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FISCAL NOTE

BILL NO. SB 315

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: Kertulla
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	3.3	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
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	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 *R. J. Christopher*
Division: Retirement and Benefits

Phone: 465-4460
Date: January 16, 1992

Approved by Commissioner: Nancy Bear Usery
Agency: Department of Administration *NU*

Date: _____

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

Senate Bill 315
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 315
 Analysis of Fiscal Implications to the Retirement Fund
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The total estimated administrative cost to the division by fiscal year is as follows:

	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>
PERSONAL SERVICES			
FY 93			
2 Retirement Specialist I/II	104.5		
8 Retirement Technician I/II	338.2		
1 Accountant I	46.1		
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		
FY 94			
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	
FY 95			
2 Retirement Specialist I/II	104.5		
3 Retirement Technician I/II	126.9		
1 Accountant I	<u>46.1</u>		
Personal Services Cost (FY 95 and beyond)			\$277.5
TRAVEL			
Traveling to various locations throughout the state to counsel prospective retirees and give seminars			
	3.0	3.0	
CONTRACTUAL			
FY 93			
Computer services for additional PC's	16.5		
Additional telephone costs (4 add phones)	.2		
Telephone service for 4 phones	.8		
Long distance call expense based upon previous RIP	<u>2.5</u>		
FY 93 contractual costs	20.0		

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	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>
CONTRACTUAL			
FY 94			
Telephone service for 4 phones	.8		
Long distance call expense based upon previous RIP	<u>2.5</u>		
FY 94 contractual costs.....		3.3	
SUPPLIES			
Office supplies, calculators cost.....	3.0	2.5	
EQUIPMENT			
5 Work stations	23.0		
5 Chairs	1.5		
5 PCs and other office equipment	30.0		
Other office equipment (Dictaphone, calculators, etc.)	5.0		
1 File cabinets	.3		
5 Phones (600/instrument)	3.0		
5 Personal Computers	27.5		
5 Microfiche viewers	4.0		
1 Computer Output Printer	18.0		
Total Equipment cost.....	<u>112.3</u>	<u>-0-</u>	<u>-0-</u>
TOTAL Operations Cost	<u>\$714.0</u>	<u>\$638.8</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 \$392.7 and the TRS at \$321.3 for FY 93.

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 315

Revision Date: _____ Department Affected: Administration
 Title: "An Act establishing a retirement incentive program...effective date." BRU: Finance
 Component: Finance
 Sponsor: Senator Kerttula
 Requestor: Senate State Affairs COMPONENT SERIAL NO.

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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
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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 Usera
 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



Alaska State Legislature

SENATE

Official Business

P.O. Box V
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Juneau, Alaska 99811

Prepared by Senator Jay Kerttula

SPONSOR STATEMENT SENATE BILL 315 RETIREMENT INCENTIVE PROGRAM

Senate Bill 315 is a reimplementaion of the retirement incentive program which was established first by Ch. 26, SLA 1985, as amended by Ch. 76, SLA 1988 and most recently by Ch. 89, SLA 1989, as amended by ch. 18, SLA 1993.

The retirement incentive program was made available to public employees covered by either the Public Employees' Retirement System (PERS) or the Teachers' Retirement System (TRS).

The intent of the legislation was to lessen the impact of personnel layoffs by providing a program which would pay for itself and would result in a "net reduction in personal services costs to the state or other employers " during a period of declining revenues.

Briefly, the retirement incentive program enables employees with the greatest amount of seniority to retire three years before their normal retirement date, provided the employer can show that a personal services cost savings will be realized by the employee's participation in the retirement incentive program.

SPONSOR STATEMENT

In so doing, the employee with the least seniority, who would normally be laid off first, continues on the job and in the community, the employer may fill the vacated position with an employee at a lower pay range- one way to recognize a cost savings and the retiree will continue to remain in and contribute to the local community; according to the Division of Retirement and Benefits actuarial statistics, as of July 30, 1991 70% of PERS and TRS retirees have remained in Alaska as compared to 56% prior to the enactment of the first retirement incentive program in 1986.

According to a November 22, 1991 Legislative Budget and Audit report, the legislature's intent in establishing the retirement incentive program has been met. The report indicates that approximately 1800 employees had participated in the second (1989) retirement incentive program at a savings to the participating employers of \$29 million.

Alaska continues to face the prospect of declining oil production and declining oil prices and there will be an ever-increasing scrutiny of government spending. I have introduced Senate Bill 315 because the retirement incentive program has proved itself to be an effective and efficient method of reducing government spending while continuing to provide a high level of public services.

I urge the Senate State Affairs Committee's favorable action on this legislation.

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

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MEMORANDUM

January 17, 1992

SUBJECT: Sectional summary of SB 315 (Retirement Incentive Program)

TO: Senator Jay Kerttula

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 TRS who participates in the plan owes in order to receive the three-year credit. It is based on the former annual contribution rate of 7% for members of TRS set out in AS 14.25.050 before it was amended in 1990. Subsection (f) sets out the formula for computing how much each member of the Public Employees' Retirement System

SECTIONAL

(PERS) who participates in the plan owes in order to receive the three-year credit. It is based on the annual contribution rates, set out in AS 39.35.160, of 7.5% for peace officers who are members of PERS and 6.75% for other members of PERS.

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 use 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 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 September 30, 1992, and ending March 31, 1993. Subsections (b) and (c) limit which employees may participate. Subsection (d) requires that participants be appointed to retirement on or before November 1, 1993.

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

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.

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.

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 is eligible to retire under TRS or PERS. The employment may not be counted when the amount of the participant's benefits are calculated.

Section 8 permits the Department of Administration to take certain actions if employers who are participating in the retirement incentive program become

Senator Jay Kerttula
January 17, 1992
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delinquent in the payments they owe the system for the increased benefits paid to their retirees under the program.

Section 9 establishes an indebtedness owed by participants in the retirement incentive program who, after retirement, are reemployed in a position that is covered by PERS or TRS. Subsection (b) prohibits participants from entering into personal services contracts with the state, other than the University of Alaska, for a period of one year after retiring under the retirement incentive program.

Section 10 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. It also directs OMB to report to the legislature on the retirement incentive program.

Section 11 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 12 permits a person who submitted a timely application to the retirement incentive program to be considered for participation in the program even if the person's application has not been acted upon by the time the program is repealed, July 1, 1994.

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

Section 14 repeals sections 1 - 7 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.

TBC:gc
92-030.glc