

S B

343

SENATE STATE AFFAIRS COMMITTEE

BILL NUMBER SB 343

SPONSOR DUNCAN - Roxanne 4766

BILL TITLE R.I.P.

DATE REFERRED 1-8-90

HEARING SCHEDULED 1-15-90

FISCAL NOTE PREPARED - Requested Bob Stalucker - 4460 (1-11-90)

SPONSOR CONTACTED - Request by Duncan 1-9-90

INTERESTED PARTIES CONTACTED

- ✓ Roxanne - 4766 Deputy
- ✓ Sally Smith - 4460 - Bob Stalucker to testify
- ✓ NEA - Bob Manner L.M.
- ✓ OMB - 3568 - Alison Algae L.M. - will testify
- ✓ ASEBA - Bill Ray - Michelle Castenedo 463-4949 L.M. Buddy Mcupin
- ✓ APEA - Bruce Ludwig - 586-2334 L.M.
- ✓ University - Suzanne Tryck - 278-5433 - will call if testify NO
- ✓ Leg. Aud. F - 3838 - Randy Welker - call if wish him to be there
- ✓ Sch. Adm. - 586-9702 Steve McPhetres - "won't be testifying - no educator impact"
- ✓ DoFA - Leg. Liason - Sioux Plummer - 2200
- Lt. Gov's office: Dave Koivunemi 3520

OTHER

1.8.90 REQUEST FOR SPEEDY
HEARING - Roxanne

MEMORANDUM

State of Alaska

TO: All Administrative Service Directors

DATE: December 29, 1989

FILE NO: f:ae131

TELEPHONE NO: 465-3568

FROM: Alison M. Elgee
Director
Division of Budget Review
Office of Management and Budget

SUBJECT: RIP

Senator Jim Duncan is proposing legislation that would change the ability of currently ineligible employees to participate in the early retirement incentive program. Through his proposals, employees would qualify if the cost of retirement would demonstrate cost savings over a period of five years instead of three as is currently required. 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.

The new legislation does not propose any changes to the window periods for eligibility determination. In order to be able to rapidly certify eligibility based upon the new criteria, you are requested to recalculate the replacement costs of all previously ineligible employees over a five year period by simply extending the previous calculations for an additional two years. This information should be retained by the Administrative Services division pending favorable consideration of the proposed legislation. At such time as the legislation becomes enacted, all employees will be certified eligible who otherwise qualify by length of service and age. While, all employees will be eligible some employees will need to make arrangements to reduce the excess cost to the state through payment or a reduction in benefit. Therefore, the information will need to be made immediately available to employees at such time as the legislation passes so that employees will be able to make decisions about their own participation prior to the close of the eligibility period, March 31, 1990.

Enclosure

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: Additional information for Monday, 1/15/90 Committee Hearing
on SB 343.

DATE: January 13, 1990

The following information is attached for your review:

Sectional Analysis of SB 343

SB 343

CCS SB 73: Which SB 343 amends.

Review sheet of requirements and calculations for RIP.

February, 1989 RIP Status Report

Comparison sheets for one employee based on 3 year and 5 year calculations

TRS newsletter explaining RIP.

Please bring information to committee hearing.

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,

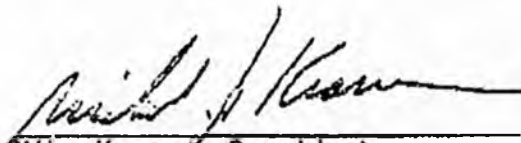
WHEREAS, this expectation works counter to the program's intent of encouraging people to retire, because instead of the normal attrition rate, employees who might normally retire will postpone doing so until such time as another Retirement Incentive Plan is offered; and,

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;

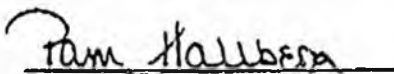
NOW, THEREFORE, BE IT RESOLVED that the Fairbanks North Star Borough Board of Education requests the Legislature and the Governor not enact any future legislation authorizing early retirement.

PASSED AND APPROVED SEPTEMBER 19, 1989.



Mike Kramer, President
Board of Education

ATTEST:



Pam Hallberg
Secretary to the Board

MEMORANDUM

State of Alaska

TO: All Directors/Executive Directors

DATE: January 5, 1990

FILE NO.:

TELEPHONE NO.:

SUBJECT: Retirement Incentive Program

JAN 8 1990

190

'JA'

FROM: Guy Bell, Director 
Division of Administrative Services

The attached memo from the Division of Budget Review outlines Senator Duncan's proposed legislation to make changes to the Retirement Incentive Program (RIP). If the legislation passes, it would make the following changes:

1. An employee would qualify under RIP if savings could be demonstrated over a period of five years instead of three as is currently required.
2. If an employee is still unable to demonstrate cost savings using the five-year payback period, the employee would have the option of paying the difference to the state or of accepting a reduced benefit in order to retire.

When the legislation passes, rapid turnaround will be required on our part to ensure that all eligible employees who chose to participate can do so prior to the close of the eligibility period, March 31, 1990. Therefore, we have recalculated the "Detailed Cost Savings by Position" worksheets for all previously ineligible employees. Please review these worksheets for accuracy and send any necessary changes to Steve Hildebrand by January 12, 1989.

GB/bkt0887c
010590a
Attachment

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

DATE: January 9, 1990

TO: Senator Pat Pourchot, Chair
Senate State Affairs Committee

FROM: Senator Jim Duncan

SUBJECT: Senate Bill 343, Retirement Incentive Program Amendments

I request your prompt scheduling of Senate Bill 343, which will make 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.

I feel it is very important to schedule this bill immediately because the application period for State employees closes on March 31, 1990.

Senator Pat Pourchot
January 9, 1990
Page 2

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.

MEMORANDUM

State of Alaska

Department of Law

TO: Honorable Stephen McAlpine
Lieutenant Governor

DATE: January 12, 1989

REC-51

FILE NO:
TEL. NO:

JAN 12 1990

465-3600

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

GOVERNOR'S OFFICE

Virginia B. Ragle

FROM: 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 *or employed on February 1, 1990*

(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.

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.

TOTAL PACKAGE COST.

F - Duncan's
RIP B.II
4th Airman

NEW TROOPER		SENIOR SGT.	
74A.	\$ 50,346	78L	\$ 90,892
76A.	\$ 58,356	78L	\$ 90,892
76B.	\$ 60,534	78L	\$ 90,892
76C.	\$ 62,820	78L	\$ 90,892
76D.	\$ 65,142	78L	\$ 90,892

\$ 297,198.⁰⁰

\$ 454,460

5 YEAR SAVINGS TO THE STATE \$ 157,262

SENIOR EMPLOYEES EARN 36 DAYS LEAVE PER YEAR. NEW EMPLOYEES EARN 24 DAYS LEAVE PER YEAR FOR AN ADDITIONAL SAVINGS OF 12 WORK DAYS WHICH COMPUTES TO \$ 4,294 + \$ 157,262 = \$ 161,556 SAVINGS.

SB 343: RIP

NOTIFIED; *indicates will testify

*Senator Duncan: Roxanne

*Bob Stalmaker

NEA, Bob Manners

*OMB, Alison Elgee

*ASEA Buddy Maupin

APEA Bruce Ludwig

UNIV Suzanne Tryck

Leg. Audit Randy Welker

School Administrators Steve McPhetres

D o Admin. Sioux Plummer

~~*Lt. Governor Steve McApline~~

Dave Koivuniemi (Koy voo knee me) Lt. Governor's office. Available for questions.

F.Y.I.

Fiscal note and statistical information from Alison Algee will be available at hearing.

SB 343 will primarily impact State employees. The University has 100% participation and School Districts have 87.5% participation, which means almost everyone who wants to "RIP" has or can.

This bill does not change the window periods for application.

The amendment proposed by the Lt. Governor is in the packet. It states Feb. 1 as the date to retire by, the Lt. Governor will testify as to why. (Would probably find Jan. 1 acceptable but date of retirement, whether Dec. Jan. or Feb. does not impact numbers of people eligible to retire.) Duncan does not object to this amendment.

We have not received comments in opposition. Duncan's office states that they have only received a few calls from people concerned that "we will not be able to pay the larger share to allow us to RIP in".

Information Delivered to Committee Members:

Memo

SB 343

CCS SB 73

Sectional Analysis of SB 343

Amendment requested by the Lt. Governor

Retirements Requirements and Calculations Sheet

RIP February, 1989 Status Report

Comparison sheets for one employee based on 3 year and 5 year calculations

TRS newsletter explaining RIP

Information available at hearing:

Fiscal notes: Admin/Div. of Finance

Admin/Div. of Retirement and Benefits


Statistical impact Report from Alison Algee.

1-11-90 Pat: from Susie

SB 343: RIP

Koy Voo Kwee me

Dave Koivuniemi of the Lt. Governor's office (3520) called to discuss an amendment to SB 343: amendment would extend the retirement date to December 31, 1990 from November 1, 1990 for Division of Election Employees only. They have two people who are eligible to retire on the Nov. 1, 90 date and the Lt. Governor is concerned that this will seriously impact elections in the Nome and Fairbanks areas since both these eligible employees are supervisors.

 NEED RESPONSE: Would you like the Lt. Gov. to testify on this possible amendment?

Those I have contacted re: Monday hearing *indicates will testify

Duncan: Roxanne

*Bob Stalmaker

NEA, Bob Manners

*OMB, Alison Elgee

*ASEA Buddy Maupin

APEA Bruce Ludwig


UNIV Suzanne Tryck

Leg. Audit Randy Welker

School Administrators Steve McPhetres

D o Admin. Sioux Plummer

* *Dave Koivuniemi - Lt. Gov's Office (Koy Voo Kwee me)*

 NEED RESPONSE: Anyone else who should be notified? Anyone you wish to invite to testify?

SB 343: RIP

NOTIFIED; *indicates will testify

*Senator Duncan: (Roxanne available for questions)

*Bob Stalmaker

NEA, Bob Manners

*OMB, Alison Elgee

*ASEA Buddy Maupin

APEA Bruce Ludwig

UNIV Suzanne Tryck

Leg. Audit Randy Welker

School Administrators Steve McPhetres

D o Admin. Sioux Plummer

*Lt. Governor Steve McApline

Dave Koivuniemi (Koy voo knee me) Lt. Governor's office. Available for questions.

F.Y.I.

Fiscal note and statistical information from Alison ^EAlgee will be available at hearing.

SB 343 will primarily impact State employees. The University has 100% participation and School Districts have 87.5% participation, which means almost everyone who wants to "RIP" has or can.

This bill does not change the window periods for application.

The amendment proposed by the Lt. Governor is in the packet. It states Feb. 1 as the date to retire by, the Lt. Governor will testify as to why. (Would probably find Jan. 1 acceptable but date of retirement, whether Dec. Jan. or Feb. does not impact numbers of people eligible to retire.) Duncan does not object to this amendment.

We have not received comments in opposition. Duncan's office states that they have only received a few calls from people concerned that "we will not be able to pay the larger share to allow us to RIP in".

Information Delivered to Committee Members:

Memo

SB 343

CCS SB 73

Sectional Analysis of SB 343

Amendment requested by the Lt. Governor

Retirements Requirements and Calculations Sheet

RIP February, 1989 Status Report

Comparison sheets for one employee based on 3 year and 5 year calculations

TRS newsletter explaining RIP

Information available at hearing:

Fiscal notes: Admin/Div. of Finance

Admin/Div. of Retirement and Benefits

Statistical impact Report from Alison Algee.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

January 12, 1990

SUBJECT: Sectional analysis of SB 343
(Retirement incentive program)

TO: Senator Jim Duncan

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have requested a sectional analysis of the above described bill.

As a preliminary matter, note that a sectional analysis or summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1 amends the retirement incentive program created in 1989 by allowing employers to offer the incentive to employees when the employer can demonstrate that the retirement of those employees would show a savings in personal services costs within five years. The current law requires a showing of savings within three years.

Secs. 2 and 4 make technical changes to conform other sections of the retirement incentive law to the changes enacted by section 3 of SB 343.

Sec. 3 permits an employee to pay a portion of the employer's costs of having the employee participate in the retirement incentive program. If the employee has not paid the entire amount that the employee agreed to pay by the time the employee retires, the employee's retirement benefits are reduced.

Sec. 5 sets an immediate effective date.

If I may be of further assistance, please advise.

TBC:gc
G13/029

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: January 8, 1990

FURTHER: Finance

Date of 5-Day Notice: 1-11-90
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 1-16-90

State Affairs 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 _____ same title
[] attached amendment(s) [] new title
- [] _____ letter of intent adopted

do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Department(s)/Date:

Department(s)/Date:

[] fiscal note(s) _____

[] zero fiscal note(s) _____

[] appropriation-no fiscal note

[] Governor's bill w/fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Tom Kelly

Paul Kelly

Jim Smith

Phil Adams

Pat Faulkner

Chair: Signature and Recommendation

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

1 IN THE SENATE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR SENATE BILL NO. 343 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

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

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

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

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

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

28 (2) include a reimbursement agreement that

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

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

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

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

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

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

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

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

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

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

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

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

6 (a) If a participant in the retirement incentive program is
7 reemployed as a member of the public employees' retirement system
8 under AS 39.35 or the teachers' retirement system under AS 14.25 after
9 appointment to retirement under the program, the participant loses the
10 incentive credit received under sec. 2(g) of this Act and is indebted
11 to the system. The amount of the indebtedness is equal to 110 percent
12 of the amount the participant received as a result of participation in
13 the program to which the participant was not otherwise entitled, in-
14 cluding the cost of health insurance. The participant is entitled to
15 a credit to be applied against the reemployment indebtedness in the
16 amount the participant has paid under sec. 2(e), (f), and (i) of
17 this Act. Interest accrued 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).
22
23
24
25
26
27
28
29

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 employe' 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 ignated 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).

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	FY 92	FY 93	FY 94	FY 95	FY 96
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 Bracke 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>

ANALYSIS

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	FY 92	FY 93	FY 94	FY 95	FY 96
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)

State Affairs reflects

Prepared by: GARY M. BADER Phone: 465-2200
 Division: DEPUTY COMMISSIONER Date: 1/13/90

Gary M. Bader for

Approved by Commissioner: FRANK S. BAXTER Date: 1/13/90
 Agency: DEPARTMENT OF ADMINISTRATION

- 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. SB 343

The Division of Finance is responsible for the verification of employment history and processing of 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	\$37.2

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)

CSRB ^{sip}

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>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.

SB 343 —

CS SB 343 —

Passed out of committee

1.15.90. To Finance



RETIREMENT BENEFITS

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

$\$72,500 \div 29 \text{ months equals } \$2,500$

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 = <u>\$ 625.00</u>
		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:

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

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.

RETIREMENT INCENTIVE PROGRAM
 DETAILED COST SAVINGS BY POSITION

EMPLOYEE: WILSON, ELIZABETH
 PCN: 2231
 CLASS TITLE: CLERK IV
 CLASS CODE: 1107

DEPARTMENT: COMMERCE & ECONOMIC DEVELOPMENT
 DIVISION: TOURISM
 COMPONENT: TOURISM
 INTENDED DATE OF RETIREMENT:

AUTHORIZED IN FY 90 BUDGET: YES X NO

HAS THIS PERSON BEEN CONTINUOUSLY EMPLOYED BY THE STATE SINCE 11/1/88 YES X NO

DOES THE PERSON CURRENTLY FILLING THIS PCN INTEND TO RETIRE UNDER THE RIP YES NO

CALCULATION OF SAVINGS

	EST. FY 91	EST. FY 92	EST. FY 93	EST. FY 94	EST. FY 95	TOTAL
1 CURRENT RANGE & STEP	9K	9K	9K	9L	9L	
2 SALARY & BENEFIT COST	35,966	35,966	35,966	36,992	36,992	181,882
3 REPLACEMENT RANGE & STEP	9 A/B	9 B/C	9 C/D	9 D/E	9 E/F	
4 SALARY & BENEFIT COST	30,434	31,197	31,989	32,870	33,729	160,219
5 FUNDS AVAILABLE (line 2 minus line 4)	5,532	4,769	3,977	4,123	3,264	21,664
6a ESTIMATED COST TO EMPLOYER					14,716	
6b ADMINISTRATIVE COST (.007 * 6a.)					103	
						TOTAL COST (6a + 6b): 14,819
7 SAVINGS FOR THIS PCN (line 5 - line 6)						6,845

Sec. 71. The sum of \$65,000 is appropriated from the general fund to the Department of Education for payment as a grant under AS 37.05.316 to the Alaska Gateway School District/Dot Lake School to repair the sewer and upgrade the water system.

Sec. 72. The sum of \$78,000 is appropriated from the general fund to the Department of Education for payment as a grant under AS 37.05.316 to the Alaska Gateway School District/Eagle School to repair the power plant system.

Sec. 73. The sum of \$94,000 is appropriated from the general fund to the Department of Education for payment as a grant under AS 37.05.316 to the Alaska Gateway School District/Northway School for emergency septage repair.

Sec. 74. The sum of \$1,000,000 is appropriated from the general fund to the University of Alaska for statewide repairs and renovations.

Sec. 75. The appropriations made in secs. 60 — 65, 68, and 71 — 74 of this Act are for capital projects and lapse under AS 37.25.020.

Approved with item vetoes:

June 1, 1989

Effective: August 30, 1989

CHAPTER 89

AN ACT RELATING TO RETIREMENT INCENTIVE PROGRAMS FOR THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE TEACHERS' RETIREMENT SYSTEM; AND PROVIDING FOR AN EFFECTIVE DATE.

(CCS SB 73)

Be it enacted by the Legislature of the State of Alaska:

Cross references. — For law having the effect of amending § 9 of this chapter to include reemployment as a member of the optional university retirement program, see § 8, ch. 104, SLA 1989 in this pamphlet.

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

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

(b) 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. A plan that results in savings in personal services costs in any amount that is in excess of all costs to the employer qualifies under this section. The designation may include only representatives from job classifications whose inclusion contributes to the overall cost savings.

(c) A member is eligible to participate in the retirement incentive program only if the member is vested, is employed in a position in a designated organizational unit, and will be qualified to retire under AS 14.25.110 or AS 39.35.370 after receipt of the retirement incentive. To participate, a member shall apply on a form provided by the administrator.

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

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

(2) include a reimbursement agreement that

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

the participant receives after the addition of the retirement incentive under this section and the amount the participant would have received without the incentive, less the amount the participant paid on the indebtedness determined under (e) or (f) of this section and

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

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

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

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

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

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

(2) to meet the age required for early retirement under AS 14.25.110 or AS 39.35.370, as appropriate;

(3) to reduce the actuarial adjustment required for early retirement under AS 14.25.110 or AS 39.35.370, as appropriate;

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

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

(1) for members of the teachers' retirement system, service credit for employment rendered to an employer, territorial service under

14.25.105, outside service and military service under AS 14.25.060, and Alaska BIA service under AS 14.25.107;

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

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

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

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

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

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

(3) has a job sharing agreement with a state agency in which two or more employees share a single position identified by a single position control number and in which the employee choosing to participate was continuously employed by the agency during all of the time since November 1, 1988, in which the employee normally worked under the job sharing agreement; or

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

(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 November 1, 1990.

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

Sec. 4. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The governing body of a political subdivision of the state or a public organization that has elected to participate in the public employees' retirement system under AS 39.35.550 — 39.35.650 is authorized to adopt a retirement incentive plan for its employees under sec. 2 of this Act. A plan adopted under this section shall permit designated employees to apply to the retirement incentive program under sec. 2 of this Act from September 30, 1989, through March 31, 1990.

Sec. 5. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR THE EMPLOYEES OF THE UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of Alaska is authorized to adopt a retirement incentive plan for its employees. A plan adopted under this section shall permit designated employees to apply to the retirement incentive program under sec. 2 of this Act from June 30, 1988 through December 31, 1989.

(b) 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 August 1, 1990.

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

(b) 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 August 1, 1990.

Sec. 7. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT. Notwithstanding other provisions of law, a vested member who is a state employee and is participating in the retirement incentive program may receive credit for employment with a political subdivision or public organization before the political subdivision or organization became an employer under the system for purposes of determining eligibility for retirement under AS 14.25.110 or AS 39.35.370, as appropriate. The member may not receive credit for those years under this subsection for purposes of determining benefit. In order for a state employee to receive credit under this subsection, the employee's participation in the program must contribute to the overall cost savings of the agency.

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

(1) bring an action against the employer; or

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

Sec. 9. REEMPLOYMENT INDEBTEDNESS AND REEMPLOYMENT PROHIBITION. (a) If a participant in the retirement incentive program is reemployed as a member of the public employees' retirement system under AS 39.35 or the teachers' retirement system under AS 14.25 after appointment to retirement under the program, the participant loses the incentive credit received under sec. 2(g) of this Act and is indebted to the system. The amount of the indebtedness is equal to 110 percent of the amount the participant received as a result of participation in the program to which the participant was not otherwise entitled, including the cost of health insurance. The participant is entitled to a credit to be applied against the reemployment indebtedness in the amount the participant has paid under sec. 2(e) or (f) of this Act. Interest accrues on the indebtedness at the rate established by regulation from the date of reemployment until the member is appointed to retirement and accepts an actuarial adjustment to the member's future benefits or until the amount is paid in full.

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

Sec. 10. OFFICE OF MANAGEMENT AND BUDGET. When designating an organizational unit for participation in the retirement incentive program, the executive head of a state agency shall describe in detail the expected effect of the program on the agency's personal services cost and operation. This report shall be filed with the office of management and budget. For each employee who will receive credit for employment under sec. 7 of this Act, the agency head shall establish to the satisfaction of the office that the proposed participation contributes to the overall agency cost savings. The agency shall report as required by the office of management and budget on the cost of each member's participation and the effect on the agency's personal services cost and operation. The office of management and budget shall submit to the legislature annual reports on the retirement incentive program beginning on January 15, 1991, and continuing through January 15, 1993, and shall submit a final report on January

15, 1994. Each report shall provide the information necessary for the legislature to evaluate the effectiveness of the program in achieving its objectives. The report should include information on the designated organizational units under the retirement incentive plans including the cost of the retirement incentive program per participant, the cost to the state, the cost to the employee, the annual budgeted amount by agency for the retirement incentive, and the projected or actual net savings over the three-year period.

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

Sec. 12. TIMELY APPLICATION. A member who is eligible under secs. 2 — 7 of this Act and who has submitted a timely application for participation in the retirement incentive program may be considered for participation in the program notwithstanding sec. 14 of this Act.

Sec. 13. DEFINITIONS. The definitions set out in AS 14.25.220 apply to this Act for members of the teachers' retirement system. The definitions set out in AS 39.35.680 apply to this Act for members of the public employees' retirement system.

Sec. 14. Sections 1 — 7 of this Act are repealed July 1, 1991.

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

Approved: June 2, 1989
Effective: June 3, 1989

CHAPTER 90

AN ACT REQUIRING THE DEPARTMENT OF ENVIRONMENTAL CONSERVATION TO PREPARE AND TO ANNUALLY REVIEW AND REVISE A MASTER OIL AND HAZARDOUS SUBSTANCE DISCHARGE AND PREVENTION CONTINGENCY PLAN FOR THE STATE AND REGIONAL OIL AND HAZARDOUS SUBSTANCE DISCHARGE AND PREVENTION CONTINGENCY PLANS FOR CERTAIN REGIONS OF THE STATE, AND TO THE IMPLEMENTATION OF THOSE PLANS; AND PROVIDING FOR AN EFFECTIVE DATE.

P/Up Testimony List

ST. AFF 1:15-90 HEARING SB 343

No Tape 1:45 pm.

Full Committee

Duncan: SB 343 — implemented June 89
required to show personal service savings
→ Does not ~~give~~ give 5 years of benefit —
→ Adds 2 years to calculation
→ legislation must move quickly — March 31st window.

Pat: Ironic we are encouraging young people to retire.

Stalwaker: Available for questions:

Uehling: Time problem is getting people their R/P checks

Stalwaker: Bubble times i.e. end of window period causes a problem (larger numbers). Also, verification process, especially if person was employed in several jobs

Kelly: Cost Care Containment — Health benefits figured in? PERS —

Stalwaker: YES — all calculated in.

↳ When asked if problems, ^{NO} just larger numbers.
↳ with this bill.

Stalwaker: 2,200 may join this R/P

Adams: Should we make it mandatory

Stalwaker: You can't mandate retirement.

2:00 pm Alison: No reservations from OMB to support

Pat → difficult to anticipate what will happen to employee's "range" future

Alison: OMB underestimates cost-savings

Kelly: When hired, do you always come in at a range

Concern: Replacement of "20-L" with a "20-U"

Cost Savings

Pat: Brain Drain? Alisaw

Kelly: Are we checking to see if contracts are being taken by RIPS

DAVE: AMENDMENT

Kelly: Div. of Elections deserves credit

→ Amend to read as of this date — so no maneuvering.

Alisaw: supports

Kelly: news

Sub Para 1

that are employed on Feb. 1, ~~1990~~ 1990

New C.S. include

To Amendment

Don Roulot: Pub. Employee Local 71 supports

Buddy Maupin: supports

House OKs early retirement changes

Questions remain over whether effective date is early enough

By DIRK MILLER

THE JUNEAU EMPIRE

The Alaska House today changed the requirements for the state's early retirement program to allow public employees more leeway in qualifying and participating but a disagreement on when the change is effective may render it useless.

The House passed Senate Bill 343 on a vote of reconsideration 26-11, but not before approving an amendment offered by Rep. Mark Boyer, D-Fairbanks.

Afterwards, a vote to make the changes effective immediately failed by one vote.

Bills normally take effect 90 days after they are passed. But state employees face a March 31 application deadline for the program. One option for the House is to hold the bill until its supporters can ask to rescind their action on the effective date.

The bill, which was sponsored by Sen. Jim Duncan, D-Juneau, amends

the program by extending over five years the period in which retiring employees must show a cost savings to their employers. Boyer's amendment gives municipal employees an extra year to apply for the program, moving the deadline to March 31, 1991.

The original program had required employees to show a cost savings from their retirement after three years. Duncan said he had heard from several employees over the interim who couldn't quite meet the savings requirement.

Gov. Steve Cowper is expected to approve the bill once lawmakers finish with it.

"We support the bill. The governor thinks it's a good piece of legislation that will save the state a fair amount of money," said Cowper spokesman Terence O'Malley.

Last year lawmakers approved an early retirement opening for thousands of state, municipal, university

and school employees. The program was created to save money by replacing workers near the top of the pay scale with new, lower-paid employees or leaving the positions vacant.

About 2,300 state employees were determined to be eligible for a similar program in 1986-87, which was also based on a five-year cost savings, said Dave Stout, the state's retirement director. But only about half actually participated.

The eligibility change would allow about 20 percent more public employees to participate in the program, he said. Stout expects about half those eligible to seek early retirement.

"We're certainly encouraging people to apply," Stout said. "We are starting to receive sizeable number of applications and we're backlogged in entering them on the computer system."

Wednesday, many lawmakers

contended that the program wasn't saving money, and instead had become a costly "brain drain" for the state.

"It's going to be very detrimental to the citizens," said Rep. Terry Martin, R-Anchorage. "We're losing the top talent."

"Why work when you're paid well not to?"

Later, after the vote, Martin said that the loss of experienced employees may be the bill's secret costs. "Maybe I could prove so valuable, they'd want to get rid of me."

Rep. Lyman Hoffman, D-Bethel, said the loss of experienced public employees worries him, as does the cost of employer contributions to the retirement fund.

If the program works so well at saving money, it should be mandatory, he said.

But proponents of the bill stressed that the amendments were nothing

Please turn to Retire, Page 8

EMPIRE 3-22-90

Retire...

Continued from Page 1

but a technical change to the program, known by its acronym R.I.P., which stands for retirement incentive program.

"It doesn't extend the benefits, it changes the way the cost savings must be calculated," said Rep. Fran Ulmer, D-Juneau.

The bill also allows a retiring employee to pay part of the cost in order to show a savings or in lieu of payment allow employees to accept reduced benefits to cut the cost. It also extends the deadline until Feb. 1, 1991 for employees of the Division of

Elections. That provision allows the division to retain eligible employees through the 1990 election.

Because Boyer's amendment changes the Senate-passed version of the bill, it now must go back to the Senate for concurrence. If the Senate agrees with the House changes, the bill goes to Cowper for final approval. Otherwise, the bill will be headed for a joint Senate-House conference committee.

The application deadline for teachers and university employees passed on Dec. 31, 1989.

boy who loved woods

Junior High School, never mentioned the cabin. Police don't think it was a popular play area for children.

The incident has devastated the close-knit family, said Deanne Holman, a friend and neighbor.

"They're in turmoil — a daze," said Holman, who described William as a respectful boy very close to his father.

The Brinks say they are hurt and angry. "Sure, I'm mad," said Zita Brink, who also is a foster mother to two children. "But I'm thankful there were no other kids out there. It's very dangerous for stuff like that to be out there. You don't think about it until something like this happens."

Richard Brink said he would like to go into the woods and rip down every decaying structure that might be dangerous.

"We want to do something about it so it doesn't kill anymore children, like it did my son," Brink said.

takes senators to task

in November." was conducted leadership by search Corp. of also showed 50 posed to the fund undecided. The survey of 540 and an error margin of minus 4.5

for the fund, may be weaker suggests.

man, president Research, said a poll he con-

ducted in December for KIMO-TV in Anchorage provided respondents with more information about the proposal. In that poll, only 40 percent favored the idea.

Half of the 20-member Senate is up for re-election this year. But senators dismissed Cowper's threat.

"I don't feel the governor is going to scare any senators by threatening to go out to campaign against them," said Sen. Arliss Sturgulewski, R-Anchorage and a candidate for Cowper's job.

ts 'Cocaine cowboy' of drug charges

en able to locate much of the money. "These people were not from Anchorage, and they didn't spend their money here," she said. It was sent to either New York or the Dominican Republic, where they have a safe house."

The charges against Gomez and his partners focused on activities between the summer of 1987 and the summer of 1988, when nearly 100 state and city police officers raided the operation.

Friedman, Gomez' attorney, said an appeal will be filed if Judge Katz rejects his motion for dismissal. Friedman claims prosecutors committed misconduct by allowing witnesses to misrepresent facts to the grand jury.

Gomez "may have done some illegal things," Friedman said, but he is not an Alaska drug kingpin prosecutors took him out to be

ning around selling cocaine, not being particularly careful," he said. "I think the state wants to make the organization seem bigger and more fearsome than it was."

Fedor said Gomez brushed into trouble with Anchorage police as far back as 1985.

In 1986, he was wounded in a shooting at the Lamplighter apartments in which three other people died. The man who shot him, Kiven Collins, told police the Gomez drug camp had paid him to kill the boss of a rival drug gang.

Collins told police he shot the other boss, Melvin Miranda. At the Lamplighter apartment the next day, Collins said, he became convinced Gomez and the others were plotting to kill him. Instead, he killed them, Collins said.

State and cities must bear increasing retirement bill

By LARRY PERSILY
The Associated Press

JUNEAU — Employee retirement costs are going up sharply for the state and municipalities, partly because of higher health insurance premiums and a cost-of-living increase in retirees' monthly benefits.

The state's early retirement incentive program and lingering effects of the 1987 stock market crash also have contributed to the need for higher employer contributions, according to an annual review of the retirement fund.

State agencies will pay an extra \$22 million in fiscal 1991 to cover a 44 percent increase in the employer contribution rate to the Public Employees Retirement System.

Most of the more than 130 municipalities that belong to the system also will see increases effective July 1, although generally smaller than the state's boost, said Sally Smith, state retirement and benefits director.

Municipal rates vary, depending on employee turnover and retirements. Skagway will see the state's highest employer contribution rate in fiscal 1991 at 38

percent of payroll costs, Smith said Tuesday.

The state's rate will rise from 9.65 percent to 13.86 percent of payroll costs. Although the expense had dropped in recent years, several factors forced the large increase for fiscal 1991, Smith said.

Dramatic increases in retiree health insurance costs were a major factor. The retirement fund pays the entire premium, which has increased from \$140 a month in fiscal 1988 to \$244 a month this year.

The aging of state and municipal workers and an early retirement incentive program have caused the number of retirement fund beneficiaries to climb from 4,650 in fiscal 1986 to more than 7,200 this year.

A recent consultant's report on the retirement fund said 7 percent of active workers took early retirement three years ago. A second early retirement opening will close Saturday for state workers, but its effect is not computed in next year's employer contribution rate.

Lower stock investment profits and a cost-of-living benefits increase retroactive to July 1 added to the need for higher employer contributions, the report said.

Instead of asking the legislature to pay the cost, the Cowper administration has told agencies to absorb the extra expense, said Alison Elgee, state budget director.

Agencies have been told

to leave jobs vacant longer between new hires as one way of saving enough money, Elgee said.

"It will be a problem in some areas," such as 24-hour residential institutions and the state troopers, she said. "A supplemental budget request is likely next year to pay any bills not covered by higher vacancy rates or other savings, she said."

Some lawmakers have been critical of the administration for relying on supplemental appropriations a year later to cover budget shortages, but the legislature often uses the same short-funding tactic to show temporary cuts in state spending.

Rep. Fran Ulmer, D-Juneau, said it's misleading to leave out the retirement cost increase from the budget this session, but it's hard for legislators to consider paying the bill if the administration doesn't ask for the money.

The administration is not the only one looking this session at vacant positions to cover higher costs. Rep. Ron Larson, D-Palmer and co-chairman of the House Finance Committee, said he wants to use vacant positions to help pay for new jobs elsewhere in agency budgets.

Lawmakers and administration officials must be careful not to rely too heavily on vacancy rates to cover too many budget increases, Larson said.

FOSTER: Lawmaker under fire

Continued from Page B-1

Last year, his first in Juneau, he walked through the Capitol halls with a surplus .50-caliber machine gun and joked that he was "hunting for ultra-liberals."

A few weeks ago he strolled the halls with a box of German Luger pistols, in-

cluding what he described as rare models owned by the Gestapo and SS troops of Nazi Germany.

Foster has also made a habit of giving his colleagues guns as gifts. He said he has given away about 10 guns to fellow lawmakers.