

SB337

# SENATE FINANCE COMMITTEE REPORT

DATE: 2/12/92

FURTHER:

DATE TURNED INTO OFFICE: 2-25-92

The Finance Committee considered

SENATE BILL NO. 337

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

and recommends:

replace with \_\_\_\_\_ CS SB 337 (FINANCE)  
or  adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)  
 attaches amendment(s)

same title  
 new title  
 technical title change (HB only)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

individual recommendations

**NEW FISCAL NOTES:** Dept/Date

zero fiscal notes \_\_\_\_\_

fiscal notes \_\_\_\_\_

appropriation--no fiscal note

**PREVIOUS FISCAL NOTES:** Dept/Date

zero fiscal notes Ct. System 1-21-92

fiscal notes DOA-Finance 67.6 1-30-92  
DOA-R+B 796.3 1-30-92

**DO PASS**

*[Signature]*  
*Rich Uley (DO PASS)*

**OTHER RECOMMENDATIONS:**

*all depend - NO REC*  
*Don Hoff No Rec*  
*Jim [unclear] No Rec*  
~~*[Signature]*~~

1. *[Signature]* do pass  
Co-Chair: Signature/Recommendation  
*with intent information*

2. *[Signature]* do pass  
Co-Chair: Signature/Recommendation

No. 1  
 Bill Version: SB 337  
 (S) Publish Date: 1-31-92

**FISCAL NOTE**

**STATE OF ALASKA  
 1992 LEGISLATIVE SESSION**

Revision 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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL						
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REVENUE						
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**FUNDING: (Thousands of Dollars)**

GENERAL FUNDS	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

**ANALYSIS: (Attach a separate page if necessary)**  
 No fiscal impact.  
 Changes in (SB 337 STA) have no fiscal impact. This fiscal note is appropriate.  
1-30-92 date Shane Lyne Comptroller (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 07 AKL  
 Agency: Alaska Court System Date: 01/21/92

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

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

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

Revision Date: \_\_\_\_\_  
Title: "An Act relating to retirement incentive programs . . . effective date."  
Sponsor: Duncan, Kerttula, Sturgulewski  
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
<b>TOTAL OPERATING</b>	<b>67.6</b>	<b>5.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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	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
<b>TOTAL</b>	<b>67.6</b>	<b>5.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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.)

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

Phone: 465-2240  
Date: January 29, 1992

Approved by Commissioner: Nancy Bear Usera *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

FISCAL NOTE

C. 4

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Bill Version: CSSB 337 (STA)  
(S) Publish Date: 1-31-92

Revision Date: \_\_\_\_\_  
Title: An Act relating to retirement incentive programs for the Public Employees' and Teachers' Retirement System  
Sponsor: Duncan  
Requestor: Senate State Affairs 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	33	0	0	0	0
SUPPLIES	3.0	25	1.0	1.0	1.0	1.0
EQUIPMENT	112.3	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
REVENUE FUND SOURCE:	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	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: Gary Bader *Gary M. Bader*  
Division: Retirement and Benefits

Phone: 465-4460  
Date: January 29, 1992

Approved by Commissioner: Nancy Bear Usera *NBCU*  
Agency: Department of Administration

Date: 1/30/92

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

CSSB 337 (SA)  
Analysis of Fiscal Implications to the Retirement Fund  
Prepared by Division of Retirement & Benefits  
Department of Administration  
January 29, 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 RIPs 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.

CSSB 337 (SA)  
 Analysis of Fiscal Implications to the Retirement Fund  
 Prepared by Division of Retirement & Benefits  
 Department of Administration  
 January 29, 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>
<b>PERSONAL SERVICES</b>			
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
<b>TRAVEL</b>			
Traveling to various locations throughout the state to counsel prospective retirees and give seminars .....			
	3.0	3.0	
<b>CONTRACTUAL</b>			
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

CSSB 337 (SA)  
 Analysis of Fiscal Implications to the Retirement Fund  
 Prepared by Division of Retirement & Benefits  
 Department of Administration  
 January 29, 1992

	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>
<b>CONTRACTUAL</b>			
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	
<b>SUPPLIES</b>			
Office supplies, calculators cost.....	3.0	2.5	
<b>EQUIPMENT</b>			
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-
<b>TOTAL Operations Cost</b>	<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 don 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.



Position Title <b>RETIREMENT &amp; BENEFITS TECHNICIAN I/II</b>		No. of Positions <b>8</b>	Range/Step <b>12/B</b>	Barg. Unit <b>GGU</b>
Time Status <b>3-PFT, 5-Temporary</b>	Staff Months: <b>8 x 12 = 96</b>	Location: <b>JUNEAU/AWA</b>		Election District <b>4</b>
<b>TYPE OF EXPENDITURE</b>		<b>AMOUNT</b>		
Salary	234.0	Justification <b>CSSB 337 (SA)</b>  The Retirement and Benefit Technicians staff will be needed to assist our current permanent staff to; research member files, prepare benefit projections for prospective retirees, process retirement applications and establish benefits, add service that members are eligible to purchase and respond to many inquires that the division will receive during the concentrated window period of the program.		
Benefits	104.2			
Premium Pay				
Other				
<b>TOTAL PERSONAL SERVICES:</b>	<b>338.2</b>			
Travel				
Contractual	11.0			
Supplies	1.0			
Equipment	68.9			
Other				
<b>TOTAL COST:</b>	<b>419.1</b>			
<b>FUNDING SOURCE FOR TOTAL COST</b>				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004			
I-A Receipts	1007			
CIP Receipts	1061			
Other	1029 PERS	230.5		
	1034 TRS	188.6		

**Request For  
New Position**

AGENCY ADMINISTRATION  
BRU RETIREMENT & BENEFITS  
COMPONENT RETIREMENT & BENEFITS

**FY 93**

Page 2 of 5  
Revised Date:

6079

Position Title <b>ACCOUNTANT I</b>		No. of Positions <b>1</b>	Range/Step <b>14/A</b>	Barg. Unit <b>GGU</b>
Time Status <b>PFT</b>	Staff Months: <b>12</b>	Location: <b>JUNEAU/AWA</b>		Election District <b>4</b>
<b>TYPE OF EXPENDITURE</b>		<b>AMOUNT</b>		
Salary		<b>32.2</b>	Justification <b>CSSB 337 (SA)</b>  An Accountant I will monitor and review RIP contracts between employers and the Division to insure receipt of RIP related funds. Book receivables as year and adjustments. Establish coding system in AKSAS to track receiveables, payments, interest calculations, and balances due for each district participating in the RIP.  Process Reimbursable Services Agreements (RSA) transactions for state agencies participating in the RIP. Transfer RSA payments to proper fund equity account in each fund. Reconcile RIP tracking system using PC to AKSAS on monthly basis. Provide Accountant III with final adjusted financial data to be used in quarterly financial statements of the pension funds. Provide financial reports and analyses to management.  Calculate interest for each district based on balances due and terms set out in contracts, and bill each district for balances due and interest charged. Work with independent audit team on all RIP related questions. Analyze complex financial data to respond to auditors questions.	
Benefits		<b>14.0</b>		
Premium Pay				
Other				
<b>TOTAL PERSONAL SERVICES:</b>		<b>46.1</b>		
Travel				
Contractual		<b>1.5</b>		
Supplies		<b>0.6</b>		
Equipment		<b>12.5</b>		
Other				
<b>TOTAL COST:</b>		<b>60.7</b>		
<b>FUNDING SOURCE FOR TOTAL COST</b>				
Federal Receipts		1002		
G.F. Match		1003		
General Fund		1004		
I-A Receipts		1007		
CIP Receipts		1061		
Other 1029 PERS			<b>33.4</b>	
1034 TRS			<b>27.3</b>	

**Request For  
New Position**

AGENCY ADMINISTRATION  
 BRU RETIREMENT & BENEFITS  
 COMPONENT RETIREMENT & BENEFITS

**FY 93**

Page 3 of 5  
 Revised Date:

7079



Position Title <b>CLERK II</b>		No. of Positions <b>2</b>	Range/Step <b>7/B</b>	Barg. Unit <b>GGU</b>
Time Status <b>Temporary</b>	Staff Months: <b>2 x 12 = 24</b>	Location: <b>JUNEAU/AWA</b>		Election District <b>4</b>
<b>TYPE OF EXPENDITURE</b>		<b>AMOUNT</b>		
Salary		44.2		
Benefits		21.0		
Premium Pay				
Other				
<b>TOTAL PERSONAL SERVICES:</b>			65.2	
Travel				
Contractual			0.7	
Supplies			0.2	
Equipment			0.6	
Other				
<b>TOTAL COST:</b>			66.7	
<b>FUNDING SOURCE FOR TOTAL COST</b>				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004			
I-A Receipts	1007			
CIP Receipts	1061			
Other	1029 PERS		36.7	
	1034 TRS		30.0	
Justification <b>CSSB 337 (SA)</b>				
Clerk II positions are required in the divisions microfiche center for the day-to-day file/recordkeeping duties for the new retirees under the RIP. Duties include: sanitizing and purging files, creating new microfiche files for these retirees from paper documents, creating duplicate microfiche files when requested for the use of division personnel, and filing and refiling all documents.				
Many calculations affecting members' retirement accounts depend on the files being accurate and up-to-date.				

**Request For  
New Position**

AGENCY ADMINISTRATION  
 DRU RETIREMENT & BENEFITS  
 COMPONENT RETIREMENT & BENEFITS

**FY 93**

Page 5 of 5  
 Revised Date:

9/29

CS FOR SENATE BILL NO. 337 (FINANCE)  
 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
 Referred:

Sponsor(s): SENATORS DUNCAN, Kerttula, Sturgulewski, Rocey

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. RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a retirement  
 14 incentive plan under secs. 3 - 6 of this Act, as appropriate, to designate organizational units of employees

1 eligible to participate in the retirement incentive program.

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

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

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

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

17 (2) include a reimbursement agreement that

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

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

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

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

29 (e) A member of the teachers' retirement system who participates in the retirement incentive  
30 program is indebted to the system. The amount of indebtedness is equal to 25.95 percent of the  
31 member's actual compensation for the school year, or the calculated school year compensation for a

1 member who works less than the entire school year, for the school year in which the member terminates  
2 employment to participate in the program. An outstanding indebtedness at the time a participant is  
3 appointed to retirement will require an actuarial adjustment to the benefits payable.

4 (f) A member of the public employees' retirement system who participates in the retirement  
5 incentive program is indebted to the system. The amount of indebtedness is equal to 22-1/2 percent for  
6 a peace officer or fire fighter, and 20-1/4 percent for other members, of the member's actual annual  
7 compensation, or the calculated annual compensation for a member who works fewer than 12 months,  
8 for the year in 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 adjustment to  
10 the benefits payable.

11 (g) A participant in the retirement incentive program receives a credit of three years. The three  
12 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 14.25.110 or AS 39.35.370, as appropriate;

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

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

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

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

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

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

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

31 \* Sec. 3. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE. (a) A state

1 agency is authorized to adopt a retirement incentive plan for its employees. A plan adopted under this  
2 section must permit a designated employee to apply to the retirement incentive program under sec. 2 of  
3 this Act only from July 31, 1992, through October 31, 1992.

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

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

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

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

12 (3) has a job sharing agreement with a state agency in which two or more employees  
13 share a single position identified by a single position control number and in which the employee  
14 choosing to participate was continuously employed by the agency during all of the time since  
15 November 1, 1991, in which the employee normally worked under the job sharing agreement; or

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

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

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

21 \* Sec. 4. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN  
22 THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The governing body of a political  
23 subdivision of the state or a public organization that has elected to participate in the public employees'  
24 retirement system under AS 39.35.550 - 39.35.650 is authorized to adopt a retirement incentive plan for  
25 its employees under sec. 2 of this Act. A plan adopted under this section must permit designated  
26 employees to apply to the retirement incentive program under sec. 2 of this Act only from December 31,  
27 1992, through no later than June 30, 1993.

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

1 \* Sec. 5. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF THE  
2 UNIVERSITY OF ALASKA, (a) The Board of Regents of the University of Alaska is authorized to  
3 adopt a retirement incentive plan for its employees. A plan adopted under this section must permit  
4 designated employees to apply to the retirement incentive program under sec. 2 of this Act only from  
5 June 30, 1992, through no later than December 31, 1992.

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

10 (c) Notwithstanding the exclusion of members of the optional university retirement program from  
11 participation in the teachers' retirement system under AS 14.25.040(a), 14.25.220(40), and AS 14.40,  
12 or in the public employees' retirement system under AS 14.40, AS 39.35.120, and 39.35.680(21), a  
13 participant in the optional university retirement program who is vested in one of those retirement systems  
14 may participate in the retirement incentive program if the individual meets the other qualifications of  
15 this Act.

16 \* Sec. 6. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN  
17 THE TEACHERS' RETIREMENT SYSTEM. (a) An employer under the teachers' retirement system  
18 who is not otherwise covered by secs. 3 or 5 of this Act is authorized to adopt a retirement incentive  
19 plan for its employees under sec. 2 of this Act. A plan adopted under this section must permit des-  
20 ignated employees to apply to the retirement incentive program under sec. 2 of this Act only from  
21 June 30, 1992, through no later than December 31, 1992.

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

26 \* Sec. 7. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.  
27 Notwithstanding other provisions of law, a vested member who is a state employee and is participating  
28 in the retirement incentive program may receive credit for employment with a political subdivision or  
29 public organization before the political subdivision or organization became an employer under the system  
30 for purposes of determining the years of service requirements for retirement under AS 14.25.110 or  
31 AS 39.35.370, as appropriate. The member may not receive credit for those years under this subsection

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

4 \* **Sec. 8. PROVISION AND AUTHORIZATION FOR ADMINISTRATIVE DIRECTOR OF**  
5 **COURT.** (a) The chief justice of the state supreme court may adopt a retirement incentive plan for an  
6 administrative director of the Alaska Court System who is a member of the judicial retirement system  
7 under AS 22.25.012 if participation in the plan will result in savings to the court system in personal  
8 services costs within five years after the commencement of the plan. The administrative director may  
9 participate only if the administrative director is vested in the judicial retirement system and will be  
10 qualified to retire under AS 22.25.010 after receipt of the retirement incentive. To participate, the  
11 administrative director shall apply on a form provided by the administrator of the public employees'  
12 retirement system.

13 (b) The court system shall include in the retirement incentive plan a reimbursement agreement  
14 that requires the court system, for each administrative director of the Alaska Court System who is retired  
15 under the plan, to reimburse the judicial retirement system within three years after the end of the fiscal  
16 year in which the administrative director is appointed to retirement in an amount equal to

17 (1) the actuarial equivalent of the difference between the benefits the administrative  
18 director receives after the addition of the retirement incentive under this section and the amount the  
19 participant would have received without the incentive, less the total of the amount the participant has  
20 paid on the indebtedness determined under (d) of this section and the amount paid under (f) of this  
21 section, if any; and

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

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

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

1 (e) Notwithstanding sec. 2(g) of this Act, an administrative director of the Alaska Court System  
2 who participates in the retirement incentive program receives a credit of three years which may only be  
3 used to meet the age requirements for normal or early retirement under AS 22.25.010(d).

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

9 (g) The chief justice of the Alaska Court System is authorized to adopt a retirement incentive  
10 plan for the administrative director of the court system. A plan adopted under this subsection must  
11 permit an administrative director to apply to the retirement incentive program only from December 31,  
12 1992, through June 30, 1993. The administrator of the public employees' retirement system may not  
13 accept the application of the administrative director of the Alaska Court System unless the administrative  
14 director will be appointed to retirement on or before February 1, 1994.

15 \* Sec. 9. RECOVERY OF EMPLOYER DELINQUENCIES. To recover a delinquency owed by an  
16 employer other than the state under an agreement entered under sec. 2(d)(2) of this Act, the Department  
17 of Administration may

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

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

22 \* Sec. 10. REEMPLOYMENT INDEBTEDNESS. (a) If a participant in the retirement incentive  
23 program is reemployed after appointment to retirement under the program as a member of the public em-  
24 ployees' retirement system under AS 39.35, the teachers' retirement system under AS 14.25, or the  
25 judicial retirement system under AS 22.25, the participant loses the incentive credit received under  
26 sec. 2(g) or sec. 8(e) of this Act and is indebted to the system. The amount of the indebtedness is equal  
27 to 110 percent of the amount the participant received as a result of participation in the program to which  
28 the participant was not otherwise entitled, including the cost of health insurance. The participant is  
29 entitled to a credit to be applied against the reemployment indebtedness in the amount the participant  
30 has paid under sec. 2(e), (f), and (i) or sec. 8(d) and (f) of this Act. Interest accrues on the indebtedness  
31 at the rate established by regulation from the date of reemployment until the member is appointed to

1 retirement and accepts an actuarial adjustment to the member's future benefits or until the amount is paid  
2 in full.

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

9 \* **Sec. 11. OFFICE OF MANAGEMENT AND BUDGET.** (a) When designating an organizational  
10 unit for participation in the retirement incentive program, the executive head of a state agency shall  
11 describe in detail the expected effect of the program on the agency's personal services cost and  
12 operation. This report shall be filed with the office of management and budget. For each employee who  
13 will receive credit for employment under sec. 7 of this Act, the agency head shall establish to the  
14 satisfaction of the office that the proposed participation contributes to the overall agency cost savings.  
15 The agency shall report as required by the office of management and budget on the cost of each  
16 member's participation and the effect on the agency's personal services cost and operation.

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

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

28 \* **Sec. 12. PROGRAM CHANGES.** An employee does not have a vested or contractual right to a  
29 benefit under this Act until an agreement is executed with the administrator that permits the benefits to  
30 be offered to an organizational unit of which the employee is a member. The legislature reserves the  
31 right to change any aspect of the incentive program as it relates to members of organizational units for

1 which participation agreements are executed by the administrator after the effective date of the changes.

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

5 \* Sec. 14. Sections 1 - 8 of this Act are repealed July 1, 1994.

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

STATE OF ALASKA  
 1992 LEGISLATIVE SESSION

(S) Publish Date: 1-31-92

Revision Date: \_\_\_\_\_ Department Affected: Administration  
 Title: "An Act relating to retirement incentive programs...effective date." BRU: Finance  
 Component: Finance  
 Sponsor: Senators Duncan, Kerttula, Sturgulewski  
 Requestor: Senate State Affairs COMPONENT SERIAL NO. 59

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	10.0	62.6	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	10.0	62.6	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE						
FUND SOURCE:	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	10.0	62.6	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE:	0	0	0	0	0	0
TOTAL	10.0	62.6	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	1	4	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.)

Prepared By: Don Wanie *DW* Phone: 465-2240  
 Division: Finance Date: 01/21/92  
 Approved by Commissioner: Nancy Bear Usefo *NB*  
 Agency: Administration Date: \_\_\_\_\_

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

FISCAL NOTE

lo. 2

Bill Version: SB 337

(S) Publish Date: 1-31-92

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 State Affairs

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	575.7	630.0	277.5	277.5	277.5	277.5
TRAVEL	3.0	3.0	1.0	1.0	1.0	1.0
CONTRACTUAL	20.0	33	0	0	0	0
SUPPLIES	3.0	2.5	1.0	1.0	1.0	1.0
EQUIPMENT	112.3	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	714.0	638.8	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	714.0	638.8	279.5	279.5	279.5	279.5
TOTAL	714.0	638.8	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:	9	9	0	0	0	0

Estimate of current year impact: Zero

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 are anticipated.

Prepared By: Gary Bader  
Division: Retirement and Benefits

Phone: 465-4460  
Date: January 16, 1992

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

Date: 1/21/92

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

Senate Bill 337  
Analysis of Fiscal Implications to the Retirement Fund  
Prepared by Division of Retirement & Benefits  
Department of Administration  
January 16, 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 RIPs and projected for this one. In addition, we estimate that nine 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.

SB 337  
 Analysis of Fiscal Implications to the Retirement Fund  
 Prepared by Division of Retirement & Benefits  
 Department of Administration  
 January 16, 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>
<b>PERSONAL SERVICES</b>			
<b>FY 93</b>			
2 Retirement Specialist I/II	104.5		
8 Retirement Technician I/II	338.2		
1 Accountant I	46.1		
2 Accounting Clerk III (6 months)	38.0		
2 Clerk II (9 months)	<u>48.9</u>		
Total FY 93 Personal Services Cost.....	\$575.7		
<b>FY 94</b>			
2 Retirement Specialist I/II	104.5		
8 Retirement Technician I/II	338.2		
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.....		\$630.0	
<b>FY 95</b>			
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
<b>TRAVEL</b>			
Traveling to various locations throughout the state to counsel prospective retirees and give seminars .....		3.0	3.0
<b>CONTRACTUAL</b>			
<b>FY 93</b>			
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	

SB 337  
 Analysis of Fiscal Implications to the Retirement Fund  
 Prepared by Division of Retirement & Benefits  
 Department of Administration  
 January 16, 1992

	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>
<b>CONTRACTUAL</b>			
<b>FY 94</b>			
Telephone service for 4 phones	.8		
Long distance call expense based upon previous RIP	<u>2.5</u>		
FY 94 contractual costs.....		3.3	
<b>SUPPLIES</b>			
Office supplies, calculators cost. ....	3.0	2.5	
<b>EQUIPMENT</b>			
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>	<u>-0-</u>	<u>-0-</u>
<b>TOTAL Operations Cost</b>	<u><u>\$714.0</u></u>	<u><u>\$638.8</u></u>	<u><u>\$279.5</u></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 \$392.7 and the TRS at \$321.3 for FY 93.

*Adopted*  
2-25-92  
7-LS1483ND.2  
Cramer  
02/20/92  
JD  
#1

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR DUNCAN

TO: CSSB 337 (STATE AFFAIRS)

Page 4, line 26, after "through":

Insert "no later than"

Page 4, line 28, after ".":

Insert "The employer may set an earlier date by which employees of the employer must be appointed to retirement in order to participate."

Page 5, line 2, after "through":

Insert "no later than"

Page 5, line 4, after ".":

Insert "The Board of Regents may set an earlier date by which employees of the university must be appointed to retirement in order to participate."

Page 5, line 16, after "through":

Insert "no later than"

Page 5, line 18, after ".":

Insert "The employer may set an earlier date by which employees of the employer must be appointed to retirement in order to participate."

Adopted  
2-25-92  
# 2  
JK — 4

**AMENDMENT**

TO: CS SB 337 (STA)  
OFFERED BY; Senator Pourchot  
DATE: February 25, 1992

TITLE CHANGE:

Page 1, Line 2

following first "system":

Delete (AND)

Insert   

following second "system":

Delete (;AND)

Insert   and certain persons under the Judicial Retirement System.

Rationale: This change should have occurred when Section 8 was included in the State Affairs CS version.

*2/25/92  
Withdrawn*

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR KERTFULA

TO: CSSB 337 (STATE AFFAIRS)

Page 4, line 3, after "(b)":

Delete "The"

Insert "Except for an employee who has at least 20 years of credited service as a state employee  
the"

*Jim -  
just a suggestion  
Jay*

PROPOSED AMENDMENT TO SENATE BILL 337  
BY: SENATOR PAUL FISCHER

PAGE 7, LINE 15:

\*Sec.10. REEMPLOYMENT INDEBTEDNESS AND REEMPLOYMENT PROHIBITION (a)

ADD NEW SUB-SECTION TO READ:

"(b) For three years 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 an employer who is an employer in the retirement system from which the participant retired."

Not adopted in  
CS SB 337 (STA)

# DIVISION OF LEGAL SERVICES

## LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

240 Main Street, Suite 500  
Juneau, Alaska 99801-2101

### MEMORANDUM

February 25, 1992

**SUBJECT:** Does sec. 8 of the retirement incentive bill constitute special legislation (CSSB 337 (State Affairs))

**TO:** Senator Pat Pourchot

**FROM:** Teresa B. Cranier *TBC*  
Legislative Counsel

You have asked whether sec. 8 of CSSB 337 (State Affairs) constitutes special legislation, prohibited under art. II, sec. 19 of the state constitution.

In my opinion, sec. 8 would probably not be considered prohibited special legislation.

Section 8 permits the chief justice of the state supreme court to adopt a retirement incentive plan for administrative directors of the court system who are members of the Judicial Retirement System (JRS). Under sec. 8(a), the plan must result in a savings to the court system in personal services costs within five years.

The administrative director is the only member of JRS whose salary is not fixed by statute at a set range and step<sup>1/</sup> and, therefore, the only member whose retirement could result in a salary savings to the state. (The state saves money if the replacement is hired at a lower salary step than the retiring administrative director currently receives.) The other circumstance that may affect the answer to your question is that there is only one administrative director of the court system at a time. Therefore, although the legislation is drafted in general language, it will apply, in all probability, to only one person.

---

<sup>1/</sup>The monthly salary of members of the supreme court is set at Step F, Range 30 under AS 22.05.140. Members of the court of appeals are compensated at Step E, Range 29 under AS 22.07.090. Superior court judges are compensated at Step E, Range 28, with a geographic cost-of-living adjustment possible, depending on the location of the judge's primary office assignment. District court judges receive a monthly salary of Step C, Range 26, with the possibility of a geographic cost-of-living adjustment, under AS 22.15.220. Magistrates, whose salaries are not fixed at a step and range by statute, are members of the Public Employees' Retirement System and therefore could be included in a retirement incentive plan under sec. 3 of the bill.

Senator Pat Pourchot  
February 25, 1992  
Page 2

Section 19, art. 2 of the state constitution states, in part,

The legislature shall pass no local or special act if a general act can be made applicable. Whether a general act can be made applicable shall be subject to judicial determination.

In Abrams v. State, 534 P.2d 91 (Alaska 1975), the court held that legislation specifically providing for a borough in the Eagle River area constituted a special act because the general statutory system for creating boroughs could reasonably accomplish the same goal. The court, citing an earlier case, noted that legislation does not become "local" merely because it operates only on a limited number of geographical areas. The test was whether the legislation related to a matter of statewide concern or common interest. In State v. Lewis, 559 P.2d 630 (Alaska), appeal dismissed and cert. denied, 432 U.S. 901, 97 S.Ct. 2943, 53 L.Ed. 1073, (1977), the court examined a land exchange agreement between three parties -- the state, the federal government, and a regional Native Corporation -- and declined to invalidate the legislation on the grounds that it was a local or special act. The court held that the test to be employed in determining whether the legislation was prohibited as a special or local act was substantially the same as the test used to analyze legislation challenged on equal protection grounds where the legislation does not create a suspect classification. The court stated:

[e]xamining both the legislative goals and the means used to advance them, we must determine whether the legislation bears a 'fair and substantial relationship' to legitimate purposes. If this standard is satisfied, the bill will not be invalid because of incidental local or private advantages. Legislation need not operate evenly in all parts of the state to avoid being classified as local or special.

(559 P.2d at 643, citations omitted.)

In my opinion, the provisions of sec. 8 satisfy this test. The purpose of the legislation, as set out in sec. 1, is to reduce personal services costs so that, in a time of declining revenue, the hardship of layoffs is reduced. I believe that courts would find this a legitimate public purpose. The only position included in JRS in which retirement might lead to a savings in personal services cost through the retirement of the incumbent is the administrative director of courts. Therefore, the legislation applies as generally as it can while accomplishing its purpose.

If I may be of further assistance, please advise.

TC:pl  
92-128.plm

# DIVISION OF LEGAL SERVICES

## LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

240 Main Street, Suite 500  
Juneau, Alaska 99801-2101

### MEMORANDUM

February 4, 1992

**SUBJECT:** Sectional Summary of CSSB 337(State Affairs)  
(Retirement Incentive Programs)

**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.

Because this bill sets up a time-limited program which is repealed July 1, 1994, it is not placed into the codified statutes. If the bill is enacted, it will be published in the Session Laws and also in the Temporary and Special Acts volume of the Alaska Statutes.

**Section 1** states the legislative purpose in adopting a retirement incentive program for public employers and employees.

**Section 2** establishes the general requirements for a retirement incentive program. Subsection (a) permits employers to designate organizational units of employees eligible to participate. Subsection (b) sets out criteria for the organization units. Subsection (c) limits which employees are eligible to participate to those who will be qualified to retire after receipt of the retirement incentive. Subsection (d) sets out requirements for the plan filed by the employer and requires the employer to agree to reimburse the retirement system for the extra costs incurred by the system from participation by the employer's employees.

Subsection (e) sets out the formula for computing how much each member of the Teachers' Retirement System (TRS) who participates in the plan owes in order to receive the three-year credit. It is based on the annual contribution rate of 8.65% for members of TRS set out in AS 14.25.050. Subsection (f) sets out the formula for

*eligible bill*

computing how much each member of the Public Employees' Retirement System (PERS) who participates in the plan owes in order to receive the three-year credit. It is based on the annual contribution rates of 7.5% for peace officers who are members of PERS and 6.75% for other members of PERS set out in AS 39.35.160.

Subsection (g) provides that the retirement incentive is a credit of three years, to be used either to meet retirement eligibility requirements or, if those are met, to increase the amount of credited service a participant is entitled to when computing benefits. Subsection (h) limits the kinds of credited service that employees retiring under the retirement incentive plan may use when determining whether they are eligible to retire. Note that the subsection does not limit the kinds of credited service that may be considered when computing the employee's benefits.

Subsection (i) permits employees to assume part of the employer's liability in order to become eligible to participate in a retirement incentive plan.

**Section 3** authorizes the state to adopt a retirement incentive plan for its employees, to begin July 31, 1992, and ending October 31, 1992. Subsections (b) and (c) limit which employees may participate. Subsection (d) requires that participants be appointed to retirement on or before July 1, 1993.

State

**Section 4** authorizes political subdivisions and public organizations which participate in PERS to adopt a retirement incentive plan for their employees, to begin December 31, 1992, and ending June 30, 1993. Subsection (b) requires that participants be appointed to retirement on or before February 1, 1994.

PERS

**Section 5** authorizes the University of Alaska to adopt a retirement incentive plan for its employees, to begin June 30, 1992, and ending December 31, 1992. Subsection (b) requires that participants be appointed to retirement on or before August 1, 1993. Subsection (c) addresses participants in the Optional University Retirement Program.

UA

**Section 6** authorizes employers in TRS (other than the state or the University of Alaska, which are covered in sections 3 and 5 above) to adopt a retirement incentive plan for their employees, to begin June 30, 1992, and ending December 31, 1992. Subsection (b) requires that participants be appointed to retirement on or before August 1, 1993.

TRS

**Section 7** permits state employee participants to receive credit for certain employment with political subdivisions or public organizations who did not participate in PERS or TRS at the time of the employment for purposes of determining whether the participant satisfies the years of service requirements for retirement under TRS or PERS. The employment may not be counted when the amount of the participant's benefits are calculated.

**Section 8** permits the administrative director of the Alaska Court System, who is a member of the Judicial Retirement System (JRS) to participate in a retirement incentive program. The section sets out provisions comparable to those that apply to members of the other retirement systems.

**Section 9** permits the Department of Administration to take certain actions if employers who are participating in the retirement incentive program become delinquent in the payments they owe the system for the increased benefits paid to their retirees under the program.

**Section 10** establishes an indebtedness owed by participants in the retirement incentive program who, after retirement, are reemployed in a position that is covered by PERS, TRS, or JRS. Subsection (b) prohibits participants from working for an employer who is part of one of the state retirement systems for one year after the participant retired. There is an exception for the University of Alaska.

**Section 11** directs state agencies to file with the Office of Management and Budget reports showing the expected effect of the program on the agency's personal services cost and operation. Subsection (b) directs OMB to document the net reduction in personal services costs for each agency in the governor's annual budget request. Subsection (c) directs OMB to report to the legislature on the retirement incentive program.

**Section 12** states that employees do not have a vested or contractual right to benefits under a retirement incentive program until an agreement is executed with the administrator of the retirement system. The legislature reserves the right to make changes to the program.

**Section 13** makes the definitions in TRS and PERS, as appropriate, applicable to the bill.

**Section 14** repeals sections 1 - 8 of the Act, which establish and authorize the retirement incentive programs, on July 1, 1994.

**Section 15** is an immediate effective date clause.

If I may be of further assistance, please advise.

TC:gc  
92-097.glc



# Alaska State Legislature

SENATOR JIM DUNCAN

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

(907) 465-4766

January 29, 1992

COMMITTEES:

VICE CHAIR —  
FINANCE  
VICE CHAIR —  
STATE AFFAIRS  
RULES  
BUDGET & AUDIT  
ETHICS REFORM

## FACT SHEET ON SB 337, THE 1992 RETIREMENT INCENTIVE BILL

### Provided By Senator Jim Duncan

I have sponsored two previous successful Retirement Incentive Programs, one commencing in 1986 and one in 1989. My current Retirement Incentive proposal is contained in Senate Bill 337. This bill was heard twice by the Senate State Affairs Committee and on January 29 was amended and moved from that committee. The next referral is the Senate Health, Education and Social Services Committee and then Senate Finance.

The basic configuration of the Retirement Incentive Program in the CS for SB 337 is substantially similar to previous offerings of the program; however, it is very likely that changes will continue to occur through the committee process.

To summarize, the Retirement Incentive will offer a three year retirement credit 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.

The benefit calculation will vary depending on each individual's length of service and their age. The mandatory personal services savings will again be calculated over a five year period.

The employee will be 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 full actuarial cost is calculated by the state's actuaries for each individual who is 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 both report that the systems have been adequately compensated for RIP incurred costs.

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

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

Amendments made in the Senate State Affairs Committee were requested by the Department of Administration in return for their support for the legislation. The amendments included the elimination of military service credit for years of credit towards service based retirement; i.e., 20 or 30 and out options; 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. The other change was to add a prohibition against Retirement Incentive Program retirees being either re-employed or contracting with the state for personal services for one year. While I did not favor these amendments, I had to accept them in order to gain the Administration's support for the Retirement Incentive Program.

A Legislative Audit released in November, 1991 revealed 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 1,764. This compares to 2327 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 to expand programs, the audit figures therefore did not include the \$4.9 million.

For information on the current status of Retirement Incentive Program feel free to contact Roxanne Stewart in my office at 465-4766.

# 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.

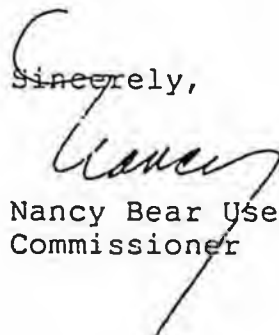
As requested, we have reviewed the "window" for State participation in the program. We find that under the February 1, 1994, window proposed in SB 337, 4,366 State employees would be eligible to participate; and based upon the experience of the last incentive program, approximately 29%, or 1,266, employees 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 Usera  
Commissioner

NBU/nl  
Enclosures

AMENDMENT

OFFERED IN THE SENATE

TO: SB 337

Page 3, line 25:

Delete "and military service under AS 39.35.340"

Adopted in  
CS SB 337 (SIA)

AMENDMENT

OFFERED IN THE SENATE

TO: SB 337

Page 4, line 2:

Delete "December 31, 1992, through June 30, 1993"

Insert "July 31, 1992, through October 31, 1992"

Page 4, line 17:

Delete "February 1, 1994"

Insert "July 1, 1993"

Adopted in  
CS SB 337 (STA)

A M E N D M E N T

OFFERED IN THE SENATE

TO: SB 337

Page 7, line 15, after "INDEBTEDNESS.":

Insert "(a)"

Page 7, after line 25:

Insert a new subsection to read:

"(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, during the year immediately following the employee's retirement, from entering into a personal services contract with an employee who has participated in the program."

Adopted in  
CS SB 337 (STA)

# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P. O. Box W  
Juneau, AK 99811-3300  
(907) 465-3830  
FAX (907) 465-2347

### MEMORANDUM

TO: The Honorable Pat Rodey  
Chairman, Senate State Affairs

FROM: Randy S. Welker *Randy*  
Legislative Auditor

DATE: January 24, 1992

At the State Affairs Committee meeting on January 22, 1992, Senator Pourchot requested information on the legislative employees who participated in the last Retirement Incentive Program. The following table identifies those employees and the savings projected:

NAME	POSITION	AGENCY	SAVINGS
Kurt Dzinich	Senior Advisor	Legislative Research	\$204,643
Sally McIntire	Assistant Chief Clerk of the House	Legislative Affairs	36,683
Richard Bradley	Attorney IV	Legal Services	22,476
Patrick Leamer	Systems Programmer	Legislative Audit	9,531
Irene Cashen	Chief Clerk of the House	Legislative Affairs	5,824
Ruth Packard	Researcher	Legislative Affairs	4,286
Subtotal			283,443
Misc. Admin. Fees			(1,496)
<b>Total Savings Reported for the Legislature</b>			<b>\$281,947</b>

As can be seen from the table above, the majority of the legislative savings was generated from the elimination of a position during the consolidation of the House Research Agency and the Senate Advisory Council. If you have any further questions, please contact me.

cc: Senate State Affairs Committee members

Compiled by: DOA Division of Retirement & Benefits

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	670.5
Galena City School District	1	1	264.6	198.0	60.0	6.6
Petersburg Public Schools	2	2	437.5	338.6	55.1	43.8
Yukon Koyukuk School District	5	4	2,006.5	1,414.4	177.0	414.6
Alaska Gateway School District	4	4	1,055.5	745.0	180.8	129.7
Bristol Bay School District	1	1	273.8	186.7	50.3	36.8
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	2,220.8
North Slope School District	28	23	7,643.0	5,600.5	727.0	1,315.5
Dillingham City Schools	6	2	1,231.7	180.0	277.8	773.9
Craig City School District	1	1	277.2	210.1	21.8	45.3

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 Schools	10	3	2,519.1	604.4	284.4	1,630.3
Adak Region School District	3	3	817.1	611.6	111.4	94.1
Fairbanks School District	71	71	17,998.0	13,592.1	1,826.8	2,579.1
Haines School District	5	1	1,529.6	384.8	131.3	1,013.5
Cordova Public Schools	1	1	185.3	112.4	19.3	53.6
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
Wenana 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	1,145.5
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

Full Report available on Request

A REPORT ON THE  
DEPARTMENT OF ADMINISTRATION  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
RETIREMENT INCENTIVE PROGRAM

May 16, 1986 - October 1, 1987

Audit Control Number

02-1327-89-S

*on '86 Rip* →

Commissioner, Department of  
Administration

Deputy Commissioners, Department  
of Administration

John M. Andrews

Charles E. Taylor  
James J. Fox

## AUDITOR'S CONCLUSIONS

Comparing the salaries of employees participating in the Retirement Incentive Program (RIP) with the salaries of replacement employees and positions remaining vacant shows the State benefited in a reduction of personal service costs. Taking into consideration the employer's cost to credit the retired employees with three years of service produces an estimated net savings of \$14,449,000 over three years. (See Schedule of RIP Cost Savings/(Loss) on page 9 of this report.)

Except for the Department of Corrections and the Department of Community and Regional Affairs, all executive branch agencies we reviewed showed a net savings to the State. For the most part this exception was due to OMB allowing agencies to calculate their savings over a four-year time period whereas our calculations were based over a three-year period. (See Report Objectives, Scope, and Methodology section of this report.) In addition, provisions were made by OMB that agencies could demonstrate savings by keeping open a vacated position even though the employee did not retire through the RIP program. We did not identify these positions or follow that methodology for calculating savings.

Net cost savings by state agency were mainly generated by the replacement of employees whose salary was based on longevity with employees paid at lower rates, the reclassification of positions to lower pay ranges, and leaving positions vacant. Positions employees retired from and currently occupied by an employee resulted in lower annual salaries for all agencies, except for the Office of the Governor. Current salaries in the Governor's Office were greater by \$1,000 in those positions where employees retired. We believe this variance is due to the retiring employee's salary reflecting a 10 percent pay cut while the current occupant's salary is after the pay cuts were restored.

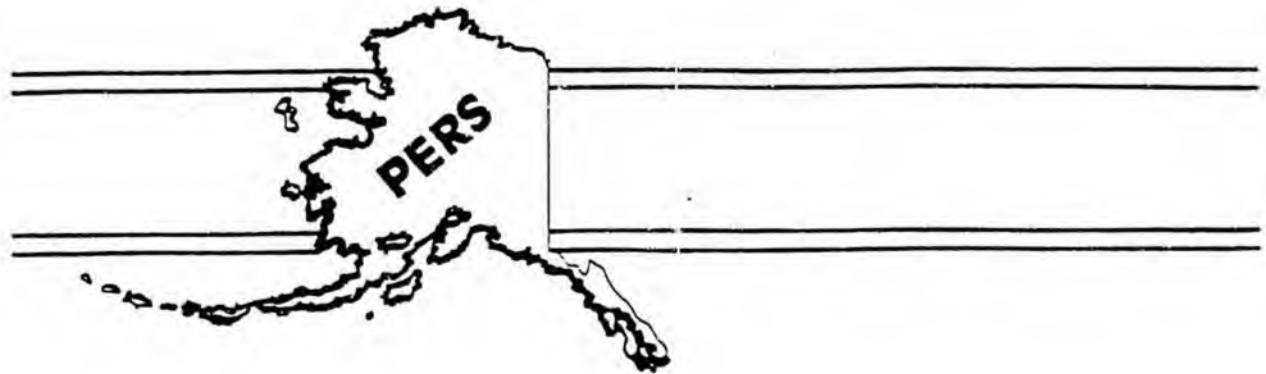
Review of some individual significant variances in pay between the retired employee's salary and the current employee's salary indicated the variances were mainly caused by position reclassifications. We did not determine the justification for these position reclassifications.

Compiled by: DOA - Division of Retirement + Benefits

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  
Public Employees' Retirement System**

**Actuarial Valuation Report  
as of June 30, 1990**

# Contents of Report

Sections	Page
Highlights .....	1
Analysis of the Valuation .....	3
1 Valuation Results .....	6
1.1(a) Statement of Net Assets as of June 30, 1990 .....	7
1.1(b) Changes in Net Assets During Fiscal Year 1990 .....	8
1.1(c) Development of Valuation Assets as of June 30, 1990 .....	9
1.2(a) Actuarial Present Values as of June 30, 1990 - Police and Fire Members .....	10
1.2(b) Actuarial Present Values as of June 30, 1990 - "Other" Members .....	11
1.3(a) Development of Average Employer Contribution Rate - FY93 - for Police and Fire Members .....	12
1.3(b) Development of Average Employer Contribution Rate - FY93 - for "Other" Members .....	13
1.3(c) Development of Average Employer Contribution Rate - FY93 - All Members .....	14
1.4(a) Development of Actuarial Gain/(Loss) for FY90 .....	15
1.4(b) Actuarial Gain/(Loss) .....	16
2 Basis of Valuation .....	17
2.1 Summary of the Alaska Public Employees' Retirement System .....	18
2.2(a) Participant Census Information - Total PERS as of June 30 .....	27
2.2(b) Additional Information - Active Members by Type of Status as of June 30 .....	28
2.2(c) Distribution of Active Police and Fire Participants .....	31
2.2(d) Distribution of Active "Other" Participants .....	32

## Table of Contents (continued)

Sections		Page
2.2(e)	Statistics on New Retirees - Police and Fire Members During the Year Ending June 30 .....	33
2.2(f)	Statistics on New Retirees - "Other" Members During the Year Ending June 30 .....	34
2.2(g)	Statistics on All Retirees as of June 30, 1990 .....	35
2.2(h)	Distribution of Annual Benefits for Police and Fire Benefit Recipients .....	38
2.2(i)	Distribution of Annual Benefits for "Other" Benefit Recipients .....	39
2.3	Actuarial Basis .....	40
	Table 1 - Alaska PERS Total Turnover Assumptions .....	43
	Table 2 - Alaska PERS Disability Rates .....	44
	Table 3 - Alaska PERS Retirement Rates .....	45

# Highlights

This report has been prepared by William M. Mercer, Incorporated to:

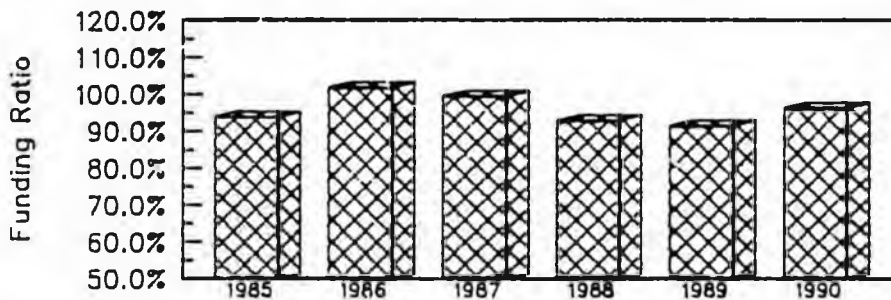
- (1) present the results of a valuation of the Alaska Public Employees' Retirement System as of June 30, 1990;
- (2) review experience under the plan for the year ended June 30, 1990;
- (3) determine the appropriate contribution rates for the State and for each political subdivision in the system;
- (4) provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The report is divided into two sections. Section 1 contains the results of the valuation. It includes the experience of the plan during the 1989-90 plan year, the current annual costs, and reporting and disclosure information.

Section 2 describes the basis of the valuation. It summarizes the plan provisions, provides information relating to the plan participants, and describes the funding methods and actuarial assumptions used in determining liabilities and costs.

The principle results are as follows:

	<u>1989</u>	<u>1990</u>
Funding Status as of June 30:		
(a) Valuation Assets*	\$ 2,348,423	\$ 2,677,486
(b) Accrued Liability*	2,563,268	2,753,518
(c) Funding Ratio, (a) / (b)	91.6%	97.2%



\* In thousands.

Employer Contribution Rates  
for Fiscal Year:

	<u>1992</u>	<u>1993</u>
(a) Consolidated Rate	12.00%	12.83%
(b) Average Past Service Rate	2.20%	.75%
(c) Average Total Contribution Rate	14.20%	13.58%

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the plan sponsor and financial information provided by Coopers & Lybrand, to determine a sound value for the plan liabilities. We believe that this value and the method suggested for funding it are in full compliance with the Governmental Accounting Standards Board, the Internal Revenue Code, and all applicable regulations.

Respectfully submitted,

Brian R. McGee, FSA  
Principal

Peter L. Godfrey, FIA, ASA  
Consulting Actuary

BRM/PLG/JWJ/jls

April 11, 1991

## Analysis of the Valuation

As shown in the Highlights section of this report, the funding ratio as of June 30, 1990 has increased from 91.6% to 97.2%, a 5.6% increase. The average employer contribution rate has decreased from 14.20% of payroll to 13.58%, a reduction of 0.62%. The reasons for the change in the funded status and contribution rate are explained below.

### I. Retiree Medical Insurance

During the year ended June 30, 1990, the System experienced an actuarial gain of \$96,813,000 due to the reduction in retiree medical premiums.

Because, in recent years, the adverse retiree medical premium experience was a major reason for the rapidly increasing employer contribution rate and the deteriorating funding ratio, it is certainly welcome news to be able to comment on a stabilization in retiree medical premiums.

The following table summarizes the monthly premium per benefit recipient since retiree medical benefits have been provided under PERS.

<u>Fiscal Year</u>	<u>Monthly Premium Per Retiree For Health Coverage</u>	<u>Annual Percentage Increase</u>	<u>Average Annual Increase Since 1978</u>
1977	\$ 34.75	--	--
1978	57.64	66%	--
1979	69.10	20%	20%
1980	64.70	- 6%	6%
1981	96.34	49%	19%
1982	96.34	0%	14%
1983	115.61	20%	15%
1984	156.07	35%	18%
1985	191.85	24%	19%
1986	168.25	-12%	14%
1987	165.00	- 2%	12%
1988	140.25	-15%	9%
1989	211.22	51%	13%
1990	252.83	20%	13%
1991	243.98	- 4%	12%
1992	243.98	--	11%

As you can see from the above table, the monthly retiree medical premium reduced to \$243.98 during the year from \$252.83, a decrease of 3.50%. The premium for the 1992 fiscal year remained unchanged.

As noted in last year's valuation report, the State has seen a dramatic shift to post-65 rates which have increased considerably faster than pre-65 rates. However, both rates reduced by 3.50% in FY91 and have remained unchanged for FY92, resulting in the first actuarial gain from medical benefits for the System since the June 30, 1987 valuation of the System.

The effect on the past service contribution rate of this reduction in retiree medical premiums was a reduction of 0.95% of payroll. The effect on the consolidated rate was a reduction of 0.47%, resulting in a reduction in the average total employer contribution rate due to medical benefits of 1.42% of payroll.

## 2. Investment Performance

The System once again experienced actuarial gains arising from the investment performance of the Trust assets. Although the return as measured by market values was lower this year than last year, the effect of the five-year smoothing was to increase the return as measured by valuation assets from last year. The approximate rate of return based on market values was 9.94% and the rate based on valuation assets was 11.87%. The resulting actuarial gain was \$68,112,000 which had the effect of reducing the average employer contribution rate by 0.67%.

## 3. Salary Increases

Salary increases during the year were less than anticipated in the valuation assumptions. Salary experience resulted in an actuarial gain of \$6,991,000 which generated a reduction in the average employer contribution rate of 0.07% of payroll.

## 4. Employee Data

Section 2.2 provides statistics on active and inactive participants. The number of active participants increased 3.7%, from 28,044 at June 30, 1989 to 29,086 at June 30, 1990. The average age of active participants increased from 40.17 to 40.37 and average credited service increased from 6.66 to 6.82 years.

The number of retirees and beneficiaries increased 5.7%, from 6,967 to 7,365, and their average age increased from 63.28 to 63.62. There was an 18.6% increase in the number of vested terminated participants from 2,314 to 2,745. Their average age reduced slightly from 42.97 to 42.96.

The overall effect of these participant data changes was an actuarial loss of \$7,216,000, resulting in an increase in the past service contribution rate of 0.07% of payroll. These demographic changes also had the effect of increasing the consolidated rate by 0.61%, resulting in an increase in the average total employer contribution rate of 0.68% of payroll.

### Retirement Incentive Program

The second Retirement Incentive Program has been available to University of Alaska participants since July 1, 1989 and to other participants since October 1, 1989. The number of new retirees increased from 370 at June 30, 1989 to 495 at June 30, 1990. Although the full effect of the R.I.P. may not be seen until next year's valuation, the R.I.P. was responsible in part for the increase in the number of new retirees.

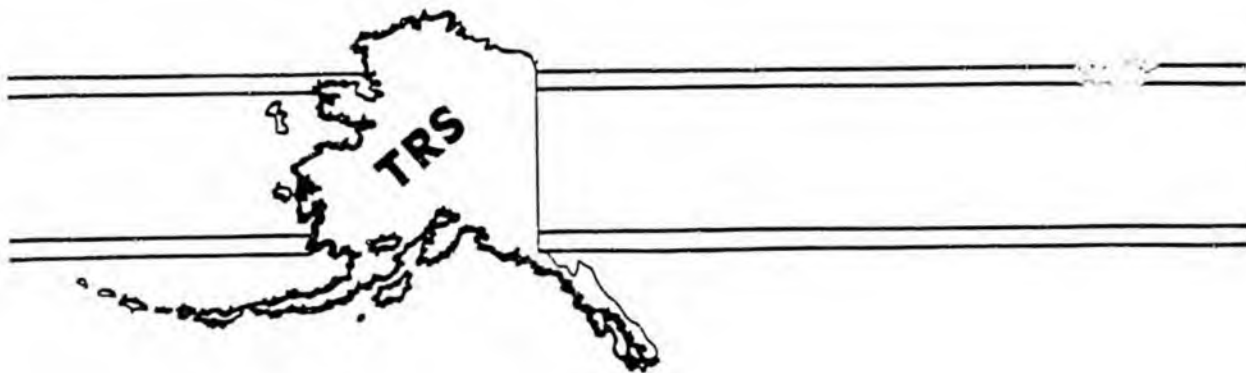
As with the first R.I.P., the cost is being borne by employers based on the actuarial value of the extra benefits, calculated individually for each employee electing to retire under the program. This cost is being paid over a three-year period. If the assumptions underlying the calculated cost of the R.I.P. are met, the total cost to the System will be equal to the employers' payments.

### Summary

The following table summarizes the sources of change in the average employer contribution rate:

(1) Last year's average employer contribution rate .....	14.20%
(2) Decrease in past service rate due to retiree medical insurance .....	(0.95%)
(3) Decrease in consolidated rate due to retiree medical insurance .....	(0.47%)
(4) Decrease due to investment performance .....	(0.67%)
(5) Decrease due to salary increases .....	(0.07%)
(6) Increase in past service rate due to demographic experience .....	0.07%
(7) Increase in consolidated rate due to demographic experience .....	0.61%
(8) Impact of all other factors .....	0.86%
(9) Average employer contribution rate this year .....	13.58%

In summary, the System enjoyed a good year with substantial actuarial gains arising from favorable investment performance and the reduction in medical premiums. These two factors were largely responsible for the increase in the System's funded status to 97.2% of accrued liabilities.



**State of Alaska  
Teachers' Retirement System**

**Actuarial Valuation Report  
as of June 30, 1990**

# Contents of Report

Sections	Page
Highlights .....	1
Analysis of the Valuation .....	3
1 Valuation Results .....	7
1.1(a) Statement of Net Assets as of June 30, 1990 .....	8
1.1(b) Changes in Net Assets During Fiscal Year 1990 .....	9
1.1(c) Development of Valuation Assets as of June 30, 1990 .....	10
1.2 Actuarial Present Values as of June 30, 1990 .....	11
1.3(a) Development of Total Employer Contribution Rate - FY93 .....	12
1.3(b) Three-Year Smoothing of Total Employer Contribution Rate .....	13
1.4(a) Development of Actuarial Gain/(Loss) for FY90 .....	14
1.4(b) Sources of Actuarial Gain/(Loss) for FY90 .....	15
1.5 Disclosure for G.A.S.B. Statement No. 5 .....	16
1.6 Financial Projections .....	17
2 Basis of the Valuation .....	21
2.1 Summary of the Alaska Teachers' Retirement System .....	22
2.2(a) Participant Census Information as of June 30 .....	31
2.2(b) Distribution of Active Participants .....	33
2.2(c) Statistics on New Retirees During the Year Ending June 30 .....	34
2.2(d) Statistics on All Retirees as of June 30 .....	35
2.2(e) Distributions of Annual Benefits for Benefit Recipients .....	37
2.3 Actuarial Basis .....	38
Table 1 - Alaska TRS Total Turnover Assumptions .....	41
Table 2 - Alaska TRS Disability Rates .....	42
Table 3 - Alaska TRS Retirement Rates .....	43

# Highlights

This report has been prepared by William M. Mercer, Incorporated to:

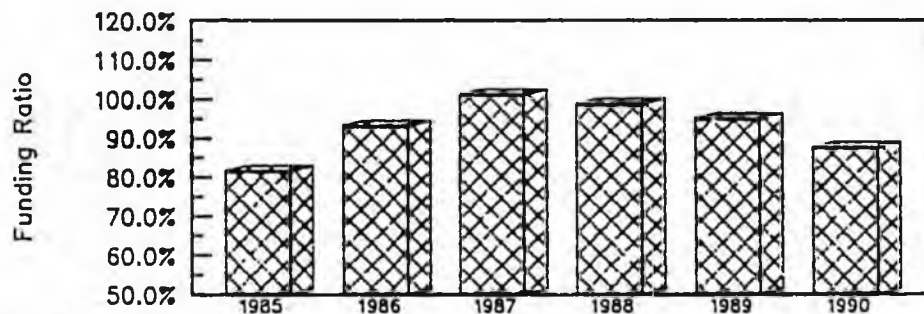
- (1) present the results of a valuation of the Alaska Teachers' Retirement System as of June 30, 1990;
- (2) review experience under the plan for the year ended June 30, 1990;
- (3) determine the appropriate contribution rate for the State and each school district in the System;
- (4) provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The report is divided into two sections. Section 1 contains the results of the valuation. It includes the experience of the plan during the 1989-90 plan year, the current annual costs, and reporting and disclosure information.

Section 2 describes the basis of the valuation. It summarizes the plan provisions, provides information relating to the plan participants, and describes the funding methods and actuarial assumptions used in determining liabilities and costs.

The principle results are as follows:

	<u>1989</u>	<u>1990</u>
Funding Status as of June 30:		
(a) Valuation Assets*	\$ 1,480,389	\$ 1,662,242
(b) Accrued Liability*	1,557,643	1,895,030
(c) Funding Ratio, (a) / (b)	95.0%	87.7%



\* In thousands.

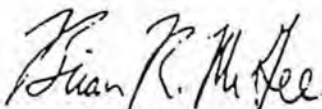
Employer Contribution Rates  
for Fiscal Year:

	<u>1992</u>	<u>1993</u>
(a) Normal Cost Rate	13.26%	14.07%
(b) Past Service Rate	1.90%	5.58%
(c) Total Contribution Rate	15.16%	19.65%
(d) Three-year Average Rate	11.87%	15.69%

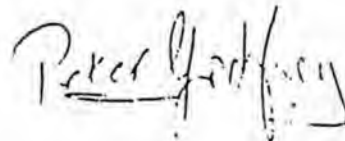
+ due to HB 53

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the plan sponsor and financial information provided by the audited report from Coopers & Lybrand, to determine a sound value for the plan liabilities. We believe that this value, and the method suggested for funding it, are in full compliance with the Governmental Accounting Standards Board, the Internal Revenue Code, and all applicable regulations.

Respectfully submitted,



Brian R. McGee, FSA  
Principal



Peter L. Godfrey, FIA, ASA  
Consulting Actuary

BRM/PLG/jls

April 11, 1991

## Analysis of the Valuation

As shown in the Highlights section of this report, the funding ratio as of June 30, 1990 has decreased from 95.0% to 87.7%, a 7.3% decrease. The total employer contribution rate has increased from 15.16% of payroll to 19.65%, an increase of 4.49%. The three-year average rate has also increased from 11.87% to 15.69%, a 3.82% increase. The reasons for the change in the funded status and contribution rate are explained below.

### 1. Chapter 97, 1990 SLA

Chapter 97, 1990 SLA passed the Alaska State Legislature last year and was signed into law by Governor Cowper. The bill changed many of the TRS benefit provisions, some of which increase and some decrease the contribution requirements to the System and the funded status of TRS. Some of the major changes include:

- a. Automatic PRPA's will be granted to all current and future retirees.
- b. The benefit formula multiplier was increased for future service over 20 years.
- c. Employee contribution rates were increased by 1.65%, and are now being made on a tax-deferred basis.
- d. Members with 12 years of combined part-time and full-time service are vested.
- e. Normal retirement age for new employees was raised to age 60.
- f. COLA benefits for new employees will be delayed to age 65, unless disabled.
- g. Post-retirement medical benefits for new employees will be reduced.

You will note that items a through d above are effective in FY91 for all employees while items e, f and g, all cost saving items, are applicable only to employees first hired after June 30, 1990. The ultimate cost to the System should be close to the current level. The pattern of costs, however, will be higher in early years when few people are covered by the cost saving features. Contribution rates will then reduce over time as new employees enter the System.

Chapter 97, 1990 SLA caused an increase in the total employer contribution rate of 6.76% and an increase in accrued liability of about \$266,783,000.

## 2. Retiree Medical Insurance

During the year ended June 30, 1990, the System experienced an actuarial gain of \$57,386,000 due to the reduction in retiree medical premiums.

Because, in recent years, the adverse retiree medical premium experience was a major reason for the rapidly increasing employer contribution rate and the deteriorating funding ratio, it is certainly welcome news to be able to comment on a stabilization in retiree medical premiums.

The following table summarizes the monthly premium per benefit recipient since retiree medical benefits have been provided under PERS.

<u>Fiscal Year</u>	<u>Monthly Premium Per Retiree For Health Coverage</u>	<u>Annual Percentage Increase</u>	<u>Average Annual Increase Since 1978</u>
1977	\$ 34.75	--	--
1978	57.64	66%	--
1979	69.10	20%	20%
1980	64.70	- 6%	6%
1981	96.34	49%	19%
1982	96.34	0%	14%
1983	115.61	20%	15%
1984	156.07	35%	18%
1985	191.85	24%	19%
1986	168.25	-12%	14%
1987	165.00	- 2%	12%
1988	140.25	-15%	9%
1989	211.22	51%	13%
1990	252.83	20%	13%
1991	243.98	- 4%	12%
1992	243.98	--	11%

As you can see from the above table, the monthly retiree medical premium reduced to \$243.98 during the year from \$252.83, a decrease of 3.50%. The premium for the 1992 fiscal year remained unchanged.

As noted in last year's valuation report, the State has seen a dramatic shift to post-65 rates which have increased considerably faster than pre-65 rates. However, both rates reduced by 3.50% in FY91 and have remained unchanged for FY92, resulting in the first actuarial gain from medical benefits for the System since the June 30, 1987 valuation of the System.

The effect on the past service contribution rate of this reduction in retiree medical premiums was a reduction of 1.38% of payroll. The effect on the normal cost rate was a reduction of 0.90%, resulting in a reduction in the total employer contribution rate due to medical benefits of 2.28% of payroll.

## 2. Investment Performance

The System once again experienced actuarial gains arising from the investment performance of the Trust assets. Although the return as measured by market values was lower this year than last year, the effect of the five-year smoothing was to increase the return as measured by valuation assets from last year. The approximate rate of return based on market values was 10.03% and the rate based on valuation assets was 11.92%. The resulting actuarial gain was \$43,235,000 which had the effect of reducing the total employer contribution rate by 1.04%.

## 3. Salary Increases

Salary increases during the year were less than anticipated in the valuation assumptions. Salary experience resulted in an actuarial gain of \$20,599,000 which generated a reduction in the total employer contribution rate of .49% of payroll.

## 4. Employee Data

Section 2.2 provides statistics on active and inactive participants. The number of active participants increased .7%, from 8,527 at June 30, 1989 to 8,586 at June 30, 1990. The average age of active participants increased from 41.82 to 42.21 and average credited service increased from 10.61 to 10.62 years.

The number of retirees and beneficiaries increased 2.8%, from 3,098 to 3,184, and their average age increased from 61.85 to 62.45. There was a 60.6% increase in the number of vested terminated participants from 508 to 816. Their average age increased from 45.11 to 46.75.

The overall effect of these participant data changes was an actuarial loss of \$16,505,000, resulting in an increase in the past service contribution rate of 0.40% of payroll. These demographic changes also had the effect of increasing the normal cost rate by .70%, resulting in an increase in the average total employer contribution rate of 1.10% of payroll.

## Retirement Incentive Program

The second Retirement Incentive Program has been available to participants since July 1, 1989. The number of new retirees increased from 187 at June 30, 1989 to 199 at June 30, 1990. Although the full effect of the R.I.P. may not be seen until next year's valuation, the R.I.P. was responsible in part for the increase in the number of new retirees.

As with the first R.I.P., the cost is being borne by employers based on the actuarial value of the extra benefits, calculated individually for each employee electing to retire under the program. This cost is being paid over a three-year period. If the assumptions underlying the calculated cost of the R.I.P. are met, the total cost to the System will be equal to the employers' payments.

### Summary

The following table summarizes the sources of change in the total employer contribution rate:

(1) Last year's total employer contribution rate (before smoothing) . . .	15.16%
(2) Increase in total employer contribution rate due to Chapter 97, 1990 SLA . . . . .	6.76%
(3) Decrease in past service rate due to retiree medical insurance . . . .	(1.38%)
(4) Decrease in normal cost rate due to retiree medical insurance . . . .	(0.90%)
(5) Decrease due to investment performance . . . . .	(1.04%)
(6) Decrease due to salary increases . . . . .	(0.49%)
(7) Increase in past service rate due to demographic experience . . . . .	0.40%
(8) Increase in normal cost rate due to demographic experience . . . . .	0.70%
(9) Impact of all other factors . . . . .	0.44%
(10) Total employer contribution rate this year (before smoothing) . . . .	19.65%

In summary, the System enjoyed a good year with substantial actuarial gains arising from favorable investment performance and the reduction in medical premiums. The effect of Chapter 97, 1990 SLA, however, caused a substantial increase in current contribution rates and a decrease in the funded status to 87.7%.



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 College Road  
Fairbanks, AK 99701  
Telephone: (907) 456-5412

Anchorage Field Office  
833 Gambell Street, Suite A  
Anchorage, AK 99501  
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Juneau Field Office  
227 4th Street  
Juneau, AK 99801  
Telephone: (907) 586-6305



# Alaska State Legislature

Please enter into the record my testimony to the Senate Finance  
 committee name  
 committee on SB 337, dated 2/11/92  
 bill/subject

I urge you to put back into SB 337 the provision allowing service credit for military service for members of the public employees' retirement system as originally proposed by Senator Duncan [\* Sec. 2.(h)(2)]. The only real objection that the Administration had to the military time provision was that it may have set a precedent which I feel is not a valid reason to remove that provision. The provision applies only to this bill.

Signed: Alan C. Stevens  
 Testifier

Self  
 Representing (Optional)

PO Box 2383 Palmer, AK 99645  
 Address

745-2223  
 Phone No.



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.

# 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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## **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

2/1/92

# Hickel endorses early retirement bill

The Associated Press

JUNEAU — The Hickel administration has endorsed legislation to revive the early retirement incentive program for public employees, but only with changes that would limit the number of eligible state workers.

The bill would allow most state and local government employees the chance to retire three years early. The idea is to save money by encouraging the replacement of higher-paid, longtime workers with new, lower-paid workers — or leaving the positions empty.

Two previous retirement programs saved the state and municipalities between \$95 million and \$100 million over several years, according

to state audits.

The latest bill, sponsored by Sen. Jim Duncan, D-Juneau, was recently approved by the Senate State Affairs Committee after changes recommended by Gov. Wally Hickel's office were adopted.

Commissioner Nancy Bear Usera of the Administration Department told the committee the bill could help Hickel reach his goal of shrinking the bureaucracy through attrition.

Usera said early retirement is "an appropriate tool" to save money, although she had concerns about the turnover it creates.

"We, as a general rule,

don't feel like we should be rushing people through state service," she told the committee.

Usera asked lawmakers to shorten the period for participation in the program to make budget planning easier. She said the change would shrink the number of eligible state workers from 4,366 to 3,919.

In the most recent program, about 30 percent of those eligible took early retirement, she said.

Under Duncan's proposal, state employees would have been able to apply for the program between next Dec. 31 and June 30, 1993, and would have had to retire by February 1994.

Usera asked lawmakers

to shrink the application period to between next July 31 and Oct. 31. She asked the retirement deadline to change to July 1993.

Duncan said he would go along with the change if it would improve the bill's chances of passing.

Usera also persuaded the committee to include a provision banning early retirees from taking state employment within a year of leaving government service. The provision exempts University of Alaska employees returning to work on contract.

Senate Bill 337 was referred to the Senate Health, Education and Social Services Committee for further consideration.

PLEASE MICROFILM TOP PAGE ONLY

DOCUMENTS WHICH HAVE NOT BEEN  
FILMED BUT ARE AVAILABLE IN THE  
ORIGINAL FILE INCLUDE:

→ Division of LEGISLATIVE AUDIT # 02-4404-91  
1989 Retirement Incentive Program Estimated  
Savings Realized & Costs Incurred by  
Participating Employers