

SB

1

DIVISION OF LEGAL SERVICES

**LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

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

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

January 14, 1993

SUBJECT: Sectional analysis of SB 1 (Retirement Incentive Program)

TO: Senator Jim Duncan
Attention: Roxanne Stewart

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. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Because this bill sets up a time-limited program which is repealed July 1, 1995, it is not placed into the codified statutes.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 employer's plan and requires the employer to agree to reimburse the retirement system for the extra costs incurred by the system as a result of 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 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, 1993, and ending October 31, 1993. Subsections (b) and (c) limit which employees may participate. Subsection (d) requires that participants be appointed to retirement on or before July 1, 1994.

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, 1993, and ending June 30, 1994. Subsection (b) requires that participants be appointed to retirement on or before February 1, 1995.

Section 5 authorizes the University of Alaska to adopt a retirement incentive plan for its employees, to begin June 30, 1993, and ending December 31, 1993. Subsection (b) requires that participants be appointed to retirement on or before August 1, 1994. Subsection (c) addresses participants in the Optional University Retirement Program.

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, 1993, and ending December 31, 1993. Subsection (b) requires that participants be appointed to retirement on or before August 1, 1994.

Section 7 permits state employee participants to receive credit, for purposes of determining whether the participant satisfies the years of service requirements for retirement under TRS or PERS, for certain employment with political subdivisions or public organizations who did not participate in PERS or TRS at the time of the

employment. 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 a state department or agency for three years after the participant retired. There is an exception for work for the University of Alaska and for employment with the legislature during the session if the employment is on an hourly basis and if the employee is not entitled to retirement, health, or leave benefits. Subsection (c) permits the Board of Regents, in the case of the University of Alaska, and the commissioner of administration, in the case of other employers, to permit employers to enter into personal services contracts with participants during the three-year waiting period if the employer establishes that there is a compelling reason for hiring the participant because of the participant's specialized or extensive experience. Note that while subsections (b) and (c) permit state agencies to hire certain participants, neither subsection excuses the participant from paying the penalty established under subsection (a).

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.

Senator Jim Duncan
January 14, 1993
Page 4

Section 14 repeals sections 2 - 8 of the Act, which establish and authorize the retirement incentive programs, on July 1, 1995.

Section 15 is an immediate effective date clause.

If I may be of further assistance, please advise.

TC:pl
93-023.plm

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. SB 1

Revision Date: _____ Dept. Affected: Administration
 Title: An Act relating to retirement incentive programs for BRU: Retirement and Benefits
Public Employees' and Teachers Retirement Systems and Component: Retirement and Benefits
certain persons under IRS
 Sponsor: Duncan
 Requestor: (S) State Affairs COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	701.7	630.3	273.9	273.9	273.9	273.9
TRAVEL	6.0	6.0	2.0	2.0	2.0	2.0
CONTRACTUAL	25.3	24.9	10.9	10.9	10.9	10.9
SUPPLIES	4.8	4.0	1.5	1.5	1.5	1.5
EQUIPMENT	109.0	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	846.8	665.2	288.3	288.3	288.3	288.3

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:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTTA	0	0	0	0	0	0
Other	846.8	665.2	288.3	288.3	288.3	288.3
TOTAL	846.8	665.2	288.3	288.3	288.3	288.3

POSITIONS

FULL-TIME	6	6	6	6	6	6
PART-TIME	0	0	0	0	0	0
TEMPORARY	12	11	0	0	0	0

Estimate of current year (FY93) impact: \$ _____ We anticipate the need for a Legislative Revised Program to increase our FY93 authorization, thus allowing the division to hire the FY94 staff prior to July 1, 1993. The FY93 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. See attached detailed analysis.

Prepared By: Robert F. Stalnaker *Robert F. Stalnaker* Phone: 465-4470
 Division: Retirement and Benefits Date: January 14, 1993

Approved by Commissioner: Nancy Bear Usera *Nancy Bear Usera* Date: 1/25/93
 Agency: Department of Administration

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Senate Bill 1
Analysis of Fiscal Implications to the Retirement Fund
Prepared by Division of Retirement and Benefits
Department of Administration
January 14, 1993

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: as early as 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 twelve 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.

Senate Bill 1
 Analysis of Fiscal Implications to the Retirement Fund
 Prepared by Division of Retirement and Benefits
 Department of Administration
 January 14, 1993

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

	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>
PERSONAL SERVICES			
FY 94			
2 Retirement Specialist I/II	102.6		
8 Retirement Technician I/II	336.0		
1 Accountant I	45.3		
3 Accounting Clerk III (12 months)	113.4		
2 Clerk II (12 months)	58.2		
1 Retirement Technician I (6 months)	21.0		
1 Accounting Clerk III (8 months)	<u>25.2</u>		
Total FY 94 Personal Services Cost.....	\$701.7		
FY 95			
2 Retirement Specialist I/II	102.6		
5 Retirement Technician I/II	210.0		
4 Retirement Technician I/II (9 months)	126.0		
1 Accountant I	45.3		
2 Accounting Clerk III (12 months)	75.6		
1 Accounting Clerk III (4 months)	12.6		
2 Clerk II (12 months)	<u>58.2</u>		
Total FY 95 Personal Services Cost.....		\$630.30	
FY 96			
2 Retirement Specialist I/II	102.6		
3 Retirement Technician I/II	126.0		
1 Accountant I	<u>45.3</u>		
Personal Services Cost (FY 96 and beyond).....			\$273.9
TRAVEL			
Traveling to various locations throughout the state to counsel prospective retirees and give seminars	6.0	6.0	2.0
CONTRACTUAL			
Computer services for additional PCs, CRT use	16.1	15.7	7.2
Telephone service for: 6 permanent phones	1.2	1.2	1.2
Telephone service for: 11 leased phones	5.5	5.5	0.0
Long distance call expense base on previous RIP	2.5	2.5	2.5
Total Contractual Costs.....	25.3	24.9	10.9

Senate Bill 1
 Analysis of Fiscal Implications to the Retirement Fund
 Prepared by Division of Retirement and Benefits
 Department of Administration
 January 14, 1993

	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>
SUPPLIES			
Office supplies	4.8	4.0	1.5
EQUIPMENT			
6 Work stations	18.0		
6 Chairs	2.4		
10 Personal computers	55.0		
Other office equipment (calculators, etc.)	5.0		
6 Phones (1100/instrument)	6.6		
5 Microfiche viewers	4.0		
1 Computer Output Printer	<u>18.0</u>		
Total Equipment Cost	<u>109.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL Operations Cost	<u><u>\$846.8</u></u>	<u><u>\$665.2</u></u>	<u><u>\$288.3</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 excess terminals, microfiche viewers or calculators. Our equipment request will satisfy our equipment needs for the duration of the 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 RIPs 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 \$453.2, TRS at \$370.8 and SBS at \$22.8 for FY 94.

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. SB 1

Revision Date: _____
Title: 'An Act relating to retirement incentive programs for the public employees . . . effective date.'
Sponsor: Senator Duncan
Requestor: Senate State Affairs

Department Affect d: Administration
BRU: Finance
Component: Finance
COMPONENT SERIAL NO. 59

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	70.9	7.8	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	70.9	7.8	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:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	70.9	7.8	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	70.9	7.8	0	0	0	0

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

Estimate of current year (FY93) impact: None

ANALYSIS: (Attach a separate page if necessary.)
See Attached

Prepared by: Don Wanie, Director *200 1/21/93*
Division: Finance

Phone: 465-2240
Date: _____

Approved by Commissioner: Nancy Bear Usera
Agency: Administration *NW*

Date: 1/25/93

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FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. SB 1

ANALYSIS: (continued)

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 500 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:

		<u>FY 94</u>	<u>FY 95</u>
Accountant I (1)	Range 14A	17.9	3.6
Accounting Technician I (3)	Range 12A	<u>53.0</u>	<u>4.2</u>
		70.9	7.8



Alaska State Legislature

SENATOR JIM DUNCAN

COMMITTEES:

VICE CHAIR –
FINANCE

VICE CHAIR –
STATE AFFAIRS
RULES

BUDGET & AUDIT

ETHICS REFORM

MEMORANDUM

Date: January 12, 1993

To: Senator Loren Leman, Chair
Senate State Affairs Committee

From: Senator Jim Duncan

Subject: SB 1, relating to retirement incentive programs for the public employees' retirement system and the teachers' retirement system and certain persons under the judicial retirement system.

Please schedule SB 1, establishing the Retirement Incentive Program for a hearing in the Senate State Affairs Committee as soon as possible. The basic configuration of the Retirement Incentive Program as proposed in SB 1 is substantially similar to previous offerings of the program.

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

1. to meet the age or service required for eligibility for normal retirement;
2. to meet the age required for early retirement;
3. to reduce the actuarial adjustment required for early retirement; and
4. as years of credited service for calculating retirement benefits.

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

The employee is required to pay what they would have paid into the retirement system if they had continued to work for an additional three years. The employer's cost will be the difference between the employee's contribution and the full actuarial cost of the three year incentive. The State's actuaries calculate the full cost for each individual eligible for the

program. This means that all cost incurred because the individual retires three years earlier is fully paid into the respective retirement system. Recent annual reports on both P. and TRS report that the systems have been adequately compensated for the incurred costs.

The window periods in SB 1 are as follows;

Employee Type	Application Period	First Day Employee Can Retire	Employee Must Retire on or Before
Teachers	6/30/93-12/31/93	7/1/93	8/1/94
University	6/30/93-12/31/93	7/1/93	8/1/94
State	7/31/93-10/31/93	8/1/93	7/1/94
Municipal	12/31/93-6/30/94	1/1/94	2/1/95

A November 1991 Legislative Audit reported a total savings of almost \$23 million was achieved by public employers through the use of the 1989-90 Retirement Incentive Program. The State of Alaska saved over \$6 million, with the largest savings accruing to the Department of Transportation and Public Facilities. The University saved \$4.3 million and school districts throughout the state saved almost \$9 million. The total number of participants was 1,571. This compares to 2,327 participants in the 1986-87 Retirement Incentive Program and a savings estimated at \$73 million.

I appreciate your support for the reenactment of the Retirement Incentive Program, SB 1.

Attachments



Alaska State Legislature

SENATOR JIM DUNCAN

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

January 12, 1993

Provided by Senator Jim Duncan

FACT SHEET ON SB 1, 1993-94 RETIREMENT INCENTIVE

I introduced SB 1, establishing the 1993-94 Retirement Incentive Program for public employees on January 4, 1993.

Background: SB 1 includes all the same provisions as SB 337 which was vetoed by the Governor in June, 1992 except the section for which the governor ostensibly vetoed the bill. The "objectionable provision" was added by the House Finance Committee and would have allowed the Commissioner of Administration to implement the program in times of economic crises without requiring legislation.

Economic Benefits: In addition to the required personal services cost savings, the economic benefits of the Retirement Incentive Program are very compelling; first, personal services savings are realized in operating budgets; second, a high percentage of the new retirees remain in their communities and continue contributing their resources to our economy; and third, the employee with less seniority who is not laid off or is newly hired continues to receive a paycheck and also contributes to Alaska's economy.

Statistics provided by the Department of Administration show that increased percentages of retirees are remaining in Alaska since the first Retirement

Incentive Program in 1986. For example, retirees in the Public Employees' Retirement System remaining in Alaska rose from 60 percent in 1982 to 69 percent in 1986 and reached 71 percent in 1991. Teachers Retirement System retirees remaining in Alaska was at 49 percent in 1982, rose to 54 percent in 1986, and reached 66 percent in 1991. Retention of these retirees and their income is beneficial to Alaska's economy.

The Incentive: The basic configuration of the Retirement Incentive Program remains substantially similar to previous offerings of the program. Individuals will be provided with 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 Retirement Incentive Program requires that the employer's

1986-87 R.I.P. Savings - Sources February 1989 Legislative Audit, and
Retirement and Benefits Statistics

	# Participants	Savings
State	1,095	\$ 14,448,520
School Districts	603	31,182,600
Political Subdivisions	412	4,756,800
University of Alaska	<u>217</u>	<u>22,305,400</u>
Totals	2,327	\$ 72,693,320

1989-90 R.I.P. Savings - Source - 1991 Legislative Audit

	# Participants	Savings
State	739	\$ 6,033,100
School Districts	748	10,016,000
Political Subdivisions	132	2,617,900
University of Alaska	<u>145</u>	<u>4,317,800</u>
Totals	1,764	\$ 22,984,800

Position Paper Retirement Incentive Program Legislation

(SB 1, SB 10, HB 36, HB 42, HB 57)

Several bills have been introduced in the Legislature which would establish another retirement incentive program (RIP) for Alaska state and local government employees. These bills are: SB 1, SB 10, HB 36, HB 42, and HB 57.

The Hickel Administration does not support any of these retirement incentive bills under current circumstances. A similar retirement incentive bill, SB 337, was passed during the 1992 legislative session, and was vetoed by Governor Hickel. The chief reason cited in the Governor's veto message was that the bill would have made the retirement incentive program a permanent feature of the PERS and TRS systems.

This "permanent RIP" provision was the most serious flaw in SB 337 and in itself was sufficient to justify veto of the bill; however, members of the Administration had other concerns about the legislation which have been evaluated in detail since that time. These concerns are serious enough to prevent the Administration from supporting the current RIP bills, even though the "permanent RIP" provision is not included in any of the current bills.

The most important of these concerns are:

1. A third retirement incentive program is unlikely to be cost-effective unless large numbers of layoffs are necessary and most positions are eliminated;
2. Regularly repeated retirement incentive programs — such as one every three or four years — undermine the fundamental purpose of these programs by encouraging employees to delay, rather than accelerate, their retirements in order to take advantage of the next likely incentive program; and,
3. The state should not be encouraging its most experienced, knowledgeable employees to leave state service unless severe fiscal conditions allow no other alternative. The primary purpose of the state's already generous retirement system is to retain experienced employees. In the 1989 RIP, 23 percent of the participants were under age 50, and several retired at age 40.

Cost-Effectiveness of a Third RIP

The Administration's position is that another retirement incentive program is unlikely to save the state money unless large numbers of layoffs are required, and most of the positions are eliminated. The vast majority of retirement incentive programs which have been offered by governments and corporations across the country were established because large layoffs were imminent, and the incentive programs offered a means to reduce the number of layoffs necessary.

In contrast, the most recent RIP offered by the State of Alaska was not established because large layoffs were anticipated. In fact, only three of the 753 state positions affected by the program were expected to be eliminated. Nevertheless, the program was supposed to result in savings to the state by filling the vacated positions with employees at lower salaries. In 1990, the Office of Management and Budget (OMB) projected that the 1989 RIP would result in net savings to the state of over \$6 million.

However, this projection did not account for the fact that many of the participants in the RIP would have retired in the near future even if the program had not been available. This issue has been acknowledged by OMB, the Division of Legislative Audit, and others in the past, with a general consensus that the savings estimates were inflated somewhat by omitting the effect of normal retirements. However, the magnitude of this savings inflation was not recognized until OMB recently began quantifying the effect of normal retirements on the projected RIP savings.

The details of these calculations will be included in a separate report to the legislature, but the end result is that when historical retirement rates are incorporated into the estimates of RIP savings, the total savings for the program during the 3-5 year measurement period drop from over \$6 million to less than zero.

The primary reason for this dramatic difference is that because only three of 753 positions were expected to be eliminated, the net savings from the RIP were small — averaging about \$8,000 per participant — compared to the cost of the RIP to the state to fund the additional retirement benefits — which averaged about \$23,000 per employee. According to the state's actuarial data, about 48 percent of the RIP participants would have been expected to retire normally without the RIP. When the relatively small savings per employee are adjusted to reflect these normal retirement statistics, the overall savings originally projected for the program during the measurement period are eliminated.

Advocates for another retirement incentive program may point out that some potential savings under the RIP were not calculated in the original savings estimates. This is true, but these factors are relatively minor in comparison and do not change the basic conclusion supported by OMB's most recent analysis: that successful retirement incentive programs are successful because most, if not all, of the affected positions are eliminated,

and that a RIP which relies primarily on filling positions at lower salaries is likely to be marginal at best and may well result in a net cost to the employer.

Repeating the Retirement Incentive Program Over and Over

Retirement incentive programs were offered by the state and many local governments and school districts in 1986 and 1989, and would have been available again in 1992 if the Governor had not vetoed SB 337. The Administration's position is that retirement incentive programs simply cannot be effective if they are repeated on a regular basis. According to a national retirement consulting firm, very few, if any governments or corporations have offered retirement incentive programs three times in only nine or ten years.

The basic purpose of these programs is to encourage employees to retire earlier than they otherwise would. Yet if employees believe that another RIP may be offered in two or three years, they have a strong incentive to delay their retirements to take advantage of the financial benefits of the next RIP. This effect is difficult to quantify, but it is clear that at some point regularly repeated RIPs simply become an enhancement of an already generous retirement system, with little or no savings to the employer.

Loss of Experienced Employees

The main purpose of the state's retirement system is to encourage experienced, knowledgeable state employees to remain in state service, thereby reducing the costs and loss of productivity associated with rapid turnover in the state work force. Retirement incentive programs are designed to increase turnover and reduce the number of long-term employees. Some advocates of these programs believe that they mainly eliminate the "dead wood" of less productive employees; others opposed to the programs feel they result in a "brain drain" of good employees that leaves agencies less productive.

As noted above, 23 percent of the participants in the 1989 RIP were under age 50, and several retired at age 40. The Administration's view is that the state is not well-served by encouraging experienced, capable employees to leave state service early, and that a program which has this effect should only be implemented if the need for large layoffs leaves no other alternative.

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

Commissioner, Department of
Administration

John M. Andrews

Deputy Commissioners, Department
of Administration

Charles E. Taylor
James J. Fox

STATE OF ALASKA

THE LEGISLATURE
BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
P.O. BOX W
JUNEAU, ALASKA 99811-3300

February 8, 1989

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska
Statutes, the attached report is submitted for your review.

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

As stated in the Report Objectives, Scope, and Methodology
Section, the Audit primarily involved determining the
estimated cost savings to the State of Alaska as a result of
state employees enrolled in the Public Employees' Retirement
System and participating in the Retirement Incentive Program
as enacted by Chapter 26, SLA 1986. This audit was con-
ducted in accordance with generally accepted governmental
performance auditing standards.



Randy S. Welker, CPA
Legislative Auditor
Division of Legislative Audit

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REPORT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with the provisions of Title 24 of the Alaska Statutes, a review was conducted to determine the estimated cost savings resulting from State of Alaska employees participating in the Retirement Incentive Program (RIP). The objectives, scope, and methodology of our review were as follows:

Objectives

Chapter 26, SLA 1986 created a retirement incentive program for members of the Public Employees' Retirement System and Teachers' Retirement System. The stated purpose of this legislation, effective May 16, 1986 was:

Since it is necessary for state agencies and may be necessary for other employers who participate in the state retirement systems to reduce their personal services costs because of declining state revenue, a program encouraging employees to retire voluntarily may reduce the hardship of layoffs. This program is intended to realize sufficient economies to offset the cost of administration and benefits to the state agencies and other employers resulting from the award of retirement credits and to result in a net reduction in personal services costs to the state or other employer during a period of declining revenue.

The objective of our review was to determine the amount of cost savings as a result of state employees participating in RIP. The scope of our review and methodology used to meet this objective follows.

Scope and Methodology

All executive branch employees (excluding the University of Alaska) enrolled in the Public Employees' Retirement System, participating in RIP between May 16, 1986 to October 1, 1987, and having position control numbers (PCNs) were reviewed.

In order to calculate the estimated cost savings in personal service costs as a result of employees participating in RIP, we obtained a listing of retirees from the Department of Administration, Division of Retirement and Benefits. The listing, dated November 9, 1987 provided us with the retiring employee's name, social security number, and employer's RIP cost by department.

Limitations

In addition to the methodology used to determine the cost savings of the RIP program, the following are some limitations we identified.

1. Our computation of savings only shows the savings in the position that retired. It doesn't take into account the savings from other positions affected within the State if the position was filled by another state employee.
2. Some positions were reclassified after the employee was retired. Consequently, the cost savings/loss comparison may be skewed for these positions.
3. Our comparison excludes employees in which the PCN had more than one employee participate in RIP. In those instances, only the first employee to participate in RIP and the current occupant were presented on the schedule.
4. The calculation of savings/loss was only determined for annual salaries; employee benefits are not included. In addition, the effect of employee merit increases during the year was excluded.
5. The net cost of RIP represents the employer's cost excluding administrative charges for those positions we analyzed.
6. Some executive branch employees took mandatory and voluntary pay cuts prior to retiring while the current occupant's salary in that position reflects the reinstated salary. We did not adjust our schedule for these differences.

ORGANIZATION AND FUNCTION

Chapter 26, SLA 1986 became effective on May 16, 1986 and created a retirement incentive program for members of the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). The program provided for vested members of each retirement system, who were eligible to retire within three years, a credit of three years. The aim of the program was to reduce personal service costs and to minimize the number of involuntary layoffs.

The Office of the Governor, Office of Management and Budget (OMB), Division of Budget Review issued detailed guidelines on June 11, 1986 to state agencies to follow in implementing the Retirement Incentive Program (RIP). Employees wishing to participate in the program had to meet three requirement levels in order to qualify for RIP.

1. Personal Eligibility - Basic requirements of age, length of service, and status with regard to PERS or TRS had to be met.
2. Designated Organizational Units - The individual had to be employed in a position falling within an agency assigned job classification, and authorized in and paid from a designated organizational unit. Savings then had to be shown to occur within job classifications within designated organizational units before any individual could retire under the program. Agencies were given complete freedom to select job classifications and organization units of the greatest or least detail.
3. Certification of Savings - Agencies were required to forward evidence of cost savings to OMB based on the job classifications and organizational units participating in RIP. Once OMB certified the savings, funds could be encumbered to pay for the cost of RIP.

In calculating the savings, OMB required agencies to include all those individuals meeting personal eligibility requirements and who wished to participate in the program. Within a job classification and designated organizational unit either all those individuals must have been able to participate or none could. In other words, an organizational unit could not be designated unless all those who met basic requirements and wanted to participate were included in the calculation of savings.

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.

STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT INCENTIVE PROGRAM (RIP)
SCHEDULE OF RIP COST SAVINGS/(LOSS)
May 16, 1986 to October 1, 1987

Description	Number of Positions	Salary of RIP Retiree	Current Occupant's Salary of Position Vacated	Difference - Savings (Loss)	Savings (Loss) Over Three-Year Period	Net Cost of RIP	Three-Year Net RIP Savings (Loss)
Office of the Governor							
Positions Matched with FY 89 Payroll File	3	\$ 121,368	\$ 122,412	\$ (1,044)	\$	\$	\$
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	2	83,568	-0-	83,568			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	2	83,568	-0-	83,568			
Total Office of the Governor	5	204,936	122,412	82,524	74,572	106,746	140,826
Department of Administration							
Positions Matched with FY 89 Payroll File	78	2,757,338	2,426,751	330,587			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	17	757,569	-0-	757,569			
Budgeted in PACS File but Currently Unfilled	3	63,028	-0-	63,028			
Budgeted in PACS File with Zero Months Budgeted	1	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	21	820,597	-0-	820,597			
Total Department of Administration	99	3,577,935	2,426,751	1,151,184	3,453,552	2,194,937	1,258,615
Department of Law							
Positions Matched with FY 89 Payroll File	9	359,364	347,508	11,856			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	2	109,224	-0-	109,224			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	2	109,224	-0-	109,224			
Total Department of Law	11	468,588	347,508	121,080	363,240	277,016	86,224
Department of Revenue							
Positions Matched with FY 89 Payroll File	14	504,180	438,504	65,676			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	2	84,168	-0-	84,168			
Budgeted in PACS File but Currently Unfilled	5	147,648	-0-	147,648			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	7	231,816	-0-	231,816			
Total Department of Revenue	21	735,996	438,504	297,492	892,476	431,635	460,841
Department of Education							
Positions Matched with FY 89 Payroll File	16	716,604	592,360	123,744			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	12	382,971	-0-	382,971			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	12	382,971	-0-	382,971			
Total Department of Education	28	1,099,575	592,860	506,715	1,520,143	358,184	961,961
Department of Health and Social Services							
Positions Matched with FY 89 Payroll File	133	5,153,660	4,493,323	660,337			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	9	377,954	-0-	377,954			
Budgeted in PACS File but Currently Unfilled	8	314,086	-0-	314,086			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	17	692,040	-0-	692,040			
Total Department of Health and Social Services	150	5,845,700	4,493,323	1,352,377	4,057,131	3,198,795	958,336

STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT INCENTIVE PROGRAM (RIP)
SCHEDULE OF FIP COST SAVINGS/(LOSS)
May 10, 1986 to October 1, 1987

Description	Number of Positions	Salary of RIP Retiree	Current Occupant's Salary of Position Vacated	Difference - Savings (Loss)	Savings (Loss) Over Three-Year Period	Net Cost of RIP	Three-Year Net RIP Savings (Loss)
<u>Department of Environmental Conservation</u>							
Positions Matched with FY 89 Payroll File	10	\$ 435,636	\$ 381,884	\$ 53,752	\$	\$	\$
<u>Positions Not Matched with FY 89 Payroll File:</u>							
Not Budgeted in FY 89 PACS File	1	38,712	-0-	38,712			
Budgeted in PACS File but Currently Unfilled	1	43,248	-0-	43,248			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
<u>Total Positions Not Matched with FY 89 Payroll File</u>	<u>2</u>	<u>81,960</u>	<u>-0-</u>	<u>81,960</u>			
<u>Total Department of Environmental Conservation</u>	<u>12</u>	<u>517,596</u>	<u>381,884</u>	<u>135,712</u>	<u>407,136</u>	<u>241,087</u>	<u>166,049</u>
<u>Department of Corrections</u>							
Positions Matched with FY 89 Payroll File	36	1,482,921	1,292,028	190,893			
<u>Positions Not Matched with FY 89 Payroll File:</u>							
Not Budgeted in FY 89 PACS File	1	45,744	-0-	45,744			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
<u>Total Positions Not Matched with FY 89 Payroll File</u>	<u>1</u>	<u>45,744</u>	<u>-0-</u>	<u>45,744</u>			
<u>Total Department of Corrections</u>	<u>37</u>	<u>1,528,665</u>	<u>1,292,028</u>	<u>236,637</u>	<u>709,911</u>	<u>988,194</u>	<u>(278,283)</u>
<u>Department of Community and Regional Affairs</u>							
Positions Matched with FY 89 Payroll File	6	287,112	269,256	17,856			
<u>Positions Not Matched with FY 89 Payroll File:</u>							
Not Budgeted in FY 89 PACS File	1	37,356	-0-	37,356			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
<u>Total Positions Not Matched with FY 89 Payroll File</u>	<u>1</u>	<u>37,356</u>	<u>-0-</u>	<u>37,356</u>			
<u>Total Department of Community and Regional Affairs</u>	<u>7</u>	<u>324,468</u>	<u>269,256</u>	<u>55,212</u>	<u>265,636</u>	<u>174,106</u>	<u>(8,770)</u>
<u>Department of Transportation and Public Facilities</u>							
Positions Matched with FY 89 Payroll File	214	9,061,536	8,230,545	830,991			
<u>Positions Not Matched with FY 89 Payroll File:</u>							
Not Budgeted in FY 89 PACS File	31	1,484,571	-0-	1,484,571			
Budgeted in PACS File but Currently Unfilled	35	1,516,269	-0-	1,516,269			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
<u>Total Positions Not Matched with FY 89 Payroll File</u>	<u>66</u>	<u>3,000,840</u>	<u>-0-</u>	<u>3,000,840</u>			
<u>Total Department of Transportation and Public Facilities</u>	<u>280</u>	<u>12,062,376</u>	<u>8,230,545</u>	<u>3,831,831</u>	<u>11,495,493</u>	<u>8,924,609</u>	<u>2,570,884</u>
<u>Total RIP Program</u>	<u>977</u>	<u>\$40,791,702</u>	<u>\$26,847,437</u>	<u>\$13,944,265</u>	<u>\$61,832,795</u>	<u>\$27,394,275</u>	<u>\$14,438,520</u>

See the Report Objectives, Scope, and Methodology section of this report for the methodology used to prepare this schedule and the limitations of this schedule.

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 or (COST) FOR 5 YRS (\$1000's)
S.E. Resource center	3	0	800.0	0.0	83.0	717.0
Unalaska City School District	1	1	322.5	165.8	34.1	122.6
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	45.2

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

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 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	1,926.8	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
Nenana City School District	7	7	1,611.1	1,209.2	173.7	228.2
Northwest Arct Sch Dist	31	30	5,562.6	4,046.3	763.2	753.0
TOTAL SAVINGS						31,182.6

School Dis

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

1.14.93

Hickel still opposes early retirement plans

The Associated Press

JUNEAU — Public employees hoping to retire early in the coming year may not get their wish. The Hickel administration plans to oppose any early-retirement legislation.

So far three bills have been filed to create a retirement-incentive program for state employees, teachers and many municipal workers.

But Gov. Wally Hickel opposes them, spokesman John Manly said.

The aide who helped persuade Hickel to veto a similar bill last year has not changed his mind. Budget director Shelby Stastny said the proposals do not make any fiscal sense.

Jim Duncan, D-Juneau and Senate minority leader, has filed an updated version of the bill that Hickel vetoed. He said he hopes to overcome the opposition.

"We're still pushing real hard for it," he said. "It's a management tool that should be available."

Duncan and other supporters say early retirement programs save government agencies money by replacing higher-paid, veteran workers with lower-paid rookies. They also say the programs prevent layoffs by shrinking the work force.

Opponents say the programs save little money because most early retirees plan to leave soon anyway. They also say the programs create a brain drain by en-

couraging knowledgeable and experienced workers to leave.

Both sides have cited audits examining past programs, based on bills Duncan sponsored that passed in 1986 and 1989. Duncan said the audits show government agencies saved about \$96 million. Stastny said research shows bureaucrats found other ways to spend that money, so little was really saved.

Duncan's Senate Bill 1 allows government workers to retire three years earlier than under normal rules. Workers and employers would make extra payments into their pension program to make up for the lost paycheck deductions and employer contributions.

Workers would have to retire between next July 1 and Feb. 1, 1995.

Duncan's new bill deletes a provision that would give the state administration the power to initiate a new early retirement program whenever it is deemed justified. Hickel cited that provision as his reason for vetoing last year's bill.



ANCHORAGE SCHOOL DISTRICT

800 DeBarr Avenue
P.O. Box 196814
Anchorage, Alaska 99519-3814
AREA CODE (907) 333-9581

June 17, 1992

SCHOOL BOARD

Darryl Jordan
President

Carol Stolpe
Vice President

Walter Featherly
Clerk

Carol Christensen
Treasurer

Dorothy Cox

Theresa Nangia Obermayer

Sharon Richards
Past President

SUPERINTENDENT

Thomas C. O'Rourke

The Honorable Walter J. Hickel
Governor of Alaska
P.O. Box 110001
Juneau, Alaska 99811-0001

Dear Governor Hickel:

The Anchorage School District requests your support for House CS For CS For Senate Bill No. 337 (Finance) am H, an Act relating to retirement incentive programs for the public employees' retirement system, the teachers' retirement system and certain persons under the judicial retirement system.

It is projected that the annual savings to the District could approach \$2 million. In two recent early retirement programs, FY 86-87 and FY 89-90, 449 certificated (TRS) employees and 259 non-certificated (PERS) employees participated in these programs. This resulted in substantial annual savings to the District (see attachment).

The passage of the Bill will enable us to rescind many of the over 100 layoff notices given to teachers and staff this Spring, and allow a number of individuals who have submitted their retirement notice in anticipation of your signature to follow through on their plans. Furthermore, there exists within our staff, our community and our state, a number of qualified individuals to fill any potential vacancies, thus providing many needed jobs for Alaskans.

Governor Hickel, your passage of this Bill is both requested and necessary to enable us to meet the educational needs of our students and our community, now and in the future.

Sincerely yours,

Thomas C. O'Rourke
Superintendent

cc. See A

Letters of Support

The Honorable Walter J. Hickel

June 17, 1992

Page 2

cc: Shelby Stastny
Steve McPhetres
Anchorage School Board
Alaska State School Board
Anchorage Caucus
George Holcombe
Belinda Daniels
Gary Cannon
Nancy Lance
Jackie Steeves
Don Valesko
Jack Slama

**ANCHORAGE SCHOOL DISTRICT
ESTIMATED SAVINGS OF PARTICIPATION IN THE
STATE OF ALASKA RETIREMENT INCENTIVE PROGRAMS**

6/16/92

	<u>Teachers' Retirement System Retirement Incentive Program</u>		<u>Public Employees' Retirement System Retirement Incentive Program</u>	
	<u>7/1/86 To 10/1/87 Program [1]</u>	<u>7/1/89 To 8/1/90 Program [2]</u>	<u>1/1/87 To 4/1/88 Program [1]</u>	<u>1/1/90 To 10/31/91 Program [3]</u>
No. of Participants	245	204	128	131
Estimated Cost If Retired Employees Had Remained for 5 Years	\$73,388,314	\$61,945,611	\$20,846,422	\$23,454,515
Deduct Estimated Cost to Replace Employees Over 5 Year Period	\$52,403,462	\$49,494,999	\$17,815,917	\$20,758,077
Deduct Estimated Amount Paid or Owed to Retirement System	\$6,351,583	\$5,266,473	\$2,229,141	\$1,760,935
Deduct Anchorage School District Incentive Plan	\$738,789	\$606,184	\$139,418	\$66,504
Net Savings Over Five Years	\$13,894,480	\$6,577,955	\$661,946	\$868,999
Net Annual Savings	\$2,778,896	\$1,315,591	\$132,389	\$173,800

[1] Authorized by Chapter 26, SLA 1986 (House Bill 382)

[2] Authorized by Chapter 89, SLA 1989 (Senate Bill 73)

[3] Authorized by Chapter 89, SLA 1989 (Senate Bill 73) as amended by Chapter 18, SLA 1990 (Senate Bill 343)

P. 1/2
Approved
JUN - 1 1992
Enclosure *F. Consent*

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #459 (91-92)

June 1, 1992

TO: SCHOOL BOARD
FROM: OFFICE OF THE SUPERINTENDENT
SUBJECT: EARLY RETIREMENT PROGRAM/RETIREMENT INCENTIVE

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve the Anchorage School District's participation in the early retirement program for employees covered by the Teachers' Retirement System (TRS).

It is the further recommendation of the Administration that the School Board approve a School District retirement incentive for TRS employees who properly notify the District by June 19, 1992 that they will retire by August 1, 1992.

PERTINENT FACTS:

- House CS For CS For Senate Bill No. 337 (Finance) am H provides a system for the School District to reduce personnel costs because of declining state revenues. This system encourages employees to retire voluntarily in order to reduce the hardship of layoffs. In view of the current revenue scenarios relative to the School District, participation in this program would allow the District to reduce layoffs and to save money for educational programs.
- Certificated (TRS) employees could be appointed to retirement as early as July 1, 1992 and as late as August 1, 1993. The retirements would have an impact on layoffs and staffing for both the 1992-93 school year and the 1993-94 school year.
- The District has participated in early retirement programs twice in recent years. The number of Certificated (TRS) employees who participated in these programs are as follows:

1986-87:	245
1989-90:	204

- The projected annual savings to the District if 200 employees participate in the 1992-93 program would approximate \$2 million annually. Since it is not yet known how many will participate and the specific income levels of each participant, the actual savings will vary depending upon the number and types of participants.
- The Administration will bring forward a later recommendation for Classified (PERS) employees who cannot be appointed to retirement until January 1993. PERS employees will not be able to participate in the program this summer; therefore, the relationship of their early retirement program to current considerations of budget reductions is not as timely.
- The recommended retirement incentive would provide to those TRS employees who properly notify the District of their retirement by June 19, 1992 that they will be appointed to retirement by August 1, 1992 is as follows:

3 percent of the 1991-92 contract salary
\$50 per year of TRS service

The purpose of this District early retirement incentive provides two benefits:

1. It will reduce the impact of potential layoffs for the coming school year.
2. It will save the District an additional year of high level compensation for employees who elect to retire and provide additional monies to lessen the impact of potential future layoffs.

Attachment A is a schedule presenting the estimated teachers' retirement incentive savings of \$600,000 for reference. This estimate is based on 60 additional teachers choosing to participate in the early retirement program this summer. Attachment B provides the number of participants in the previous two early retirement programs.

The early retirement bill under consideration by the Governor does contain a provision for future years to allow participation in the program if the local school board and State Department of Administration, Retirement Division, approve a plan that demonstrates cost savings.

TCO/JEL

Attachments

P.O. BOX 88108
NORTH POLE, ALASKA
99705



TOP OF THE WORLD
PHONE: 907-486-2281
AT YOUR SERVICE

TO: The Honorable Governor Walter J. Hickel
(via fax #465-3454)

FROM: Lute Cunningham, Mayor, City of North Pole

DATE: June 18, 1992

SUBJECT: SB 337 - Early Retirement Program

The City of North Pole has been unable to participate in previous R.I.P. proposals because of a lack of employees which fit the criteria. At this time, however, the City has several employees which would become eligible. Substantial cost savings would be realized through SB 337 implementation by the City.

I would urge your consideration and support of SB 337.

cc: Senator Duncan, via fax #465-4748

CITY of HOONAH

P.O. Box 360
Hoonah, Alaska 99829
(907) 945-3663
FAX (907) 945-3445

June 18, 1992

The Honorable Walter J. Hickel
Governor of Alaska
P.O. Box 110001
Juneau, Alaska 99811-0001

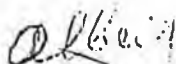
Dear Governor Hickel:

We are very concerned about the passage of SB337, Retirement Incentive Program (RIP). We urge you to allow this bill to become law when it reaches your desk. Many communities are facing economic problems without this bill.

The previous times RIP has been in place, the city has been saved from major economic disaster. Signing the RIP bill this time will allow what small staff we have to continue without major cutbacks for the first time in three or four years.

We urge you to sign this bill and the budget bills quickly so that all of Alaska can get on with the business of making Alaska prosperous.

Sincerely,



Albert W. Dick
Mayor of Hoonah

cc: Representative Mackie
Representative Grussendorf
Senator Eliason
Senator Duncan

ACTION - BOARD ACTION - BOARD ACTION

Wrangell School Board June 8, 1992

1. Approved second reading of policies V-34 to V-38 and V-40 (school term, school year, the school day [students], emergency closing, student absence due to special instruction or extra-curricular activities, public complaints) and deleted ~~policy V-39~~ (safety drills)
2. Gave the superintendent authority to advertise for and recruit two new primary teachers with the option of signing contracts if the district receives single site funding as passed by the legislature.
3. Approved first reading of policies VI-1 to VI-8 (district education planning, the budget process, budget implementation, budget revisions).
4. Approved a three-year Vocational Education Plan of Service for the district.
5. Approved a vocational counseling grant application.
6. Approved the cigarette tax resolution.
7. Accepted the 1992-93 copier and typewriter maintenance bid for Don's Business Supplies for the amount of \$6,870.
8. Approved FY'92 budget revisions as presented by the administration.
9. Accepted the FY'93 extra-curricular activities and pay scale as presented by the administration.
10. Recessed to executive session to discuss a district retirement incentive program and negotiations with the Wrangell Teachers' Association.
11. Elected to participate in the state's retirement incentive program as passed by the 17th legislature should the legislation be signed into law by the governor and to pay for each participant the cost of such retirement beyond the teacher's contribution rate of 29.9 percent up to a maximum of \$24,000; identified as eligible staff those faculty members who would qualify by July 1, 1993, for regular retirement based upon at least 20 years of TRS service or a minimum age of 50; and provided that anyone who retires prior to August 15, 1992, will be eligible for an additional \$6,000 of their retirement costs paid by the district.
12. Voted not to ratify a tentative Negotiated Agreement with the Wrangell Teachers' Association that resulted from informal negotiations.

The next regular School Board meeting will be August 10 at 7:00 p.m. in the high school commons.



SOUTHEAST
ISLAND
SCHOOL
DISTRICT

1621 TONGASS AVENUE SUITE 301
POST OFFICE BOX 8340
KETCHIKAN, ALASKA 99901
(907) 225-9658 OR 225-9659

Robert Weinstein
SUPERINTENDENT

June 17, 1992

The Honorable Walter J. Hickel
Governor of Alaska
P.O. Box A
Juneau, Alaska 99811

Dear Governor Hickel:

I understand that you are considering whether or not to sign into law SB 337, an act relating to retirement incentive programs.

I would like to urge that you continue to support this legislation for several reasons.

This school district participated in the last retirement incentive program several years ago, saving money as was intended by the program. Given Alaska's projected fiscal outlook, we need all reasonable tools to further efforts to contain costs.

SB 337 provides one important tool for us. Our preliminary estimates are that we will be able to save money in two ways. First, we will be able to replace senior, more costly employees who retire with junior, less costly successor employees. Second, by encouraging employees to retire voluntarily, we will be able to reduce the number of employees without lay-offs, contradicting statutory tenure provisions, and so on.

In closing, I believe that the program will help this district contain costs for the future, and urge that you sign the bill into law.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Bob Weinstein".

Robert Weinstein
Superintendent

RW:eb
cc: Board members



CITY MANAGER
POST OFFICE BOX 1397, KODIAK, ALASKA 99615

TELEPHONE (907) 486-8640
FAX (907) 486-8600

June 16, 1992

Honorable Walter J. Hickel, Governor
State of Alaska
P. O. Box A
Juneau, Alaska 99811-0101

RE: Senate Bill No. 337

Dear Governor Hickel:

On behalf of the employees of the City of Kodiak, I respectfully request your continued support of Senate Bill No. 337, which relates to retirement incentive programs for the Public Employee's Retirement System. The City participated in previous incentive programs and realized a savings by offering the program to eligible participants.

This cost savings program is more attractive than previous programs. Most municipalities are experiencing a reduced level of income, increased operating costs, and a greater demand for more services. The shrinking dollars are not keeping pace with the needs of the constituents. Senate Bill No. 337 offers cost reduction without reducing services or increasing revenues. An informal survey indicates that approximately ten percent of the City's employee workforce would opt for early retirement. A savings would be realized by the City.

Thank you for your favorable consideration of Senate Bill No. 337.

Sincerely,
CITY OF KODIAK

Gary Bloomquist
City Manager

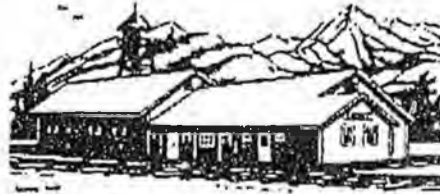
GB/rd

cc: Senator Zharoff
Representative Davidson

CITY OF PALMER



231 W. EVERGREEN AVE.
PALMER, ALASKA 99645



Phone (907) 745-3271

A HOME RULE CITY

June 17, 1992

The Honorable Walter Hickel
P.O. Box 110001
Juneau, AK 99811-0001

RE: House CS for CS for Senate Bill 337 (Finance) am H,
Retirement Incentive Program

Dear Governor Hickel:

In the next few days you will have to make a decision whether or not to sign House CS for CS for Senate Bill 337 (Finance) am H, "an Act relating to retirement incentive programs for public employee's retirement system, the teachers retirement system and certain persons under the judicial retirement system and providing for an effective date" into law.

With the declining State Shared Revenues for municipalities and the ability to generate new income sources very bleak for the next fiscal year at least, the City of Palmer is a strong supporter of this bill.

Since the City of Palmer is on a calendar year fiscal year, we are now beginning to formalize our 1993 Fiscal Year Budget and the revenue picture is not promising.

For the past four years, the City has maintained a general fund budget of \$3.3 Million to \$3.5 Million without reducing the level of services to our residents. Our full time employees have been reduced from a high of 56 to the present level of 46 during this same period. Employee reduction has come about through attrition and early retirement.

To balance the proposed 1993 Fiscal Year Budget, we cannot cut any further without laying off employees. Presently, 73% of the 1992 budget goes for employee wages and benefits with the remaining 27% to operate the City departments.

The City of Palmer encourages you to sign Senate Bill 337 which will give us an additional tool to help balance the 1993 budget. Layoffs are inevitable, except I would rather reduce the manpower through early retirement than the pink

Governor Walter Hickel
June 17, 1992
Page 2

slip route. The pin: slip route is demoralizing upon many employees as well as the productivity level falls dramatically with this cloud being over the employee's head.

The City has participated in the two previous early retirement programs and has greatly benefited from the program through job elimination, contracting for services, lower entry level pay scale, part-time employees and combining jobs.

Through preliminary discussion with possible eligible employees, the City feels it can reduce the necessary manpower through early retirement if Senate Bill 337 is enacted. The early retirement of the possible eligible employees will not result in a "brain drain" as some fear since the average tenure of our employees is over six years which points to our stable government.

We encourage you to sign Senate Bill 337 into law and provide the local municipalities another option to achieve a balanced budget.

Should you have any questions, please feel free to contact me.

Sincerely,

David L. Soulak
City Manager

DLS/jep

xc: Senator Jalmar Kerttula
Representative Ron Larson
Senator Curt Menard
Representative Pat Carney
Senator Jim Duncan
AML

NORTH SLOPE BOROUGH SCHOOL DISTRICT

Pouch 169 • Barrow, Alaska 99723 • (907) 852-5311 • FAX (907) 852-5984

Patsy Aamodt, Superintendent



May 29, 1992

Munmiut Wolves
Munmiut School
Box 21029
Anaktuvuk Pass,
Alaska 99721
(907) 661-3226
FAX (907) 661-3402

Atkasuk Eagles
Mende River School
Atkasuk, Alaska 99791
(907) 633-6315
FAX (907) 633-6215

Barrow Whalers
Barrow High School
Pouch 8950
Barrow, Alaska 99723
(907) 852-8950

BMS Wolves
Barrow Middle School
Pouch 8950
Barrow, Alaska 99723
(907) 852-8950

Arctic Fox
Fred Iustook
Elementary School
Box 450
Barrow, Alaska 99723
(907) 852-4711

Kaveelook Rams
Harold Kaveelook School
Box 10
Kaktovik, Alaska 99747
(907) 640-6628
FAX (907) 640-6717

Nuiqsut Trappers
Trapper School
Nuiqsut, Alaska 99789
(907) 480-6712
FAX (907) 480-6621

Tikigaq Harpooners
Tikigaq School
Box 148
Point Hope, Alaska 99766
(907) 368-2662 or 2663
FAX (907) 368-2770

Cully Qavviks
Cully School
Point Lay, Alaska 99759
(907) 833-2312
FAX (907) 833-2123

Atak Huskies
Atak School
Box 10
Wainwright, Alaska 99782
(907) 763-2541
FAX (907) 763-2550

The Honorable Walter Hickel
Governor, State of Alaska
P.O. Box A
Juneau, Alaska 99811-0101

Dear Governor Hickel:

I understand that the Retirement Incentive Program bill will shortly come to your desk and I want to encourage you to sign it at your earliest convenience.

The school district found the previous RIP to be beneficial and our Board of Education has decided to participate in this year's program.

Thank you for your support.

Sincerely,



Patsy Aamodt
Superintendent

PAA/cms

cc: NSBSD Board of Education

NORTH SLOPE BOROUGH SCHOOL DISTRICT

Pouch 169 • Barrow, Alaska 99723 • (907) 852-5311 • FAX (907) 852-5984

Patsy Aamodt, Superintendent



May 29, 1992

Nunamit Wolves
Nunamit School
Box 21029
Anaktuvuk Pass,
Alaska 99721
(907) 661-1226
FAX (907) 661-3402

Atkasuk Eagles
Majors River School
Atkasuk, Alaska 99781
(907) 633-6315
FAX (907) 633-6215

Barrow Whalers
Barrow High School
Pouch 8950
Barrow, Alaska 99723
(907) 852-8950

BARIS Wolves
Barrow Middle School
Pouch 8950
Barrow, Alaska 99723
(907) 852-8950

Arctic Fox
Fred Ipalook
Elementary School
Box 450
Barrow, Alaska 99723
(907) 852-4711

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Box 10
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(907) 640-6828
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Nuiqsut Trappers
Trapper School
Nuiqsut, Alaska 99789
(907) 480-6712
FAX (907) 480-6621

Tikigaq Harpooners
Tikigaq School
Box 148
Point Hope, Alaska 99768
(907) 368-2662 or 2663
FAX (907) 368-2770

Gully Oavviks
Gully School
Point Lay, Alaska 99759
(907) 833-2112
FAX (907) 833-2123

Ik Huakles
School
Point Barrow, Alaska 99702
13-2541
1783-2550

The Honorable Walter Hickel
Governor, State of Alaska
P.O. Box A
Juneau, Alaska 99811-0101

Dear Governor Hickel:

I understand that the Retirement Incentive Program bill will shortly come to your desk and I want to encourage you to sign it at your earliest convenience.

The school district found the previous RIP to be beneficial and our Board of Education has decided to participate in this years' program.

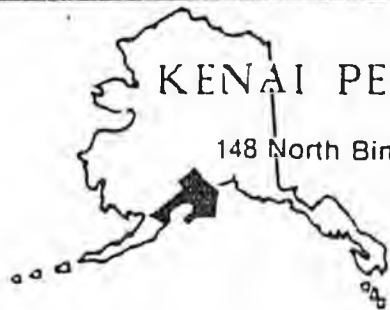
Thank you for your support.

Sincerely,

Roy Nageak
Roy Nageak, President
Board of Education

PAA/cms

cc: NSBSD Board of Education



KENAI PENINSULA BOROUGH SCHOOL DISTRICT

148 North Binkley Street • Soldotna, AK 99669 • Phone 907/262-5846 • Fax 907/262-9645

OFFICE OF THE DISTRICT SUPERINTENDENT

June 16, 1992

Governor Walter J. Hickel
State of Alaska
P.O. Box A
Juneau, AK 99811

Dear Governor Hickel:

I am writing to urge you to sign SB 337, Retirement Incentive Program, into law. This bill will not benefit us this year (1992-93) since it is as yet unsigned so late in our fiscal year. But we do expect that 75 to 100 teachers may take advantage of it in June of 1993, thus mitigating our 1993-94 payroll costs by about \$1,000,000.

We are a school district of excellence which has no reserves, is supported up to the cap by our assembly, levies a sales tax to raise funds and generally does all the functions which demonstrate self-reliance and initiative.

We are pushed so hard financially, even with the \$61,000 unit value, that I need the savings from the RIP program just to fund incremental pay increases that are not even considered by labor arbitrators to be bona fide raises.

It's a sad situation to rely on an early retirement program to balance a budget, but it's reality; and as an educational administrator I am a pragmatist.

I urge you to support and sign SB 337 and thank you for your support of the \$61,000 unit value.

Sincerely,

Dr. Robert J. Holmes
Superintendent

bj

cc: ✓ Senator Jim Duncan
Commissioner Jerry Covey



KETCHIKAN GATEWAY BOROUGH
SCHOOL DISTRICT

June 19, 1992

Office of the Governor
Walter J. Hickel, Governor
Third Floor, State Capitol
P. O. Box A
Juneau, Alaska 99811

Dear Governor Hickel,

As we discussed earlier, the Early Retirement Incentive Bill goes a long way in helping us maintain a quality educational program while at the same time allowing an efficient operating budget. I understand two basic concerns have surfaced:

- A. There is no real savings realized, and
- B. Causes a "Brain Drain" - that is the more experienced and knowledgeable will leave the organization.

I can not speak for all agencies, but a real savings is realized by this school district when we reduce our staff to a more efficient level and/or replace retirees with less experienced staff. As for the "Brain Drain" theory - yes, we will lose some fine faculty members, but they are ready to retire. The upside is we have an opportunity to bring the young and all their enthusiasm to the classroom.

It is my understanding that each agency has the choice of whether or not to participate. It would seem that if an agency felt there would be no advantage to such a program, they simply would choose not to participate.

I would encourage you to sign this bill into action so that we may move forward in our plans for next school year. Thank you for your support of this issue.

Sincerely,

Richard E. Cleverger
Richard E. Cleverger^{sr}
Superintendent of Schools



JAMIE PARSONS, MAYOR
CITY AND BOROUGH OF JUNEAU

June 16, 1992

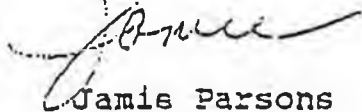
The Honorable Walter J. Hickel
Governor
State of Alaska
P.O. Box 110001
Juneau, Alaska 99811-110001

Dear Governor Hickel:

The City and Borough of Juneau (CBJ) Assembly recommends your approval of the Retirement Incentive Program.

The previous programs have allowed CBJ to reduce personnel services costs by the use of very humane considerations for long term employees. The Retirement Incentive Program has proven to be a valuable tool, enabling us to better respond to our continuing decline in revenues, and we urge your favorable consideration of this legislation.

Sincerely,



Jamie Parsons
Mayor

JMP:dh



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 40B, Juneau, AK 99801-1101 (907) 586-9702 FAX (907) 586-5879

June 17, 1992

Walter J. Hickel, Governor
State of Alaska
P.O. Box A
Juneau, Alaska 99811

Dear Governor Hickel:

On behalf of the members of the Alaska Council of School Administrators, we want to express our support for Senate Bill 337, "The Retirement Incentive Program" and urge you to sign this legislation into law.

School districts across the State of Alaska have used the retirement incentive legislation in past years as a true cost saving measure to school budgets. As we look more and more to cost containment efforts because of reduced funding available to education, it is appropriate for SB 337 to become law.

Again, we urge your endorsement to this legislation.

Sincerely,

Stephen T. McPhetres
Executive Director

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



OFFICERS

PRESIDENT
Percy Frisby
Hydaburg

PRESIDENT-ELECT
Carole Huntington
Galena

SECRETARY/TREASURER
Diana Herschbach
Matanuska-Susitna

PAST-PRESIDENT
Gene Redden
Fairbanks

DIRECTORS
ANCHORAGE
Carol Stolpe

ANNETTE ISLANDS
Paul Brendible

KENAI
Marilyn Dimmick

KETCHIKAN
Pamela Hjortset

KLAWOCK
Jeff Nickerson

LAKE & PENINSULA
Sue Arce

NENANA
Terre Irwin

NORTH SLOPE
Roy Nageak

NORTHWEST ARCTIC
Reggie Joule

YUKON-KOYUKUK
Luka Titus

YUPIIT
Michael Williams

EX-OFFICIO DIRECTOR
Dick Anderson
Delta-Greely

EXECUTIVE DIRECTOR
Carl F.N. Rose

June 15, 1992

The Honorable Governor Walter J. Hickel
Alaska State Legislature
Juneau, Alaska, 99811

Re: SB 337 Retirement Incentive Program

Dear Governor Hickel:

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

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 to participate, 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.

Sincerely,

Carl F.N. Rose,
Executive Director



CITY OF HOMER

CITY HALL

491 EAST PIONEER AVENUE

HOMER, AK 99603-7624

TELEPHONE (907) 235-8121

TELECOPIER (907) 235-3140

19 June 1992

FAXED 907/463-3454

Governor Walter Hickel
PO Box 110001
Juneau, AK 99811-0001

RE: EARLY RETIREMENT PROGRAM

Dear Governor Hickel:

We just received notice that there is a possibility that SB 337 is in jeopardy, we wish to make it known that the City of Homer SUPPORTS SB 337. This is a program which has much promise with the City of Homer. We request that you enact this bill. Thank you for your consideration.

Sincerely,

CITY OF HOMER

Patti J. Whalin
Patti J Whalin
Interim City Manager

PJW/tw

FAX MESSAGE
June 23, 1992

Senator Jim Duncan
Capitol Building
Juneau, Alaska

465-4748 (fax)

Dear Senator Duncan, *Jim,*

I am under the impression that Governor Mickel is in total support of the 1992 Retirement Incentive Program Legislation. If that is the case, I am requesting information from your office as to what I might be able to do to convince the Governor that signing this legislation is in the best interest of Alaskans.

As a member of the Alaska Public Employee Retirement Board, and as an elected official of the City of Fairbanks, I have a unique perspective as to the advantages of the RIP on our communities and state. The fiscal impact on the retirement funds and the government payrolls has been positive, and this years RIP is critical to the efforts of downsizing government and public employee moral.

I am prepared to contact the Governor's office immediately but thought a message of concern and support, with the request for advice would be an appropriate first step.

Thanks for all your help on behalf of public employees and the local governments within the state.

Sincerely,



Mike Andrews
PERS Vice-Chair
Fairbanks City Council

CC: Div. of Retirement/Benefits
P. Wellington, PERS Chair



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 404 Juneau, AK 99801-1101 (907) 586-9702 FAX (907) 586-5879

Position Paper

Senate Bill #1

"An Act relating to retirement incentive programs"

The Alaska Council of School Administrators is in support of Senate Bill No. 1, "Relating to retirement incentive programs for the public employees'.

We are concerned that any adjustment to the retirement system does not weaken the financial structure of the fund. We value the long term commitment the fund must carry for those retiring under the TRS system. As this legislation is proposed, this concern is addressed.

Because of the amount of the local contribution required by the school district, we believe this retirement incentive program must be offered as a local option. As this legislation is proposed, this concern is addressed.

We also believe that any retirement incentive program be on an as need basis rather than becoming a part of statute. By the absence of any such language, our concerns in this area are addressed as well

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, produce a significant saving to the state and local school district.



ALASKA PUBLIC EMPLOYEES ASSOCIATION/AFT(AFL-CIO)

State Headquarters/Juneau Field Office
211 Fourth Street, Suite 306, Juneau, Alaska 99801
Telephone (907) 586-2334, (800) 478-9991, Fax 463-4980

February 1, 1993

Honorable Loren Leman, Chairman
Senate State Affairs Committee
Alaska State Legislature
Juneau, AK 99811

RE: Retirement Incentive Program, SB-1 & SB-10

Dear Senator Leman,

The Alaska Public Employees Association/Alaska Federation of Teachers represents public employees at every level of government and throughout the state geographically. We represent state, municipal, borough, university and school district employees. Every one of the public employers we work with are facing the task of providing the same level of services at substantially less cost due to shrinking revenues. The Retirement Incentive Program (RIP), is an important tool for these entities to assist them in reaching this goal.

The RIP encourages senior employees, who are in the higher steps of salary and leave schedules to retire. Their retirement allows new employees to enter the system at entry level steps of those schedules, generating a significant savings. Without a RIP, these same public employers would be forced to lay people off, which reduces services to Alaskans and removes spendable income from Alaska's economy.

Passage of the RIP bill will allow the same level of services, at reduced costs, while maintaining employment. It also introduces new money in the Alaska economy by using the PERS and TRS money that is invested outside Alaska to be spent by the new retirees in the State.

The two previous RIP's saved public employers millions and millions of dollars. Other states and private companies have adopted similar measures as a way of reducing costs. California, as I recall, granted five years credit in their RIP.

Anchorage Field Office

1689 C Street, Suite 204, Anchorage, Alaska 99501
Telephone (907) 274-1688, (800) 478-9992, Fax 277-4588

Fairbanks Field Office

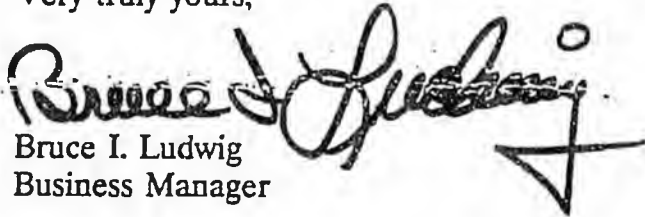
825 College Road, Fairbanks, Alaska 99701

Telephone (907) 456-5412, (800) 478-9993, Fax 456-7478

February 1, 1993
Honorable Loren Leman
Page 2

At a time when all public entities in the State are faced with cutting services or raising taxes, the RIP offers a humane, sensible, cost-effective tool to these entities to mitigate the effect of shrinking resources. We encourage your committee to pass a RIP bill out with Do-Pass Recommendations.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Bruce I. Ludwig". The signature is written in dark ink and includes a large, stylized flourish at the end that resembles a downward-pointing arrow or a similar symbol.

Bruce I. Ludwig
Business Manager

BIL/ljh