire?

Refer to the *RIP Application and Retirement Deadlines* on page 5.

Continued on page 6

Retirement Eligibility Charts

Be sure to check with your employer to find out if you are eligible to participate in the RIP. If you are in a designated unit and you are eligible because you meet the retirement age requirement, use Chart A below to see how the three years of RIP credit will affect you. Employees who meet the service requirements under the "20 and out" or "25 and out" provisions should use Chart B.

Chart A - Retirement Eligibility Based on Age (must be vested)

Instructions: Find your actual age at retirement in the first column. Directly across in column 2 is the RIP age that will be used in your benefit calculation. Column 3 shows any additional service credit that will be added to increase your benefit.

Employee's actual age at retirement	Employee's age for RIP purposes	Service credit added to increase benefits
47	50	0
48	51	0
49	52	0
50	53	0
51	54	0
52	55	0
53	55	1 year
54	55	2 years
55 and over	55	3 years

Note: If your RIP age (column 2) is less than 55, your retirement benefits will be actuarially reduced for early retirement.

Chart B - Retirement Eligibility Based on Service

Instructions: Find your actual credit at retirement in the first column. Directly across in column 2 is your total credit, including any RIP credit, which will be used to calculate your benefit. Column 3 shows any additional credit that will be added to increase your benefit.

Actual years of credit at retirement	Years of credit with RIP credit	Years of RIP credit to increase benefits
	"20 and out" Provision	
17	17	0
18	19	1
19	21	2
*20	23	3
	"25 and out" Provision	
22	22	0
23	24	1
24	26	2
*25	28	3

* Employees with more credit will receive three additional years of credit to increase their benefits. For details on the "20 and out" and "25 and out" provisions, read "What is the age requirement and how much TRS service is needed to be eligible for the RIP?" on page 3.

RIP Application and Retirement Deadlines

The first thing you should do is **check with your employer** to find out if you are eligible to participate in the RIP. Eligible employees may apply and retire under the RIP as follows:

Employer	Must APPLY no later than	May RETIRE beginning	Must RETIRE no later than
University of Alaska	12-31-89	7-1-89	8-1-90
Other TRS employers	12-31-89	7-1-89	8-1-90
State of Alaska	3-31-90	10-1-89	11-1-90

Caution: Retirement applications must be received by the Division of Retirement and Benefits or must be postmarked before the retirement appointment date. For example, employees who intend to retire on October 1, 1989, must make sure that their applications are received by the division or are postmarked no later than September 30.

Peace of Mind

The "Wall Street Journal" ran an article some time ago entitled "Insurance Firm's Pension Pitch Presents Pitfalls."

The article describes advice that some insurance companies are giving people nearing retirement: pick a pension option that pays only for the life of the employee, not an option that will continue to pay the spouse after the employee's death.

These companies or financial planners further advise soon-to-be retirees to use part of their larger pension payments to buy a life insurance policy on their lives. The companies suggest that this is the most effective way to provide for a surviving spouse, at the lowest overall cost to the retiree.

After studying the idea, the "Journal" questioned whether this works to the employee's advantage, and concluded that it may be difficult to duplicate the pension amount, the pension security, and the peace of mind that the spouse will get with the receipt of a monthly pension check after the death of the retiree.

TRS members should also consider that TRS medical insurance is only available to survivors who are eligible for continuing survivor's benefits. **That insurance is not available unless the survivor is receiving monthly TRS benefit checks.**

Warning!

Before you quit your job, make sure you have enough TRS service to retire.

When members apply for retirement, their employers are required to verify their past employment and salaries. Many times problems are not discovered until then. Members who are planning to retire should verify their eligibility with their employer before terminating employment to avoid such unpleasant surprises as non-creditable employment which is not covered by the TRS.

Make sure that you have enough service to retire before you terminate!

Credited Service

TRS credited service includes the following types of credit:

- ✓ membership
- ✓ outside teaching
- ✓ military
- ✓ Alaska BIA
- ✓ territorial
- ✓ claimed leave without pay (LWOP)

Although claimed LWOP is credited service and will be used to increase benefits, it **cannot be used** to qualify for retirement under the "20 and out" and "25 and out" provisions.

Calling the Division - Continued from page 1

Because employees of TRS school districts and the University of Alaska may apply and retire first, their calls will be given top priority. The division asks that State Department of Education employees call after August 1st to help streamline processing.

All calls will be returned as quickly as staff can gather information in response to requests. As this may take several days, depending on the volume of calls and complexity of the individuals situations, your patience will be appreciated.

Retirement Incentive Program

Continued from page 3

Will I be covered under the retiree medical plan if I retire under the RIP?

Yes. TRS employees and their eligible dependents will be covered automatically *at no premium cost* when their monthly benefits begin.

Is there a special application form, and where can I get one?

Yes. If you are eligible to apply for the RIP, you may request one from your personnel office or the Division of Retirement and Benefits.

Should I delay my plans to retire until I know if I will be eligible for the RIP?

It is definitely a good idea to find out if you qualify for the program before you terminate your employment. You should contact your personnel office to find out if your employer is participating and if your position will be included.

What if I retire under the RIP and later become reemployed in a position covered by either the TRS, Public Employees' Retirement System (PERS), or the new University of Alaska Retirement Program?

First, you will forfeit the three years of incentive credit that you received.

Second, you will owe the TRS 110% of the benefits you received as a participant in the program, including any costs for health insurance. (The indebtedness will be reduced by the amount you paid to participate in the program.)

Third, interest (currently 7%) will accrue on that indebtedness from the date that you become reemployed until it is either completely

paid or you retire again. Any balance remaining when you retire again will result in an actuarial reduction to your benefit.

If I retire under the program, will I be able to enter into a contract with the State of Alaska or the University of Alaska to perform personal services?

The RIP prohibits participating employees from entering into a personal services contract with a State department or agency for one year after they retire. However, personal services contracts with the University of Alaska are permitted.

Call Ahead for Appointments

If you need counseling, please call the Division of Retirement and Benefits for an appointment. Calling ahead will save your valuable time and help us to prepare for your visit.

There is a fully-staffed office in Juneau and a field office in Anchorage. Both offices are open between 8:00 a.m. and 5:00 p.m., with skeleton crews working during the noon hours. The office locations and telephone numbers are:

6th Floor, State Office Building
Juneau, Alaska
Phone: (907) 465-4460

701 E. Tudor Road, Suite 240
Anchorage, Alaska
Phone: (907) 563-5885

The division's workload has increased enormously as a result of the new Retirement Incentive Program. At this busy time, we can provide better service to you and other employees if you will call ahead.

Retirement Incentive Program (RIP) calls should be made to one of the following special numbers:

Juneau (907) 465-3233
Anchorage (907) 563-3598

When you call these numbers, please leave the following information on the message recorder:

Continued on back page

Record of Valuable Property and Important Papers

You can keep a concise and comprehensive source of important personal information by using this form. A frequent problem for survivors, after someone dies, is simply finding all of the property and valuable papers. You can help your heirs and executor by filling out this form and giving copies to your spouse, a close relative, your executor and attorney. Update this information periodically.

Name: _____ Social Security Number: _____

Other Important Numbers: _____

**My valuable property and important papers are stored in these locations:
(include addresses if needed)**

Location A: _____

Location B: _____

Location C: _____

Location D: _____

Item	(Specify location)	A B C D	Item	(Specify location)	A B C D
<i>Wills and important papers</i>			<i>Retirement plan information</i>		
	My will (original)	_____		<i>IRA, Keogh, and other tax-deferred income accounts</i>	_____
	My will (copy)	_____		<i>Property</i>	_____
	Spouse's will (original)	_____		Titles (car, boat, etc.)	_____
	Spouse's will (copy)	_____		Deeds (real estate)	_____
	Power of attorney	_____		Notes, mortgages	_____
	Trust agreements	_____		List of stored and loaned property	_____
	Employment contracts	_____		List of stocks, bonds, etc.	_____
	Partnership agreements	_____		List of checking, savings and other accounts	_____
	Income tax papers	_____		Safety deposit box and keys	_____
	Marriage certificate	_____		Safe combination	_____
	Birth certificates	_____			
	Military papers	_____		<i>List of credit cards and accounts</i>	_____
	Divorce/separation papers	_____		<i>Burial instructions</i>	_____
<i>Insurances</i>					
	Life	_____			
	Health	_____			
	Homeowner	_____			
	Car, boat, etc.	_____			

Important names, addresses and telephone numbers

Retirement Plan: TRS, Division of Retirement and Benefits, P.O. Box CR,
Juneau, Ak. 99811, telephone (907) 465-4460

Attorney: _____

Accountant: _____

Stockbroker: _____

Insurance Agent: _____

Date Prepared: _____ Copies given to: _____

INFORMATION FOR SENATE STATE AFFAIRS COMMITTEE
Provided by Senator Jim Duncan, January 15, 1990

SB 343, RETIREMENT INCENTIVE PROGRAM AMENDMENTS -

The Retirement Incentive Program was implemented in June of 1989 and the program continues through November 1 of this year. Employers choosing to participate in the Retirement Incentive are required to show a personal services savings. Chapter 89/89 also explicitly states in section 2(b) that "The organizational units of a plan must be selected so that implementation of the plan results in maximum savings to the employer in personal services costs within three years after the commencement of the plan."

The three year calculation has rendered many long term state employees not to be eligible because OMB is strictly interpreting each individual position as an organizational unit. Thus, if a savings is not shown on an individual's position, that person is not considered eligible for the program. School districts and the University have not taken the same approach to organizational units and thus have not experienced similar problems.

The preliminary information which I have received on the program to date indicates that:

	Total Eligible by or Service	Designated to Participate	% of Total
State	2,987	1,837	61.5
University	767	767	100.0
School Districts	2,271	1,970	87.5
Polysubs	<u>2,627</u>	N/A	N/A
Totals	8,652		

Current OMB statistics show 1,475 employees designated, not including Marine Highways. For those 1,475 employees, if they all retire, the State will save \$14.3 million over the next three years.

A comparison of the current program with the 86-87 program indicates that in the prior program 83 percent of eligible State employees were designated to participate versus the current program's rate of 61.5. I think this clearly shows that many more employees are not qualifying for the program under the three year savings criteria. Because incentives for long term employees are more costly to the employer than those for short term employees it is very likely that when we receive the detailed information which I have requested it will show that long-term employees make up the bulk of those not designated for participation. I have, in fact, been contacted by many employees eligible in the previous program who have not been designated to participate in this one.

Not all school districts have chosen to participate in the program and this is reflected in their 87.5 percent designation rate.

To briefly explain the reason why many long term employees have not been designated by OMB, the retirement benefit in PERS is calculated as 2% times the first ten years of service times average monthly compensation, the second ten years is multiplied times 2.25% and the third times 2.5%. A copy of the applicable pages from the PERS booklet are in your packet entitled "Retirement Benefits". Thus a person with thirty years of service earns a retirement benefit which is almost 70% of their ending salary. A person with only ten years' service would receive only 20% of their ending salary. Since the cost of participation in the incentive is based on an actuarial calculation of the cost to the retirement system of the three year incentive plus the current value of any increased lifetime benefit, it costs more for long term employees to participate. If an individual is relatively young and has many years of service, the problem is compounded. Exhibits A and B in your folder show the difference the five year calculation makes on a typical employees' savings calculation. Exhibit C is an example of the three year calculation which an Anchorage employee who was found ineligible received.

SB 343 is very limited in scope, it basically makes changes which affect only state government and it does not change the window periods of the program. It will not change the benefit calculation nor add an additional incentive over what is offered in CH 89/89. The window periods remain:

<u>Employee Type</u>	<u>Application Period</u>	<u>Employee Must Retire on or Before</u>
Teachers	June 30, 1989 - Dec. 31, 1989	August 1, 1990
University	" "	" "
State	Sept. 30, 1989 - March 31, 1990	November 1, 1990
Municipal	" "	" "

In addition to changing the savings calculation period, SB 343 will allow employees to pay a portion of the employer's share or take a reduction in benefit in order to reduce the employers' cost.

The closure of the application period for State employees on March 31 makes it of paramount importance that SB 343 progress through the legislative process as swiftly as possible so that many deserving long-term employees can participate. In this way I believe the State can realize the maximum savings possible through the use of the Retirement Incentive Program.

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

MEMORANDUM

TO: Senate State Affairs Committee Members
FROM: Senator Pat Pourchot
RE: January 15, 1990 Committee Hearing
DATE: January 12, 1990

On Monday, January 15 at 1:30 p.m. in the Beltz Room the Senate State Affairs Committee will hear the following bill:

SB 343, An Act relating to the retirement incentive program; and providing for an effective date.

SB 343 would make amendments to the existing Retirement Incentive Program (RIP) by allowing an employee to qualify under RIP if savings could be demonstrated over a period of five years instead of three as is currently required. Savings were calculated over a five year term in the 1986-87 Retirement Incentive Program. Should employees still be unable to demonstrate cost savings using the longer payback period, employees would have the option of paying the difference to the state or of accepting a reduced benefit in order to retire.

SB 343 does not propose any changes to the window periods for eligibility determination. The current "window" application period closes on March 31, 1990. The Office of Management and Budget has requested all agencies to recalculate savings over a five year period for non-qualifying employees so applications can be processed expeditiously should SB 343 become enacted.

Fiscal note and statistical information from the Office of Management and Budget concerning the number of employees this would impact and the estimated cost savings to the state have been requested.

FAIRBANKS NORTH STAR BOROUGH BOARD OF EDUCATION

Resolution 89-23

Opposing Early Retirement Incentive Programs

WHEREAS, the State of Alaska passed an Early Retirement Incentive Plan in 1986 to help school districts and other public agencies realize significant personnel cost reductions in response to a statewide fiscal emergency; and,

WHEREAS, the State of Alaska passed another Early Retirement Incentive Plan in 1989, although there was not a fiscal emergency; and,

WHEREAS, this is creating the expectation that there will be another Retirement Incentive Plan program offered again in several years; and,

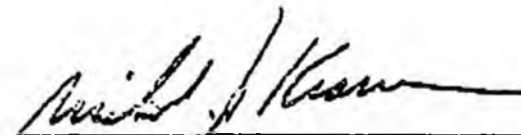
WHEREAS, this expectation works counter to the program's intent of encouraging people to retire, because instead of the normal attrition rate, employees who might normally retire will postpone doing so until such time as another Retirement Incentive Plan is offered; and,

WHEREAS, our district also has serious concerns about a teacher work shortage and fears it will become more and more difficult to replace our valuable and experienced work force; and,

WHEREAS, our district does not wish to lose our experienced employees, but has decided it would not be fair to deny them access to a Retirement Incentive Plan once it is passed into law;

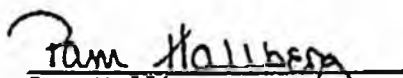
NOW, THEREFORE, BE IT RESOLVED that the Fairbanks North Star Borough Board of Education requests the Legislature and the Governor not enact any future legislation authorizing early retirement.

PASSED AND APPROVED SEPTEMBER 19, 1989.



Mike Kramer, President
Board of Education

ATTEST:



Pam Hallberg
Secretary to the Board

D R A F T

RETIREMENT INCENTIVE PROGRAM

DETAILED COST SAVINGS BY POSITION

DEPARTMENT: TRANSPORTATION AND PUBLIC FACILITIES

Anchorage

THESE CALCULATIONS ASSUME THAT YOU
HAVE BEEN CONTINUOUSLY EMPLOYED BY
THE STATE SINCE NOVEMBER 1, 1988

CALCULATION OF SAVINGS

	ESTIMATED FY 91	ESTIMATED FY 92	ESTIMATED FY 93	TOTAL
1. CURRENT RANGE AND STEP	20 L	20 L	20 L	
2. SALARY AND BENEFIT COST	\$75,412.18	\$75,412.18	\$75,412.18	\$226,236.54
3. REPLACEMENT RANGE AND STEP	20 A	- 20 B	20 C	
4. SALARY AND BENEFIT COST	\$59,035.88	\$61,047.32	\$62,801.66	\$182,884.87
5. FUNDS AVAILABLE (LINE 2 MINUS LINE 4)	\$16,376.30	\$14,364.86	\$12,610.52	\$43,351.68
6.A RETIREMENT AND BENEFITS ESTIMATE OF COST TO THE EMPLOYER (NOT INCLUDING THE PARTICIPANT'S SHARE OF THE COST) FOR THIS INDIVIDUAL TO TAKE PART IN THE RETIREMENT INCENTIVE PROGRAM.			\$43,055.00	
B ADMINSTRATIVE COST (.007 X RETIREMENT AND BENEFITS COST FROM 6A)			\$301.38	
			TOTAL COST (6A + 6B)	\$43,356.38
7. SAVINGS FOR THIS PCN (LINE 5 MINUS LINE 6)				\$-4.71

C



MINIMUM REQUIREMENTS FOR RETIREMENT

When will I be eligible to retire and start receiving monthly benefits?

That depends on your age and PERS service. If you meet the minimum PERS service requirements described below and you were first hired under the PERS:

- before July 1, 1986, you can retire at age 55 for normal retirement or age 50 for early.
- after June 30, 1986, you can retire at age 60 for normal retirement or age 55 for early.

Under **early retirement** (see page 26), your monthly benefit is actuarially reduced based on age. The closer you are to normal retirement age, the smaller the reduction.

Under **normal retirement** (see page 25), your monthly benefit is **not** reduced.

To retire, you must also meet the minimum PERS service requirements. You must have at least:

- five **paid-up** years of PERS service; or
- 60 days of **paid-up** PERS service if you were an employee of the legislature during each of five legislative sessions and you were first hired under the PERS before May 30, 1987 (see *Conditional Service Benefit* on page 22); or

- 80 days of **paid-up** PERS service if you were an employee of the legislature during each of five legislative sessions and you were first hired under the PERS after May 29, 1987 (see *Conditional Service Benefit* on page 22); or
- two **paid-up** years of PERS service if you are vested in the Teachers' Retirement System (TRS). See *Conditional Service Benefit* on page 22.

In addition, you may retire at any age and receive a normal (unreduced) benefit if you have at least:

- 30 **paid-up** years of PERS service; or
- 20 **paid-up** years of PERS service as a peace officer or fireman (see page 67).

Military and temporary credit may **not** be used to satisfy the 20 or 30 years needed to retire at any age.

Members who have received a refund of their PERS contributions should review the following sections in this handbook:

Reinstatement of Service - page 62

Payment of Indebtedness - page 63

BENEFIT CALCULATION

How will my monthly retirement benefit be calculated?

Your "normal" benefit will be calculated by multiplying the percentage multiplier (page 19) times your average monthly compensation times your PERS service. The normal benefit will be adjusted if you select one of the other retirement options (early, joint and survivor, or level income). See *Retirement Options* on page 25.

Your average monthly compensation is determined by adding together the compensation earned during your three highest consecutive payroll years and dividing the total by the number of months worked during that same time period. You must have at least 115 days of credited service in the last payroll year worked to include that year as one of your three highest.

For instance, if your three highest consecutive salaries and months worked are as follows, your average monthly compensation would be \$2,500.

Payroll Year Worked	Salary	Months
1986	\$30,000	12
1987	27,500	11
1988	<u>15,000</u>	<u>6</u>
	\$72,500	29

\$72,500 + 29 months equals \$2,500

If you received a cost of living differential during your three highest years and you were first hired under the PERS before January 1, 1987, the differential will automatically be included as part of your salary(s). However, it will only be included if you were first hired after December 31, 1986, and you received a comparable differential during at least 50% of your credited service. See *Refund of Contributions on Cost of Living Differential* on page 62.

Percentage Multipliers

The percentage multipliers for members, other than peace officers and firemen, are:

- 2% per year for all service earned up to 10 years; plus
- 2-1/4% per year for all service over 10 years, but less than 20 years (applies only to service earned after June 30, 1986); plus
- 2-1/2% per year for all service over 20 years (applies only to service earned after June 30, 1986).

All service earned before July 1, 1986, will be calculated using the 2% multiplier.

This example shows how to calculate a normal retirement benefit. We have assumed that the average monthly compensation is \$2,500, and that the member had 10 years of service on June 30, 1986, and earned 20 additional years after June 30, 1986.

Example:			
2%	x the first 10 years	x \$2,500	= \$ 500.00; plus
2-1/4%	x the second 10 years	x \$2,500	= \$ 562.50; plus
2-1/2%	x the third 10 years	x \$2,500	= \$ 625.00
	Total		\$1,687.50

As you can see, the normal benefit is: \$500.00 for the first 10 years of service; \$562.50 for service between 10 and 20 years; and \$625.00 for service between 20 and 30 years.

The member in the example would receive a monthly base benefit of \$1,687.50 for the rest of his or her life. Any adjustments to the benefit would be calculated on that base benefit. Please review the following sections for details about adjustments:

- Post Retirement Pension Adjustment (PRPA)* - page 53
- Cost of Living Allowance (COLA)* - page 51
- Joint and Survivor Options* - page 27
- Early Retirement* - page 26
- Payment of Indebtedness* - page 63

The percentage multipliers for peace officers and firemen are:

- 2% per year for their first 10 years of service; plus
- 2-1/2% per year for service over 10 years.

For a terminated, deferred vested member, the percentage multiplier that was in effect when the member terminated from PERS employment will be used to calculate the benefit. Consequently, even though the current multipliers may be larger, the multiplier in effect at the time of termination will be used.

BENEFIT PAYMENTS

When will I be appointed to retirement?

You will be appointed on the first of the month following the date that:

- you meet the minimum service and age requirements for retirement. But, if your birthday falls on the first day of the month, you are eligible to retire that month rather than the following month;
- you terminate PERS employment; and
- your written application for benefits is received by the Division of Retirement and Benefits. It should be sent to the division at least 30 days before you terminate.

Please review the following sections for details about benefit payments under other provisions:

2/23/90
(H) FIN
copy to Carol
2/23/90

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						
TOTAL OPERATING	None	None	None	None	None	None

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

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)