

SB337

HOUSE COMMITTEE REPORT

(11)

Date Referred: May 6, 1992

FURTHER REFERRALS:

Date of Committee Action: 5/10/92

The FINANCE Committee considered:

CSSB 337(FIN)

CS FOR SENATE BILL NO. 337 (FIN)

RETIREMENT INCENTIVE PROGRAM

"An Act relating to retirement incentive programs for the public employees' retirement system, the teachers' retirement system and certain persons under the judicial retirement system; and providing for an effective date."

RECOMMENDATIONS:

be replaced with HCS CS SB 337 (FIN) [the same title
[] a new title

[] have attached amendments(s)

[] do pass

[] do not pass

[] no recommendations

[] individual recommendations

[] additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) _____

APPROVES PREVIOUS: Admin 1/31/92 (Dept/Date)

[] fiscal impact _____

[fiscal note(s) Admin 3/30/92

[] zero fiscal note _____

[zero fiscal note(s) AK COURT Sys 1/31/92

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<u>EP Maclean</u>	<input checked="" type="checkbox"/>	<u>Best thing</u> <u>(2000 EC Bill)</u>		<input checked="" type="checkbox"/>	
<u>Eileen Yavane</u>	<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>
<u>Marie Boyer</u>	<input checked="" type="checkbox"/>				
<u>Fay Brauch</u>	<input checked="" type="checkbox"/>				
<u>Thompson</u>	<input checked="" type="checkbox"/>				
<u>Bernard J. Jan</u>	<input checked="" type="checkbox"/>				
<u>J. Ulmer</u>	<input checked="" type="checkbox"/>				

Eileen Yavane Eileen P. Maclean
CHAIRMAN'S SIGNATURE

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

N 5
Bill Version: SSR 337 (STA)
(S) Publish Date: 1-31-92

Revision Date: _____
Title: "An Act relating to retirement incentive programs . . . effective date."
Sponsor: Duncan, Kerttula, Sturqulewski
Requestor: Senate State Affairs

Department Affected: Administration
BRU: Finance
Component: Finance

COMPONENT SERIAL NO.

59			
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	67.6	5.0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	67.6	5.0	0	0	0	0

CAPITAL		0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	67.6	5.0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE:	0	0	0	0	0	0
TOTAL	67.6	5.0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	4	1	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: See attached.

ANALYSIS: (Attach a separate page if necessary.)

Changes in SSR 337 (Fin) reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate.

2-25-92 date ku Comte Aide (initial)

Prepared by: Don Wanie, Director DW 1/29
Division: Finance

Phone: 465-2240
Date: January 29, 1992

Approved by Commissioner: Nancy Bear Usura NBCU
Agency: Administration

Date: 1/30/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

Impact of a Retirement Incentive Program

The Division of Finance is responsible for verification of employment history and processing of termination pay for all state employees. This includes verifying the length of employment, accounting for all leave without pay during the entire employment with the state and determining salaries for the three highest years. In addition, final and terminal leave pay must be processed in accordance with contractual agreements.

With implementation of a Retirement Incentive Program (RIP) the workload for these functions would be significantly increased and additional support will be required by the Division of Finance to meet processing deadlines. Approximately five hundred employees took advantage of the previous RIP. It is anticipated that a comparable number of employees would participate if a RIP was implemented in the next year. Based on past experience, this would require four additional positions, including one Accountant I and three Accounting Technicians I, for a period of six months. Estimated cost for these positions would be:

Accountant I (1)	Range 14A	19.7
Acct Tech I (3)	Range 12A	<u>52.9</u>
Total Cost		72.6

Ng 1
 Bill Version: SB 337
 (S) Publish Date: 1-31-92

FISCAL NOTE

STATE OF ALASKA
 1992 LEGISLATIVE SESSION

Revisor: Date: _____ Department Affected: Alaska Court System
 Title: An Act relating to retirement BRU: Trial Courts
incentive programs... Components: _____
 Sponsor: Duncan
 Requestor: State Affairs COMPONENT SERIAL NO. 000 | 000 000 | 768

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUNDS	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS:	Changes in <u>CSB 337 (Fin)</u> have no fiscal impact. This fiscal note is appropriate.	Changes in <u>CSB 337 (STA)</u> have no fiscal impact. This fiscal note is appropriate.
	<u>2-25-92</u> date <u>CC</u> Comte Aide (initial)	<u>1-30-92</u> date <u>Shawley Clark</u> Comte Aide (initial)

Prepared by: C. S. Christensen III, Staff Counsel Phone: 264-8228
 Division: Alaska Court System Date: 01/21/92

Approved by: Arthur H. Snowden, II, Administrative Director Date: 01/21/92
 Agency: Alaska Court System

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

No. 6
 Bill Version: CSSB 337(FIN)
 (H) Publish Date: 3-30-92

STATE OF ALASKA
 1992 LEGISLATIVE SESSION

Revision Date: _____
 Title: An Act relating to retirement incentive programs for the Public Employees' and Teachers' Retirement System
 Sponsor: Duncan
 Requestor: Senate Finance Committee

Department Affected: Administration
 BRU: Retirement and Benefits
 Component: Retirement and Benefits
 COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	658.0	598.3	277.5	277.5	277.5	277.5
TRAVEL	3.0	3.0	1.0	1.0	1.0	1.0
CONTRACTUAL	20.0	3.3	0	0	0	0
SUPPLIES	3.0	25	1.0	1.0	1.0	1.0
EQUIPMENT	1123	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	796.3	607.1	279.5	279.5	279.5	279.5

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	796.3	607.1	279.5	279.5	279.5	279.5
TOTAL	796.3	607.1	279.5	279.5	279.5	279.5

POSITIONS

FULL-TIME:	6	6	6	6	6	6
PART-TIME:	0	0	0	0	0	0
TEMPORARY:	10	9	0	0	0	0

Estimate of current year impact: We anticipate the need for a Legislative Revised Program to increase our FY 92 authorization, thus allowing the division to hire the FY 93 staff prior to July 1, 1992. The FY 92 hiring would be needed so that we can properly train the RIP staff prior to the opening of the window periods. These costs would be paid for by participating employers.

ANALYSIS: (attach a separate page if necessary.) The actuarial costs to participating employers due to this program are to be paid up front and no additional costs to the systems are anticipated.

Prepared By: Garv Bader *Mary M. Bader*
 Division: Retirement and Benefits

Phone: 465-4460
 Date: February 25, 1992

Approved by Commissioner: Nancy Bear Usura
 Agency: Department of Administration

Date: 3/5/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agency(ies).
 Rev 10/90 Page 1 of 4

COMMITTEE COPY

Finance Committee Substitute for Senate Bill 337
Analysis of Fiscal Implications to the Retirement Fund
Prepared by Division of Retirement & Benefits
Department of Administration
February 25, 1992

Analysis: This bill would place a temporary retirement incentive provision in statute for the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems. Active PERS and TRS members could retire on an accelerated basis with an increased benefit under the following conditions: at age 47, if vested; with 17 years of service as a qualified peace officer, fire fighter or teacher; or with 27 years of credited service in the PERS. Before qualifying for an accelerated benefit, however, the member must pay a lump sum indebtedness payment or take an actuarial reduction from their life time benefit for the indebtedness amount.

We estimate that five permanent full-time positions will be needed in Juneau and one in Anchorage to administer the increased demand for information and services resulting from adding potentially over 4000 new retirees to the PERS and TRS, resulting from prior RIFs and projected for this one. In addition, we estimate that ten long term non-permanent employees will also be needed for varying lengths of time over the next two fiscal years. Personnel will handle increased counseling, address and beneficiary changes, account maintenance, and other services.

We estimate that we will need to increase our normal number of counseling trips by 5 trips over the next two fiscal years to assure that members understand the options and requirements of the program.

Finance Committee Substitute for Senate Bill 337
Analysis of Fiscal Implications to the Retirement Fund
Prepared by Division of Retirement & Benefits
Department of Administration
February 25, 1992

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

	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>
PERSONAL SERVICES			
FY 93			
2 Retirement Specialist I/II	104.5		
8 Retirement Technician I/II	338.2		
1 Accountant I	46.1		
3 Accounting Clerk III (12 months)	104.0		
2 Clerk II (12 months)	<u>65.2</u>		
Total FY 93 Personal Services Cost.....	\$658.0		
FY 94			
2 Retirement Specialist I/II	104.5		
5 Retirement Technician I/II	211.4		
3 Retirement Technician I/II (9 mon.)	95.1		
1 Accountant I	46.1		
2 Accounting Clerk III (12 months)	76.0		
2 Clerk II (12 months)	<u>65.2</u>		
Total FY 94 Personal Services Cost.....		\$598.3	
FY 95			
2 Retirement Specialist I/II	104.5		
3 Retirement Technician I/II	126.9		
1 Accountant I	<u>46.1</u>		
Personal Services Cost (FY 95 and beyond)			\$277.5

TRAVEL

Traveling to various locations throughout the state to counsel prospective retirees and give seminars	3.0	3.0	1.0
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CONTRACTUAL

FY 93			
Computer services for additional PC's	16.5		
Additional telephone costs (4 add phones)	.2		
Telephone service for 4 phones	.8		
Long distance call expense based upon previous RIP	<u>2.5</u>		
FY 93 contractual costs.....	20.0		

CSSB337(FIN)
No. 6

Finance Committee Substitute for Senate Bill 337
Analysis of Fiscal Implications to the Retirement Fund
Prepared by Division of Retirement & Benefits
Department of Administration
February 25, 1992

	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>
CONTRACTUAL			
FY 94			
Telephone service for 4 phones	.8		
Long distance call expense based upon previous RIP	<u>2.5</u>		
FY 94 contractual costs.....		3.3	1.0
SUPPLIES			
Office supplies, calculators cost.....	3.0	2.5	
EQUIPMENT			
5 Work stations	23.0		
5 Chairs	1.5		
5 PCs and other office equipment	30.0		
Other office equipment (Dictaphone, calculators, etc.)	5.0		
1 File cabinets	.3		
5 Phones (600/instrument)	3.0		
5 Personal Computers	27.5		
5 Microfiche viewers	4.0		
1 Computer Output Printer	18.0		
Total Equipment cost.....	<u>112.3</u>	-0-	-0-
TOTAL Operations Cost	<u>\$796.3</u>	<u>\$607.1</u>	<u>\$279.5</u>

The retirement technicians, retirement specialists, accountant, and accounting clerks need constant access to the PERS and TRS computer files. We do not have any excess terminals, microfiche viewers or calculators. Our equipment request will satisfy our equipment needs for the duration of this program. We propose the purchase of personal computers to be used as terminals because they will be compatible with the division's Local Area Network.

We are also proposing the purchase of an additional computer output printer. The previous RIP's put great demand on our existing two printers and we were always in a state of backlog. Our current day-to-day printer needs maximize the capacity of our existing printers. After comparing the cost of leasing a printer for two years, coupled with our existing needs, purchasing a new printer would be more cost effective.

All administrative costs of the program will be paid in advance by participating employers as required by the bill.

The Other Funds are comprised of PERS at \$438.0 and the TRS at \$358.3 for FY 93.

7-LS1483V ✓
Cramer
5/10/92

HOUSE CS FOR CS FOR SENATE BILL NO. 337 (FINANCE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): **SENATORS DUNCAN, Kerttula, Sturgulewski, Rodey, Zharoff**

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to retirement incentive programs for the public employees' retirement
2 system, the teachers' retirement system and certain persons under the judicial retirement
3 system; and providing for an effective date."

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

5 * Section 1. PURPOSE. Since it may be necessary for state agencies and other employers who
6 participate in the state retirement systems to reduce their personal services costs because of declining
7 state revenue, reimplementation of the retirement incentive programs established by ch. 26, SLA 1986,
8 as amended by ch. 76, SLA 1988, and ch. 89, SLA 1989, as amended by ch. 18, SLA 1990, encouraging
9 employees to retire voluntarily, will reduce the hardship of layoffs. This program is intended to realize
10 sufficient economies to offset the cost of administration and benefits to state agencies and other
11 employers resulting from the award of retirement credits and to result in a net reduction in personal
12 services costs to the state or other public employers during a period of declining revenue.

13 * Sec. 2. AS 14.25 is amended by adding a new section to read:

14 Sec. 14.25.128. RETIREMENT INCENTIVE PROGRAM. (a) When the commissioner

1 of administration determines that economic conditions warrant, the commissioner may authorize
2 implementation of a retirement incentive program for employers in the system under this section.

3 (b) When a retirement incentive program has been authorized, an employer may adopt
4 a retirement incentive plan. The plan must

5 (1) designate organizational units of employees eligible to participate in the
6 retirement incentive program,

7 (2) establish application periods of no more than six months within which eligible
8 employees must apply to participate;

9 (3) require that employees who participate be appointed to retirement no later than
10 eight months after the end of the application period; the plan may require appointment to
11 retirement by an earlier date.

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

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

22 (e) An employer adopting a retirement incentive plan shall prepare and file the plan with
23 the administrator. The administrator shall approve the plan if it meets the requirements of this
24 section. The plan must

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

27 (2) include a reimbursement agreement that

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

31 (i) the actuarial equivalent of the difference between the benefits

1 the participant receives after the addition of the retirement incentive under this
2 section and the amount the participant would have received without the incentive,
3 less the amount the participant has paid on the indebtedness determined under (f)
4 of this section and the amount paid under (n) of this section, if any; and

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

6 and

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

9 (f) A member who participates in the retirement incentive program is indebted to the
10 system. The amount of indebtedness is equal to 25.95 percent of the member's actual
11 compensation for the school year, or the calculated school year compensation for a member who
12 works less than the entire school year, for the school year in which the member terminates
13 employment to participate in the program. An outstanding indebtedness at the time a participant
14 is appointed to retirement will require an actuarial adjustment to the benefits payable.

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

17 (1) to meet the age or service required for eligibility for normal retirement under
18 AS 14.25.110;

19 (2) to meet the age required for early retirement under AS 14.25.110;

20 (3) to reduce the actuarial adjustment required for early retirement under
21 AS 14.25.110;

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

23 (h) Except as provided in (i) of this section, in the determination of whether a member
24 will qualify to retire under this section, credited service may include only service credit for
25 employment rendered to an employer, service under AS 14.25.060, territorial service under
26 AS 14.25.105, and Alaska BIA service under AS 14.25.107.

27 (i) Notwithstanding other provisions of law, a vested member who is a state employee
28 and is participating in the retirement incentive program may receive credit for employment with
29 a political subdivision or public organization before the political subdivision or organization
30 became an employer under the system for purposes of determining years of service requirements
31 for retirement under AS 14.25.110. The member may not receive credit for those years under

1 this subsection for purposes of determining benefits. In order for a state employee to receive
2 credit under this subsection, the employee's participation in the program must contribute to the
3 overall cost savings of the agency.

4 (j) To recover a delinquency owed by an employer other than the state under an
5 agreement entered under (e)(2) of this section, the Department of Administration may

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

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

10 (k) If a participant in the retirement incentive program is reemployed after appointment
11 to retirement under the program as a member of the public employees' retirement system under
12 AS 39.35, the teachers' retirement system under this chapter, or the judicial retirement system
13 under AS 22.25, the participant loses the incentive credit received under (g) of this section and
14 is indebted to the system. The amount of the indebtedness is equal to 110 percent of the amount
15 the participant received as a result of participation in the program to which the participant was
16 not otherwise entitled, including the cost of health insurance. The participant is entitled to a
17 credit to be applied against the reemployment indebtedness in the amount the participant has paid
18 under (f) and (n) of this section. Interest accrues on the indebtedness at the rate established by
19 regulation from the date of reemployment until the member is appointed to retirement and accepts
20 an actuarial adjustment to the member's future benefits or until the amount is paid in full.

21 (l) When designating an organizational unit for participation in the retirement incentive
22 program, the executive head of a state agency shall describe in detail the expected effect of the
23 program on the agency's personal services cost and operation. This report shall be filed with the
24 office of management and budget. For each employee who will receive credit for employment
25 under (i) of this section, the agency head shall establish to the satisfaction of the office that the
26 proposed participation contributes to the overall agency cost savings. The agency shall report
27 as required by the office of management and budget on the cost of each member's participation
28 and the effect on the agency's personal services cost and operation. The office of management
29 and budget shall report to the legislature in January each year on the effect of the retirement
30 incentive program on state operation and personal services costs.

31 (m) An employee does not have a vested or contractual right to any benefit under this

1 section until an agreement is executed with the administrator that permits the benefits to be
2 offered to an organizational unit of which the employee is a member. The legislature reserves
3 the right to change any aspect of the incentive program as it relates to members of organizational
4 units for which participation agreements are executed by the administrator after the effective date
5 of the changes.

6 (n) In order to establish eligibility for participation in a plan under (c) of this section, and
7 in addition to the employee indebtedness under (f) of this section, an employee may elect to
8 assume a portion of the employer liability calculated under (e) of this section. An outstanding
9 indebtedness at the time the employee is appointed to retirement will require an actuarial
10 adjustment to the employee's benefits.

11 (o) Except as provided in this subsection, for one year after the date on which an
12 employee who participated in the program retired, the participant may not be employed by or
13 enter into a contract for personal services with a state department or agency. This subsection
14 does not prohibit

15 (1) the University of Alaska, during the year immediately following the
16 employee's retirement, from entering into a personal services contract with an employee who has
17 participated in the program; or

18 (2) a participant in the program from accepting employment with the legislature
19 during the legislative session if the employment is on an hourly basis and if the employment does
20 not entitle the employee to receive retirement, health, or leave benefits.

21 * Sec. 3. AS 39.35 is amended by adding a new section to read:

22 Sec. 39.35.375. RETIREMENT INCENTIVE PROGRAM. (a) When the commissioner
23 of administration determines that economic conditions warrant, the commissioner may authorize
24 implementation of a retirement incentive program for employers in the system under this section.

25 (b) When a retirement incentive program has been authorized, an employer may adopt
26 a retirement incentive plan. The plan must

27 (1) designate organizational units of employees eligible to participate in the
28 retirement incentive program;

29 (2) establish application periods of no more than six months within which eligible
30 employees must apply to participate;

31 (3) require that employees who participate be appointed to retirement no later than

1 eight months after the end of the application period; the plan may require appointment to
2 retirement by an earlier date.

3 (c) The organizational units must be selected so that implementation of the plan results
4 in maximum savings to the employer in personal services costs within five years after the
5 commencement of the plan. A plan that results in savings in personal services costs in any
6 amount that is in excess of all costs to the employer qualifies under this section. The designation
7 may include only representatives from job classifications whose inclusion contributes to the
8 overall cost savings. The plan adopted for the state may not permit an employee who is the
9 commissioner, a deputy commissioner, or assistant commissioner of a state department to
10 participate.

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

15 (e) An employer adopting a retirement incentive plan shall prepare and file the plan with
16 the administrator. For state employees other than university employees, the administrator may
17 approve a designated organizational unit only if the office of management and budget certifies
18 that the unit's participation in the plan meets the requirements of (c) of this section. The
19 administrator shall approve the plan if it meets the requirements of this section. The plan must

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

22 (2) include a reimbursement agreement that

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

26 (i) the actuarial equivalent of the difference between the benefits
27 the participant receives after the addition of the retirement incentive under this
28 section and the amount the participant would have received without the incentive,
29 less the amount the participant has paid on the indebtedness determined under (F)
30 of this section and the amount paid under (n) of this section, if any; and

31 (ii) an appropriate share of the administrative costs of the program;

1 and

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

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

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

13 (1) to meet the age or service required for eligibility for normal retirement under
14 AS 39.35.370;

15 (2) to meet the age required for early retirement under AS 39.35.370;

16 (3) to reduce the actuarial adjustment required for early retirement under
17 AS 39.35.370;

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

19 (h) Except as provided in (i) of this section, in the determination of whether a member
20 will qualify to retire under this section, credited service may include only service credit for
21 employment rendered to an employer.

22 (i) Notwithstanding other provision of law, a vested member who is a state employee and
23 is participating in the retirement incentive program may receive credit for employment with a
24 political subdivision or public organization before the political subdivision or organization
25 became an employer under the system for purposes of determining the years of service
26 requirements for retirement under AS 39.35.370. The member may not receive credit for those
27 years under this subsection for purposes of determining benefits. In order for an employee to
28 receive credit under this subsection, the employee's participation in the program must contribute
29 to the overall cost savings of the agency.

30 (j) To recover a delinquency owed by an employer other than the state under an
31 agreement entered under (e)(2) of this section, the Department of Administration may

1 (1) bring an action against the employer, or

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

5 (k) If a participant in the retirement incentive program is reemployed as a member of the
6 public employees' retirement system under this chapter or the teachers' retirement system under
7 AS 14.25 after appointment to retirement under the program, the participant loses the incentive
8 credit received under (g) of this section and is indebted to the system. The amount of the
9 indebtedness is equal to 110 percent of the amount the participant received as a result of
10 participation in the program to which the participant was not otherwise entitled, including the cost
11 of health insurance. The participant is entitled to a credit to be applied against the reemployment
12 indebtedness in the amount the participant has paid under (f) of this section. Interest accrues on
13 the indebtedness at the rate established by regulation from the date of reemployment until the
14 member is appointed to retirement and accepts an actuarial adjustment to the member's future
15 benefits or until the amount is paid in full.

16 (l) When designating an organizational unit for participation in the retirement incentive
17 program, the executive head of a state agency shall describe in detail the expected effect of the
18 program on the agency's personal services cost and operation. This report shall be filed with the
19 office of management and budget. For each employee who will receive credit for employment
20 under (i) of this section, the agency head shall establish to the satisfaction of the office that the
21 proposed participation contributes to the overall agency cost savings. A state agency that is
22 participating in the retirement incentive program shall report as required by the office of
23 management and budget on the cost of each member's participation and the effect on the
24 agency's personal services cost and operation. The office of management and budget shall report
25 to the legislature in January each year on the effect of the retirement incentive program on state
26 operation and personal services costs.

27 (m) An employee does not have a vested or contractual right to any benefit under this
28 section until an agreement is executed with the administrator that permits the benefits to be
29 offered to an organizational unit of which the employee is a member. The legislature reserves
30 the right to change any aspect of the incentive program as it relates to members of organizational
31 units for which participation agreements are executed by the administrator after the effective date

1 of the changes.

2 (n) In order to establish eligibility for participation in a plan under (b) of this section,
3 and in addition to the employee indebtedness under (f) of this section, an employee may elect
4 to assume a portion of the employer liability calculated under (e) of this section. An outstanding
5 indebtedness at the time the employee is appointed to retirement will require an actuarial
6 adjustment to the employee's benefits.

7 (o) Except as provided in this subsection, for one year after the date on which an
8 employee who participated in the program retired, the participant may not be employed by or
9 enter into a contract for personal services with a state department or agency. This subsection
10 does not prohibit

11 (1) the University of Alaska, during the year immediately following the
12 employee's retirement, from entering into a personal services contract with an employee who has
13 participated in the program; or

14 (2) a participant in the program from accepting employment with the legislature
15 during the legislative session if the employment is on an hourly basis and if the employment does
16 not entitle the employee to receive retirement, health, or leave benefits.

17 * Sec. 4. RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a retirement
18 incentive plan under secs. 5 - 8 of this Act, as appropriate, to designate organizational units of employees
19 eligible to participate in the retirement incentive program.

20 (b) The organizational units of a plan must be selected so that implementation of the plan results
21 in maximum savings to the employer in personal services costs within five years after the
22 commencement of the plan. A plan that results in savings in personal services costs in any amount that
23 is in excess of all costs to the employer qualifies under this section. The designation may include only
24 representatives from job classifications whose inclusion contributes to the overall cost savings.

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

29 (d) A participating employer shall prepare and file the retirement incentive plan with the
30 administrator. For state employees other than university employees, the administrator may approve a
31 designated organizational unit only if the office of management and budget certifies that the unit's

1 participation in the plan meets the requirements of (b) of this section. The administrator shall approve
2 the plan if it meets the requirements of this section. The plan must

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

4 (2) include a reimbursement agreement that

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

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

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

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

16 (e) A member of the teachers' retirement system who participates in the retirement incentive
17 program is indebted to the system. The amount of indebtedness is equal to 25.95 percent of the
18 member's actual compensation for the school year, or the calculated school year compensation for a
19 member who works less than the entire school year, for the school year in which the member terminates
20 employment to participate in the program. An outstanding indebtedness at the time a participant is
21 appointed to retirement will require an actuarial adjustment to the benefits payable.

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

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

31 (1) to meet the age or service required for eligibility for normal retirement under

1 AS 14.25.110 or AS 39.35.370, as appropriate;

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

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

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

7 (h) Except as provided in sec. 9 of this Act, in the determination of whether a member will
8 qualify to retire under this section, credited service may include only,

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

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

14 (i) In order to establish eligibility for participation under (b) of this section, and in addition to
15 the employee indebtedness under (e) or (f) of this section, an employee may elect to assume a portion
16 of the employer liability calculated under (d) of this section. An outstanding indebtedness at the time
17 the employee is appointed to retirement will require an actuarial adjustment to the employee's benefits.

18 * Sec. 5. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE. (a) A state
19 agency is authorized to adopt a retirement incentive plan for its employees. A plan adopted under this
20 section must permit a designated employee to apply to the retirement incentive program under sec. 4 of
21 this Act only from July 31, 1992, through October 31, 1992.

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

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

26 (1) has been continuously employed by the state since November 1, 1991;

27 (2) is a permanent seasonal employee continuously employed by the state in the
28 permanent seasonal position during all of the time since November 1, 1991, in which the position
29 normally was filled;

30 (3) has a job sharing agreement with a state agency in which two or more employees
31 share a single position identified by a single position control number and in which the employee

1 choosing to participate was continuously employed by the agency during all of the time since
2 November 1, 1991, in which the employee normally worked under the job sharing agreement; or

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

4 (d) Under a plan adopted under this section, the administrator may not accept the application
5 of an employee unless the employee will be appointed to retirement on or before July 1, 1993.

6 (e) In this section, "state agency" does not include the University of Alaska or an entity covered
7 by sec. 6 of this Act.

8 * Sec. 6. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN
9 THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The governing body of a political
10 subdivision of the state or a public organization that has elected to participate in the public employees'
11 retirement system under AS 39.35.550 - 39.35.650 is authorized to adopt a retirement incentive plan for
12 its employees under sec. 4 of this Act. A plan adopted under this section must permit designated
13 employees to apply to the retirement incentive program under sec. 4 of this Act only from December 31,
14 1992, through no later than June 30, 1993.

15 (b) Under a plan adopted under this section, the administrator may not accept the application
16 of an employee unless the employee will be appointed to retirement on or before February 1, 1994. The
17 employer may set an earlier date by which employees of the employer must be appointed to retirement
18 in order to participate.

19 * Sec. 7. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF THE
20 UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of Alaska is authorized to
21 adopt a retirement incentive plan for its employees. A plan adopted under this section must permit
22 designated employees to apply to the retirement incentive program under sec. 4 of this Act only from
23 June 30, 1992, through no later than December 31, 1992.

24 (b) Under a plan adopted under this section, the administrator may not accept the application
25 of an employee unless the employee will be appointed to retirement on or before August 1, 1993. The
26 Board of Regents may set an earlier date by which employees of the university must be appointed to
27 retirement in order to participate.

28 (c) Notwithstanding the exclusion of members of the optional university retirement program from
29 participation in the teachers' retirement system under AS 14.25.040(a), 14.25.220(40), and AS 14.40,
30 or in the public employees' retirement system under AS 14.40, AS 39.35.120, and 39.35.680(21), a
31 participant in the optional university retirement program who is vested in one of those retirement systems

1 may participate in the retirement incentive program if the individual meets the other qualifications of
2 this Act.

3 * Sec. 8. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN
4 THE TEACHERS' RETIREMENT SYSTEM. (a) An employer under the teachers' retirement system
5 who is not otherwise covered by secs. 5 or 7 of this Act is authorized to adopt a retirement incentive
6 plan for its employees under sec. 4 of this Act. A plan adopted under this section must permit des-
7 ignated employees to apply to the retirement incentive program under sec. 4 of this Act only from
8 June 30, 1992, through no later than December 31, 1992.

9 (b) Under a plan adopted under this section, the administrator may not accept the application
10 of an employee unless the employee will be appointed to retirement on or before August 1, 1993. The
11 employer may set an earlier date by which employees of the employer must be appointed to retirement
12 in order to participate.

13 * Sec. 9. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.
14 Notwithstanding other provisions of law, a vested member who is a state employee and is participating
15 in the retirement incentive program may receive credit for employment with a political subdivision or
16 public organization before the political subdivision or organization became an employer under the system
17 for purposes of determining the years of service requirements for retirement under AS 14.25.110 or
18 AS 39.35.370, as appropriate. The member may not receive credit for those years under this subsection
19 for purposes of determining benefits. In order for a state employee to receive credit under this
20 subsection, the employee's participation in the program must contribute to the overall cost savings of
21 the agency.

22 * Sec. 10. PROVISION AND AUTHORIZATION FOR ADMINISTRATIVE DIRECTOR OF
23 COURT. (a) The chief justice of the state supreme court may adopt a retirement incentive plan for an
24 administrative director of the Alaska Court System who is a member of the judicial retirement system
25 under AS 22.25.012 if participation in the plan will result in savings to the court system in personal
26 services costs within five years after the commencement of the plan. The administrative director may
27 participate only if the administrative director is vested in the judicial retirement system and will be
28 qualified to retire under AS 22.25.010 after receipt of the retirement incentive. To participate, the
29 administrative director shall apply on a form provided by the administrator of the public employees'
30 retirement system.

31 (b) The court system shall include in the retirement incentive plan a reimbursement agreement

1 that requires the court system, for each administrative director of the Alaska Court System who is retired
2 under the plan, to reimburse the judicial retirement system within three years after the end of the fiscal
3 year in which the administrative director is appointed to retirement in an amount equal to

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

9 (2) an appropriate share of the administrative costs of the program.

10 (c) A retirement incentive plan adopted under this section must provide that contributions from
11 the court system under (b) of this section take priority over other obligations of the court system to the
12 maximum extent permitted by law.

13 (d) An administrative director of the Alaska Court System who participates in the retirement
14 incentive program is indebted to the system. The amount of indebtedness is equal to 21 percent of the
15 director's actual annual compensation, or the calculated annual compensation for a member who works
16 fewer than 12 months, for the year in which the director terminates employment to participate in the
17 program. An outstanding indebtedness at the time the administrative director is appointed to retirement
18 will require an actuarial adjustment to the benefits payable.

19 (e) Notwithstanding sec. 4(g) of this Act, an administrative director of the Alaska Court System
20 who participates in the retirement incentive program receives a credit of three years which may only be
21 used to meet the age requirements for normal or early retirement under AS 22.25.010(d).

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

27 (g) The chief justice of the Alaska Court System is authorized to adopt a retirement incentive
28 plan for the administrative director of the court system. A plan adopted under this subsection must
29 permit an administrative director to apply to the retirement incentive program only from December 31,
30 1992, through June 30, 1993. The administrator of the public employees' retirement system may not
31 accept the application of the administrative director of the Alaska Court System unless the administrative

1 director will be appointed to retirement on or before February 1, 1994.

2 * **Sec. 11. RECOVERY OF EMPLOYER DELINQUENCIES.** To recover a delinquency owed by
3 an employer other than the state under an agreement entered under sec. 4(d)(2) of this Act, the
4 Department of Administration may

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

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

9 * **Sec. 12. REEMPLOYMENT INDEBTEDNESS.** (a) If a participant in the retirement incentive
10 program is reemployed after appointment to retirement under the program as a member of the public em-
11 ployees' retirement system under AS 39.35, the teachers' retirement system under AS 14.25, or the
12 judicial retirement system under AS 22.25, the participant loses the incentive credit received under
13 sec. 4(g) or sec. 10(e) of this Act and is indebted to the system. The amount of the indebtedness is
14 equal to 110 percent of the amount the participant received as a result of participation in the program
15 to which the participant was not otherwise entitled, including the cost of health insurance. The partici-
16 pant is entitled to a credit to be applied against the reemployment indebtedness in the amount the
17 participant has paid under sec. 4(e), (f), and (i) or sec. 10(d) and (f) of this Act. Interest accrues on the
18 indebtedness at the rate established by regulation from the date of reemployment until the member is
19 appointed to retirement and accepts an actuarial adjustment to the member's future benefits or until the
20 amount is paid in full.

21 (b) Except as provided in this subsection, for one year after the date on which an employee who
22 participated in the program retired, the participant may not be employed by or enter into a contract for
23 personal services with a state department or agency. This subsection does not prohibit

24 (1) the University of Alaska, during the year immediately following the employee's
25 retirement, from entering into a personal services contract with an employee who has participated in the
26 program; or

27 (2) a participant in the program from accepting employment with the legislature during
28 the legislative session if the employment is on an hourly basis and if the employment does not entitle
29 the employee to receive retirement, health, or leave benefits.

30 * **Sec. 13. OFFICE OF MANAGEMENT AND BUDGET.** (a) When designating an organizational
31 unit for participation in the retirement incentive program, the executive head of a state agency shall

1 describe in detail the expected effect of the program on the agency's personal services cost and
2 operation. This report shall be filed with the office of management and budget. For each employee who
3 will receive credit for employment under sec. 9 of this Act, the agency head shall establish to the
4 satisfaction of the office that the proposed participation contributes to the overall agency cost savings.
5 The agency shall report as required by the office of management and budget on the cost of each
6 member's participation and the effect on the agency's personal services cost and operation.

7 (b) The office of management and budget shall develop and implement a method to document
8 in the governor's annual budget request the net reduction in personal services costs for each agency that
9 adopts a retirement incentive plan.

10 (c) The office of management and budget shall submit to the legislature annual reports on the
11 retirement incentive program beginning on January 15, 1994, and continuing through January 15, 1996,
12 and shall submit a final report on January 15, 1997. Each report must provide the information necessary
13 for the legislature to evaluate the effectiveness of the program in achieving its objectives. The report
14 must include information on the designated organizational units under the retirement incentive plans
15 including the cost of the retirement incentive program per participant, the cost to the state, the cost to
16 the employee, the annual budgeted amount by agency for the retirement incentive, and the projected or
17 actual net savings over the five-year period.

18 * Sec. 14. PROGRAM CHANGES. An employee does not have a vested or contractual right to a
19 benefit under this Act until an agreement is executed with the administrator that permits the benefits to
20 be offered to an organizational unit of which the employee is a member. The legislature reserves the
21 right to change any aspect of the incentive program as it relates to members of organizational units for
22 which participation agreements are executed by the administrator after the effective date of the changes.

23 * Sec. 15. DEFINITIONS. The definitions set out in AS 14.25.220 apply to secs. 4 - 15 of this Act
24 for members of the teachers' retirement system. The definitions set out in AS 39.35.680 apply to secs.
25 4 - 15 of this Act for members of the public employees' retirement system.

26 * Sec. 16. Sections 4 - 10 of this Act are repealed July 1, 1994.

27 * Sec. 17. Sections 2 and 3 of this Act take effect July 1, 1994.

28 * Sec. 18. Sections 1 and 4 - 16 of this Act take effect immediately under AS 01.10.070(c).

Alaska State Legislature

SENATOR JIM DUNCAN

COMMITTEES:
VICE CHAIR –
FINANCE
VICE CHAIR –
STATE AFFAIRS
RULES
BUDGET & AUDIT
ETHICS REFORM

MEMORANDUM

Date: May 6, 1992

To: Representative Eileen MacLean, Co-Chair
Representative Mike Navarre, Co-Chair
House Finance Committee

From: Senator Jim Duncan

Subject: CSSB 337(FIN), relating to retirement incentive programs for the public employees' retirement system and the teachers' retirement system and certain persons under the judicial retirement system.

Please schedule SB 337, reestablishing the Retirement Incentive Program for a hearing before the House Finance Committee as soon as possible. The basic configuration of the Retirement Incentive Program as proposed in SB 337 is substantially similar to previous offerings of the program with a few amendments.

The window periods in the Finance Committee Substitute for SB 337 are as follows;

Employee Type	Application Period	First Day Employee Can Retire	Employee Must Retire on or Before
Teachers	June 30, 1992-Dec. 31, 1992	July 1, 1992	August 1, 1993
University	" " " "	" " " "	" " " "
State	July 31, 1992-Oct. 31, 1992	Aug. 1, 1992	July 1, 1993
Municipal	Dec. 31, 1992-June 30, 1993	Jan. 1, 1993	February 1, 1994

The basic provisions of the program remain unchanged. It will again offer a three year retirement credit to qualified individuals to be applied in the following order;

1. to meet the age or service required for eligibility for normal retirement;
2. to meet the age required for early retirement;

3. to reduce the actuarial adjustment required for early retirement; and
4. as years of credited service for calculating retirement benefits.

To qualify, an employee must be within 3 years of early or normal retirement. The increased benefit will vary depending on each individual's length of service and their age. The personal services savings required by the program will again be calculated over a five year period.

The employee is required to pay what they would have paid into the retirement system if they had continued to work for an additional three years. The employer's cost will be the difference between the employee's contribution and the full actuarial cost of the three year incentive. The State's actuaries calculate the full cost for each individual eligible for the program. This means that all cost incurred because the individual retires three years earlier is fully paid into the respective retirement system. Recent annual reports on both PERS and TRS report that the systems have been adequately compensated for RIP incurred costs.

The Legislative Audit released in November 1991 reported that total savings of almost \$23 million were achieved by public employers through the use of the 1989-90 Retirement Incentive Program. The State of Alaska saved over \$6 million, with the largest savings accruing to the Department of Transportation and Public Facilities. The University saved \$4.3 million and school districts throughout the state saved almost \$9 million. The total number of participants was 1,571. This compares to 2,327 participants in the 1986-87 Retirement Incentive Program.

Savings for the original program amounted to over \$73 million. Much of the difference between the calculated savings between the 86-87 offering and the 89-90 program is accounted for by the auditor's conservative standards for determining savings and the high level of participation in the original program. For instance, the Legislative Audit stated that while the University had reported \$9.2 million in savings, but had reallocated \$4.9 million of the savings to expand programs. The audit figures therefore did not include the \$4.9 million.

Because of concerns expressed by the Department of Administration about the program, SB 337 was amended in the Senate. With the following amendments, the Administration is now supporting reenactment of the Retirement Incentive Program;

1. the elimination of military service credit for PERS employees as years of credit towards service based retirement; i.e., 20 or 30 and out options;
2. changing the window period for state employees from December 31, 1992 through June 30, 1993 for application to

July 31, 1992 through October 31, 1992, and changing the required retirement date for state employees from February 1, 1994 to July 1, 1993; and

3. restoring the prohibition against Retirement Incentive Program retirees being either re-employed or contracting with the state for personal services for one year.

An additional amendment adopted by the Senate Finance Committee will allow school districts, the University, and municipalities to set shorter window periods for participation, as long as they are within the window periods in the bill. For example, a school district might wish to require its teachers to retire by August 1, 1992. The window periods in the bill allow teachers to apply between June 30, 1992, and December 31, 1992, and with retirement required by August 1, 1993. With the amendment, the district could mandate retirement by August 1, 1992, thus better accommodating their particular budget situation.

I appreciate your support for the reenactment of the Retirement Incentive Program, CS SB 337 (FIN).

Attachments



2/28/92

Alaska State Legislature

SENATOR JIM DUNCAN

P. O. Box V JUNEAU, ALASKA 99811-3100
(907) 465-4766

COMMITTEES:
VICE CHAIR –
FINANCE
VICE CHAIR –
STATE AFFAIRS
RULES
BUDGET & AUDIT
ETHICS REFORM

FACT SHEET ON SB 337

THE RETIREMENT INCENTIVE PROGRAM

Provided by Senator Jim Duncan

HOW DOES IT WORK?

- * The Retirement Incentive Program is designed to be used in periods of declining revenues.
- * It works by providing employers with a management tool with which to save personal services dollars without laying off short term employees.
- * Long term employees are offered a three year credit against retirement which they can use against normal or early retirement requirements.
- * SB 337 requires that personal services savings be realized by participating employers within a five year period.
- * Savings comes from the difference between the salary of the long-term employee who retires and the salary of a replacement employee; or through the elimination of the retiree's position.

WHAT ARE THE ECONOMIC BENEFITS OF THE PROGRAM?

- * The economic benefits of the Retirement Incentive Program are one of its most compelling features; first, personal services savings are realized in operating budgets; second, the new retirees for the most part remain in their communities and continue contributing their resources to our economy; and third, the employee with less seniority who is not laid off or is newly hired continues to receive a paycheck and in turn contributes to Alaska's economy.

WHO QUALIFIES?

- * A vested employee must be within 3 years of early or normal retirement.

HOW MUCH WILL THE RETIREE'S BENEFIT INCREASE?

* The increased benefit will vary depending on each individual's length of service and their age.

WHAT DOES THE EMPLOYER HAVE TO CONTRIBUTE?

* The employer's cost is the difference between the employee's contribution and the full actuarial cost of the three year incentive. The State's actuaries calculate the full cost for each individual eligible for the program.

WHAT DOES THE EMPLOYEE HAVE TO CONTRIBUTE?

* The employee is required to pay what they would have paid into the retirement system if they had continued to work for an additional three years.

ARE PERS AND TRS FULLY COMPENSATED FOR RIP COSTS?

* Yes, the most recent annual reports on both PERS and TRS state that both systems have been adequately compensated for RIP incurred costs.

WHAT WERE THE SAVINGS FROM THE 1986-87 PROGRAM?

* In 1986-87 there were 2,327 participants and savings calculated at almost \$73 million.

WHAT ABOUT THE 1989-90 PROGRAM?

* Legislative Audit reports that a total saving of almost \$23 million were achieved by public employers with 1,764 participants.

WHY THE DIFFERENCE IN SAVINGS BETWEEN THE TWO PROGRAMS?

* The decrease in savings between the 1986-87 program and the 1989-90 program is primarily accounted for by the auditor's conservative standards for determining savings and the high level of participation in the original program.

HAVE THERE BEEN ANY MAJOR AMENDMENTS TO THE BILL?

* The State Affairs Committee shortened the window period for state employees to be entirely contained in Fiscal Year 93 at the request of the Commissioner of Administration.

* The Finance Committee amended the bill to allow all employers other than the state to implement shorter window periods for their employees than are in the bill. This amendment will allow maximum flexibility to use the Program to accommodate specific budgetary needs.

Window Periods			
Employee Type	Application Period	First Day Employee Can Retire	Employee Must Retire on or Before
Teachers	June 30, 1992-Dec. 31, 1992	July 1, 1992	August 1, 1993
University	" "	" "	" "
State	July 31, 1992-Oct. 31, 1992	Aug. 1, 1992	July 1, 1993
Municipal	Dec. 31, 1992-June 30, 1993	Jan. 1, 1993	February 1, 1994

DEPARTMENT OF ADMINISTRATION

Estimated Number of Public Employees determined
to be Eligible under the Finance Committee Substitute
for Senate Bill 337, Retirement Incentive Program

State of Alaska Employees:

PERS ----	4,000
TRS ----	50

University of Alaska:

PERS ----	500
TRS ----	450

Political Subdivision & School Districts:

PERS ----	3,700
TRS ----	1,900

2/29/92

Table of Alaska Residency for the
Public Employees' and Teachers Retirement Systems
Benefit Recipients

<u>Year</u>	<u>PERS</u>	<u>TRS</u>
1982	60%	49%
1986	69%	54%
1991	71%	66%

These figures were the result of analyses by the system actuary in preparation of the PERS and TRS five year Study of Actuarial Assumptions. The study is performed to review all the system's assumptions and make adjustments to reflect the prior period experience. These numbers are dollar weighted to reflect the economic value of benefit dollars residing in the state.

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

P.O. BOX C
JUNEAU, ALASKA 99811-0200
PHONE: (907) 465-2200
FAX: (907) 465-2135

January 29, 1992

The Honorable Jim Duncan
Alaska State Legislator
State Capitol
Juneau, AK 99811

Dear Senator Duncan:

This is to follow up on the discussions regarding SB 337 at the Senate State Affairs Committee meeting on January 22.

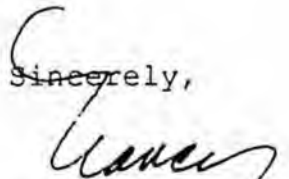
As requested, we have reviewed the "window" for State participation in the program. We find that under the February 1, 1994, window proposed in SB 337, 4,366 State employees would be eligible to participate; and based upon the experience of the last incentive program, approximately 29%, or 1,266, employees could be expected to avail themselves of the incentive. The July 1, 1993, window proposed by the department would reduce the number of eligible employees by 447 and, in turn, the actual number who would participate by only 130. In view of the greater flexibility the shorter window would provide for dealing with projected revenue shortfalls, I believe its benefits outweigh the exclusion of the small number of employees who would be affected.

I am enclosing a copy of the specific amendments the department is proposing to Senate Bill 337. They include language for the windows for State employees for making application and actually retiring, as well as the other amendments we offered on January 22. We have, however, redrafted the contracting prohibition amendment to model it after that set out in the legislation enacted for the last incentive program.

I would appreciate your favorable consideration of these amendments which would enable the Department of Administration to support SB 337.

Thank you.

Sincerely,


Nancy Bear Usura
Commissioner

NBU/nl
Enclosures

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

P.O. BOX 110200
JUNEAU, ALASKA 99811-0200
PHONE: (907) 465-2200
FAX: (907) 465-2135

March 18, 1992

The Honorable Jim Duncan
Alaska State Senator
State Capitol
Juneau, AK 99801-1182

Dear Senator Duncan:


I understand a question has been raised as to how a provision of SB 337 would affect employees who have had a break in service due to a period of layoff. The issue arises apparently in connection with the eligibility requirement that to participate in the RIP an employee must have been continuously employed by the State since November 1, 1991.

In reviewing the matter, I find that State policy provides that an employee who is laid off is put on "leave without pay" (LWOP) status, rather than actually being terminated. For this reason, an employee who is placed on LWOP would still be considered to be employed by the State for RIP purposes, regardless of when they were placed on LWOP.

In short, an employee who had been laid off and placed on leave without pay status would still be eligible for participation in the Retirement Incentive Program. This interpretation is consistent with that applied in the prior two RIP programs.

If additional information or clarification is needed, please let me know.

Sincerely,


Nancy Bear Busera
Commissioner

NBU/nl

cc: Paul Fuhs
Legislative Liaison
Office of the Governor

Gary Bader
Director
Division of Retirement and Benefits
Department of Administration

ASSOCIATION OF ALASKA SCHOOL BOARDS

316 West 11th Street, Juneau, Alaska 99801-1510 • Tel. (907) 586-1083 • Fax (907) 586-2995

Advocates for Alaska's Youth



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YUKON-KOYUKUK

Luke Titus

YUPIIT

Michael Williams

EX OFFICIO DIRECTOR

Dick Anderson
Delta-Greely

EXECUTIVE

DIRECTOR

Carl F.N. Rose

SB 337 **Early retirement program**

AASB Position

The Association of Alaska School Boards (AASB) supports SB 337, "An Act relating to Retirement Incentive Program (RIP)" with the local option for school districts to determine if participation in the program is desirable and beneficial.

Diversity and the local option to participate

Individual school districts are unique entities that reflect the desires and needs of their local communities. As such, the programs and services that receive priority in one district may not reflect the desires of a neighboring district.

The ability of a school district to weigh the short term benefit of the proposed retirement incentive program against its long term goals is critical when addressing the program needs of students and the fiscal uncertainties that all Alaska school districts face.

SB 337 with the local option will provide school districts the opportunity to review its present personnel costs and determine if economies will create a positive financial and programmatic impact.

AASB urges your favorable support for SB 337.

2/92



ALASKA ASSOCIATION OF ELEMENTARY SCHOOL PRINCIPALS
ALASKA ASSOCIATION OF SECONDARY SCHOOL PRINCIPALS
ALASKA ASSOCIATION OF SCHOOL ADMINISTRATORS

• ALASKA COUNCIL OF SCHOOL ADMINISTRATORS •
326 Fourth St., Suite 408, Juneau, AK 99801-1101 (907) 586-9702 FAX (907) 586-5879

Position Statement

Senate Bill No. 337

The Alaska Council of School Administrators is in support of Senate Bill No. 337, "Relating to retirement incentive programs for the public employees'.

Because of the continued concerns for budget reductions, the state's long term revenue outlook, and the success of previous incentive programs, we feel the implementation of a retirement incentive program would again provide the necessary stimulus for those eligible to retire under this program to do so. And in the long term, it would produce a significant savings to the state and local school districts.



Alaska Public
Employees Association **APEA**

State Headquarters: 340 N. Franklin, Juneau, AK 99801 (907) 586-2334

FEDERATION OF PUBLIC EMPLOYEES/AFT/AFL-CIO

January 27, 1992

Senator Jim Duncan
P.O. Box 020690
Juneau, AK 99802

Re: Retirement Incentive Program, SB 337

Dear Senator Duncan:

This is to reiterate our support for your bill implementing a Retirement Incentive Program for employees of the State, political subdivisions and school districts. We believe that the program is a sensible and humane method of cutting jobs and saving money. Past programs have proven effective and, given the economic and political climate, we have no reason to believe this won't be either. It is a win-win situation for the public employer and the State.

Thank you for introducing and supporting this legislation. APEA/AFT fully supports it.

Very truly yours,


Bruce I. Ludwig
Business Manager

Fairbanks Field Office
825 Coliege Road
Fairbanks, AK 99701
Telephone: (907) 456-5412

Anchorage Field Office
833 Gambell Street, Suite A
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Telephone: (907) 586-6305

86-87

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

DIVISION OF RETIREMENT AND BENEFITS
 RETIREMENT INCENTIVE PROGRAM (RIP)
 SUMMARY RESULTS OF POLITICAL SUBDIVISION SURVEY
 March 14, 1989

EMPLOYER	NUMBER RETIREED	POS. REFILLED	COST OF POSITIONS FOR 5 YRS (\$1000's)	COST TO RE- FILL POS. (over 5 yrs (\$1000's)	RIP COST (\$1000's)	SAVINGS O (COST) FOR 5 YRS (\$1000's)
S.E. Resource center	3	0	800.0	0.0	83.0	717.
Unalaska City School District	1	1	322.5	165.8	34.1	122.
Copper River School District	11	10	2,854.7	1,904.9	279.3	670.
Galena City School District	1	1	264.6	198.0	60.0	6.
Petersburg Public Schools	2	2	437.5	338.6	55.1	43.
Yukon Koyukuk School District	5	4	2,006.5	1,414.4	177.0	414.
Alaska Gateway School District	4	4	1,055.5	745.0	180.8	129.
Bristol Bay School District	1	1	273.8	186.7	50.3	36.
Kodiak Island School District	17	16	4,487.7	3,380.0	579.9	527.8
Delta/Greely School District	2	2	700.9	644.0	96.4	(- 39.6)
Yukon Flats School District	5	4	Not Provided	Not Provided	128.5	Not Provided
L. Kuskokwim School District	31	26	7,535.6	4,637.6	677.2	2,220.
North Slope School District	28	23	7,643.0	5,600.5	727.0	1,315.
Dillingham City Schools	6	2	1,231.7	180.0	277.8	773.
Craig City School District	1	1	277.2	210.1	21.8	45.

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

EMPLOYER	NUMBER RETIRED	POS. REFILLED	COST OF POSITIONS FOR 5 YRS (\$1000's)	COST TO RE- FILL POS. (over 5 yrs) (\$1000's)	RIP COST (\$1000's)	SAVINGS or (COST) FOR 5 YRS (\$1000's)
Wrangell Public School	2	2	455.5	330.6	43.7	81.2
Valdez City Schcols	10	3	2,519.1	604.4	284.4	1,630.3
Adak Region School District	3	3	817.1	611.6	111.4	94.1
Fairbanks School District	71	71	17,998.0	13,592.1	1,826.8	2,579.1
Haines School District	5	1	1,529.6	384.8	131.3	1,013.5
Cordova Public Schools	1	1	185.3	112.4	19.3	55.6
Juneau School District	42	40	3,750.0	1,449.0	1,010.6	1,290.4
Lake and Penin. School District	2	2	675.0	600.0	53.6	21.4
Kenai Pen. School District	67	67	16,285.6	11,767.7	1,586.3	2,931.6
Southwest Regional School	4	4	666.5	527.7	91.0	47.8
Anchorage School District	373	368	81,249.1	59,225.1	8,580.7	13,473.2
Nenana City School District	7	7	1,611.1	1,209.2	173.7	228.2
Northwest Arct Bor Sch Dist	31	30	5,562.6	4,046.3	763.2	753.0
					TOTAL SAVINGS	31,182.6

Schools

RETIREMENT INCENTIVE PROGRAM (RIP)
 SUMMARY RESULTS OF POLITICAL SUBDIVISION SURVEY
 PAGE 3

EMPLOYER	NUMBER RETIRED	POS. REFILLED	COST OF POSITIONS FOR 5 YRS (\$1000's)	COST TO RE- FILL POS. (over 5 yrs (\$1000's)	RIP COST (\$1000's)	SAVINGS or (COST) FOR 5 YRS (\$1000's)
City of Skagway	1	1	18.8	Not Provided	Not Provided	0.0
City of Wrangell	1	0	220.0	0.0	33.5	186.5
City of Palmer	4	3	1,024.1	715.3	101.0	207.8
City of Soldotna	2	1	482.8	212.7	47.8	222.3
City of Ketchikan	11	8	4,093.0	2,358.6	519.5	1,214.9
Kenai Peninsula Borough	14	7	3,234.0	2,270.4	324.2	639.4
City/Borough Juneau	13	9	3,574.1	2,134.8	298.9	1,140.4
City of Valdez	7	4	2,676.3	1,241.1	289.6	1,145.6
TOTAL SAVINGS						4,756.8
University PERS	113	76	26,052.1	15,308.0	2,455.3	8,288.8
University TRS	103	70	39,972.6	22,792.7	3,163.3	14,016.6
TOTAL SAVINGS						22,305.4