

HB

270

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred: May 3, 1995

FURTHER REFERRALS:

Date of Committee Action: _____

The FINANCE Committee considered:

HB 270

HOUSE BILL NO. 270

RETIREMENT INCENTIVE PROGRAM

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

recommends it be replaced with the following committee substitute _____ [] the same title [] a new title

[] additional referral to _____ Committee [] attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____ [] fiscal note(s) _____ [] fiscal note(s) _____

[] zero fiscal note(s) _____ [] zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNI	NR	AM
Died in Committee				

CHAIR'S SIGNATURE _____

FISCAL NOTE

Bill Version: 3 HB 270
 (H) Publish Date: 3/20/95

STATE OF ALASKA
 1995 LEGISLATIVE SESSION

Revision Date: _____
 Title: An Act relating to retirement incentive programs for the public employees' retirement system and the teachers'
 Sponsor: Rules Committee by Request of the Governor
 Requestor: _____

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	489.1	489.1	289.3	289.3	289.3	289.3
TRAVEL	8.0	8.0	3.0	3.0	3.0	3.0
CONTRACTUAL	27.7	22.7	16.5	16.5	16.5	16.5
SUPPLIES	13.2	3.0	2.1	2.1	2.1	2.1
EQUIPMENT	108.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	646.0	522.8	310.9	310.9	310.9	310.9

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
OTHER	646.0	522.8	310.9	310.9	310.9	310.9
TOTAL	646.0	522.8	310.9	310.9	310.9	310.9

Estimate of any current year (FY 95) cost: zero

FULL-TIME	2	2	2	2	2	2
PART-TIME	0	0	0	0	0	0
TEMPORARY	11	11	5	0	0	0

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. An administrative charge for participating employers will cover the increased costs of administering the retirement incentive program.

Prepared by: Robert F. Stalnaker *R.F. Stalnaker*
 Division: Retirement & Benefits

Phone: 465-4470
 Date: _____

Approved by Commissioner: Mark Bover *Mark Bover*
 Agency: Department of Administration

Date: 3/16/95

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FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. RIP Bill

ANALYSIS: (continued)

This bill creates a retirement incentive program for the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems. In addition, it allows for separation bonuses for state employees. Authorization of a RIP for State employees could begin as early as July 1, 1995 or as late as June 30, 1998. RIP eligibility periods for state employees would be designated by the Commissioner of Administration. RIP window periods would last from 30-60 days. The University of Alaska may adopt a RIP between June 30, 1995 and December 31, 1995. Participating PERS political subdivision employers may adopt a RIP between December 31, 1995 and June 30, 1996. Participating TRS employers may adopt a RIP between June 30, 1995 and December 31, 1995. 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 lifetime benefit for the indebtedness amount.

We estimate that two permanent employees will be needed to manage the operations of the program and increased service demands into the future. Eleven long-term non-permanent employees will also be needed over the next two fiscal years, with five of those to remain for the third fiscal year. Personnel will handle increased counseling, address and beneficiary changes, account maintenance, and other services. Subsequent increases in the number of retirees will necessitate increased permanent employees to handle the increased demand for information and services.

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

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. RIP Bill

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

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
PERSONAL SERVICES			
<u>FY 1996</u>			
2 Retirement & Benefits Specialist I	\$103.0		
5 Retirement & Benefits Tech I/II (NP)	186.0		
1 Accounting Tech II (N/P)	41.1		
3 Accounting Clerk III (NP)	100.8		
2 Admin Clerk I (NP)	<u>58.2</u>		
TOTAL FY 1996 COSTS	\$489.1		
<u>FY 1997</u>			
2 Retirement & Benefits Specialist I	\$103.0		
5 Retirement & Benefits Tech I/II (NP)	186.0		
1 Accounting Tech II (N/P)	41.1		
3 Accounting Clerk III (NP)	100.8		
2 Admin Clerk I (NP)	<u>58.2</u>		
TOTAL FY 1997 COSTS		\$489.1	
<u>FY 1998</u>			
2 Retirement & Benefits Specialist I	\$103.0		
3 Retirement & Benefits Tech I/II (N/P)	111.6		
1 Accounting Tech II (N/P)	41.1		
1 Accounting Clerk III (N/P)	<u>33.6</u>		
TOTAL FY 1998 COSTS			\$289.3
TRAVEL			
Traveling to various locations throughout the state to counsel prospective retirees and give seminars.	8.0	8.0	3.0
CONTRACTUAL			
Communication (Telephone, Postage)	14.0	13.2	9.6
Mainframe Computer Time	9.7	8.8	6.2
Software Maintenance	3.3		
Training/Risk Management	<u>.7</u>	<u>.7</u>	<u>.7</u>
Total Contractual	27.7	22.7	16.5
SUPPLIES			
Office Supplies, Calculators, software	13.2	3.0	2.1

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. RIP Bill

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
EQUIPMENT			
Computer Workstations	44.0	0.0	0.0
File Cabinets (2)	.8	0.0	0.0
Office Chairs (3)	6.6	0.0	0.0
Microfiche Viewers (11)	6.6	0.0	0.0
Office Workstations	10.0	0.0	0.0
Computer/Network Printers	12.0	0.0	0.0
Computer Network Upgrades	21.4	0.0	0.0
Telephone Unit (11)	<u>6.6</u>	<u>0.0</u>	<u>0.0</u>
Total Equipment	<u>108.0</u>	<u>0.0</u>	<u>0.0</u>
 TOTAL OPERATIONS COST	 \$646.0	 \$522.8	 \$310.9

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

We are also proposing the purchase of two additional computer printers. The previous RIPs put a great demand on our existing 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 printers for two years, coupled with our existing needs, purchasing new printers would be more cost effective.

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

Funding Source Breakdown for FY 1996:

1029	PERS	355.3
1034	TRS	<u>290.7</u>
		\$646.0

Position: 02-02#144 Project: 0 Salary Costs: 36,444.00
Component: 02-95-05-08-00-00 Region: Benefits Costs: 15,071.30
Scenario: 2 FY: 96 COLA %= 0.000 Total Costs: 51,515.30

Actuals not available (Status: UNKNOWN) | Retirement Code: A

00/00/00 Step: A for 12.0 months & Step: B for 0.0 months (total: 12.00)
0 Merit Date; use merit defaults? N (0.0 @ & 0.0 @)
Class/Sched Prefix: 2 Schedule: 2A (actual:)
Bargaining Unit: GG Range: 16 (actual:)
Location Code: AWA Place: JUNEAU
Job Class Code: P1442 Title: RETIREMENT BEN SPEC I
Seasonal Indic.: F Type: -

Optional Override Salary Rates:

Monthly Rate: 0.00 for 0.0 months & rate of 0.00 for 0.0 months
Hourly Rate: 0.00 for 0.0 months Frozen at this rate? (Y/N): N

Press ENTER to update record; enter # or use PF key to go to another screen:
1=Premium pay info 2=Funding info 4=Code Translations 6=Calculations
7=MISC NEW POS DATA 8=Detail Report 12=Exit w/o update Selection: 0_

POSITION INFORMATION HAS BEEN UPDATED AND FUNDING HAS BEEN UPDATED.

03/16/95

Position Information Inquiry/Update

16:25:27

Position: 02-02#149	Project: 0	Salary Costs: 28,356.00
Component: 02-95-05-08-00-00	Region:	Benefits Costs: 8,887.75
Scenario: 2 FY: 96	COLA % = 0.000	Total Costs: 37,243.75

Actuals not available (Status: UNKNOWN) | Retirement Code: N

00/00/00	Step: A for 6.0 months & Step: B for 6.0 months (total: 12.00)
0	Merit Date; use merit defaults? N (0.0 @ & 0.0 @)
	Class/Sched Prefix: 2 Schedule: 2A (actual:)
	Bargaining Unit: GG Range: 12 (actual:)
	Location Code: AWA Place: JUNEAU
	Job Class Code: P1444 Title: RETIREMENT BENEFIT TEC II
	Seasonal Indic.: G Type: -

Optional Override Salary Rates:

Monthly Rate: 0.00 for 0.0 months & rate of 0.00 for 0.0 months
 Hourly Rate: 0.00 for 0.0 months Frozen at this rate? (Y/N): N

Press ENTER to update record; enter # or use PF key to go to another screen:

1=Premium pay info 2=Funding info 4=Code Translations 6=Calculations
 7=MISC NEW POS DATA 8=Detail Report 12=Exit w/o update Selection: 0

POSITION INFORMATION HAS BEEN UPDATED AND FUNDING HAS BEEN UPDATED.

03/16/95

Position Information Inquiry/late

16:26:04

Position: 02-02#151	Project: 0	Salary Costs: 31,740.00
Component: 02-95-05-08-00-00	Region:	Benefits Costs: 9,328.01
Scenario: 2 FY: 96	COLA %= 0.000	Total Costs: 41,068.01

 Actuals not available (Status: UNKNOWN) | Retirement Code: N

00/00/00	Step: A for 12.0 months & Step: B for 0.0 months (total: 12.00)
0	Merit Date; use merit defaults? N (0.0 @ & 0.0 @)
	Class/Sched Prefix: 2 Schedule: 2A (actual:)
	Bargaining Unit: GG Range: 14 (actual:)
	Location Code: AWA Place: JUNEAU
	Job Class Code: P1211 Title: ACCOUNTING TECH II
	Seasonal Indic.: G Type: -

Optional Override Salary Rates:

Monthly Rate: 0.00 for 0.0 months & rate of 0.00 for 0.0 months
 Hourly Rate: 0.00 for 0.0 months Frozen at this rate? (Y/N): N

Press ENTER to update record; enter # or use PF key to go to another screen:
 1=Premium pay info 2=Funding info 4=Code Translations 6=Calculations
 7=MISC NEW POS DATA 8=Detail Report 12=Exit w/o update Selection: 0_

POSITION INFORMATION HAS BEEN UPDATED AND FUNDING HAS BEEN UPDATED.

03/16/95

Position Information Inquiry/Update

16:26:37

Position: 02-02#154	Project: 0	Salary Costs: 25,140.00
Component: 02-95-05-08-00-00	Region:	Benefits Costs: 8,469.35
Scenario: 2 FY: 96	COLA %= 0.000	Total Costs: 33,609.35

Actuals not available (Status: UNKNOWN) | Retirement Code: N

00/00/00	Step: A for 6.0 months & Step: B for 6.0 months (total: 12.00)
0	Merit Date; use merit defaults? N (0.0 @ & 0.0 @)
	Class/Sched Prefix: 2 Schedule: 2A (actual:)
	Bargaining Unit: GG Range: 10 (actual:)
	Location Code: AWA Place: JUNEAU
	Job Class Code: P1203 Title: ACCOUNTING CLERK III
	Seasonal Indic.: G Type: -

Optional Override Salary Rates:

Monthly Rate: 0.00 for 0.0 months & rate of 0.00 for 0.0 months
 Hourly Rate: 0.00 for 0.0 months Frozen at this rate? (Y/N): N

Press ENTER to update record; enter # or use PF key to go to another screen:
 1=Premium pay info 2=Funding info 4=Code Translations 6=Calculations
 7=MISC NEW POS DATA 8=Detail Report 12=Exit w/o update Selection: 0

POSITION INFORMATION HAS BEEN UPDATED AND FUNDING HAS BEEN UPDATED.
03/16/95 Position Information Inquiry/late

HB 270
16:27:02

Position: 02-02#156 Project: 0 Salary Costs: 21,108.00
Component: 02-95-05-08-00-00 Region: Benefits Costs: 7,944.79
Scenario: 2 FY: 96 COLA %= 0.000 Total Costs: 29,052.79

Actuals not available (Status: UNKNOWN) | Retirement Code: N

00/00/00 Step: A for 6.0 months & Step: B for 6.0 months (total: 12.00)
0 Merit Date; use merit defaults? N (0.0 @ & 0.0 @)
Class/Sched Prefix: 2 Schedule: 2A (actual:)
Bargaining Unit: GG Range: 07 (actual:)
Location Code: AWA Place: JUNEAU
Job Class Code: P1133 Title: ADMINISTRATIVE CLERK I
Seasonal Indic.: G Type: -

Optional Override Salary Rates:

Monthly Rate: 0.00 for 0.0 months & rate of 0.00 for 0.0 months
Hourly Rate: 0.00 for 0.0 months Frozen at this rate? (Y/N): N

Press ENTER to update record; enter # or use PF key to go to another screen:
1=Premium pay info 2=Funding info 4=Code Translations 6=Calculations
7=MISC NEW POS DATA 8=Detail Report 12=Exit w/o update Selection: 0_

STATE OF ALASKA
 1995 LEGISLATIVE SESSION

Revision Date: _____
 Title: "An Act relating to retirement incentive...."
 Sponsor: Rules Committee
 Requestor: _____

Department Affected: Administration
 BRU: Finance
 Component: Finance
 COMPONENT SERIAL NO. 59

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL	20.3	20.3	20.8	10.4	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND &	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	20.3	20.3	20.8	10.4	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0

FUNDING SOURCE: (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	20.3	20.3	20.8	10.4	0.0	0.0
1005 GF/Program	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
OTHER	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	20.3	20.3	20.8	10.4	0.0	0.0

Estimate of any current year (FY 95) cost: \$ 0

POSITIONS:

FULL-TIME						
PART-TIME	1	1	1	1		
TEMPORARY						

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

Prepared by: Don Wanie *DW*
 Division: Finance

Phone: 465-2240
 Date: _____

Approved by Commissioner: Mark Boyer *Mark Boyer*
 Agency: Department of Administration

Date: 3/16/95

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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. 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. It is estimated a half time Accounting Technician I will be needed in FY 96, 97 and 98 and the first half of FY 99 to accommodate the additional workload generated by the

Accounting Technician I,

	FY 96	FY 97	FY 98	FY 99
Range 14 A half time.	20.3	20.3		
Range 14 B half time.			20.8	10.4

FISCAL NOTE

No. 1
 Bill Version: HB 270
 (H) Publish Date: 3/20/95

STATE OF ALASKA
 1995 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: All Departments
 Title: An Act relating to retirement incentive programs... BRU: _____
 Component: _____
 Sponsor: Rules Committee by Request of the Governor
 Requester: _____ COMPONENT SERIAL NO. _____

Consolidated Fiscal Note for Executive Branch

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
Governor	****	****	****	****	****	****
Administration	666.3	543.1	331.7	321.3	310.9	310.9
DCED	****	****	****	****	****	****
DCRA	****	****	****	****	****	****
Corrections	****	****	****	****	****	****
Education	****	****	****	****	****	****
Postsecondary	****	****	****	****	****	****
DEC	****	****	****	****	****	****
ADF&G	****	****	****	****	****	****
CFEC	****	****	****	****	****	****
DH&SS	****	****	****	****	****	****
Labor	****	****	****	****	****	****
Law	****	****	****	****	****	****
DMVA	****	****	****	****	****	****
DNR	****	****	****	****	****	****
Public Safety	****	****	****	****	****	****
DOR	****	****	****	****	****	****
DOT&PF	****	****	****	****	****	****
TOTAL	****	****	****	****	****	****

ANALYSIS: (Attach a separate page if necessary)

This legislation is expected to result in substantial savings in personal services costs for the state; however, the actual fiscal impact for each department cannot be accurately projected until the program is implemented. See attached analysis for explanation.

Prepared by: Annalee McConnell, Director *Nancy J. Sloge for* Phone: 465-4660
 Division: Office of Management and Budget Date: 3/17/95
 Approved by Commissioner: Jim Ayers, Chief of Staff *Paul R. Jensen for* Date: 3/17/95
 Agency: Office of the Governor

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FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. _____

ANALYSIS: (continued)

This legislation is expected to result in substantial savings in personal service costs for the state; however, the actual fiscal impact for each department cannot be accurately projected for the following reasons:

1. The administration is not planning to implement the legislation in an across-the-board manner, but instead plans to use a more strategic approach tailored to the individual budget and staffing requirements of each department. This approach is similar to that used by many private sector firms, and currently in use by the federal government in its downsizing program.

The participation of each department will therefore depend on the budget and staffing situation of the department at the time the program is implemented. Some departments may not participate in the program if it would not be effective in meeting their requirements. Other departments may offer the program in only certain parts of the department that are being restructured or downsized.

2. The number of employees eligible to participate in both the retirement incentive program and the separation incentive program has not yet been established. The number of employees meeting the basic eligibility criteria will be identified soon; however, the retirement and separation incentive programs may be offered to only a portion of these employees, as described above.
3. Another variable which will affect actual savings is the percentage of employees that will elect to participate in the retirement and separation incentive programs if they are offered to them. The participation rate in the last state RIP in 1989-90 averaged approximately 30 percent. However, this rate varied substantially by department. In addition, the separation incentive program has not been used by the state before, so there is no history of participation rates for this program.

The fiscal impacts shown for the Department of Administration reflect the administrative costs for the Division of Retirement and Benefits and the Division of Finance to perform their responsibilities under the bill. The costs for the Division of Retirement and Benefits would be paid through an administrative charge for participating employers. See the attached fiscal notes from the two divisions for more details.

HB 270

TONY KNOWLES
GOVERNOR



P.O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
Fax (907) 465-3532

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 20, 1995

The Honorable Gail Phillips
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Phillips:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that establishes a temporary retirement incentive program for employees of the state, its subdivisions, and its school districts, and a temporary separation incentive program for employees of the state.

Closing the state's fiscal gap will require major changes in state operations over the next several years. We need to make state government more efficient and eliminate nonessential services. Our challenge is to accomplish these goals without forcing large layoffs of employees, which could ripple through the private sector and endanger the health of Alaska's economy. Retirement and separation incentive plans have been successfully used by the private sector and government to scale back payroll while eliminating or minimizing the need for layoffs.

Properly structured, these plans can be a cost-effective and humane method of downsizing. This legislation will make these restructuring tools available to the State of Alaska, and will extend the retirement incentive program as an option for municipalities and school districts, which are also facing the need to restructure their operations and work forces.

My Administration will use the retirement and separation incentives in a strategic approach, different from prior programs. The last state retirement incentive program applied to all departments regardless of their budget or personnel situation, and had little effect on downsizing or restructuring government.

The Honorable Gail Phillips

March 20, 1995

Page 2

Under our approach, the programs will be tailored to the fiscal and staffing requirements of each department. This approach is similar to private sector and federal programs. The incentives will be used in combination with attrition to permanently reduce the number of positions on the state payroll. Departments will be able to participate in the incentive programs only if the programs contribute to their budget and staffing requirements and are cost effective.

This bill differs from the previous retirement incentive program (RIP) laws, enacted in 1986 and 1989, in that employers are specifically authorized to extend an incentive plan to employees in certain components (e.g., certain state divisions slated for major reductions), in certain job classifications, or certain geographic locations. In addition, with regard to the state, not all state employees will be eligible to apply during a window period. Instead the commissioner of administration is authorized to establish window periods (of 30 to 60 days) for some departments and not others. This will allow targeting of departments where major reductions are contemplated, and will alleviate the "brain drain" problem that arose when previous incentive programs were implemented.

The bill also requires that cost savings be shown for each employee allowed to participate, and that cost savings be calculated over a three-year period rather than a five-year period. This change from previous RIP laws will guarantee that the retirement incentive program produces substantial savings to the state and its local governments and school districts.

There are some similarities between this bill and the prior RIP laws. As with those laws, this bill provides that eligible state, municipal, and school district employees in the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) may obtain three years of retirement credit, to be applied toward reaching normal or early retirement age, reducing the actuarial reduction that early retirees must take, or increasing years of credited service. An employee must pay the appropriate retirement system the employee's normal share for these three years of credit, and the employer must pay the system the difference between what the employee pays and the actuarial cost of allowing the employee to participate. Applications for participation in the program will be allowed only during relatively short "window periods," and the employee must retire within several months after the end of a window period. The bill imposes substantial penalties on an employee retiring under the RIP who accepts employment with another PERS or TRS employer or with a Judicial Retirement System employer, or who is reemployed as a member of the optional university retirement system.

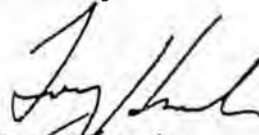
The Honorable Gail Phillips
March 20, 1995
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The bill also proposes, for the state only, another temporary incentive program, the separation incentive program, that has not been used previously by the state, but that has been used successfully by local governments and school districts in Alaska, by the federal government, and by the private sector. Under this program, which may be offered in conjunction with the RIP or separately from that program, long-term state employees separating from state service may be paid a one-time separation incentive payment. That payment would be \$25,000 or six months' salary, whichever is less, unless a state department or the office of management and budget sets a lower payment. As with the RIP, separation incentive payments could be made only if they would result in cost savings to the state over a three-year period; the program would not be open to all state employees, but could be limited to certain departments or job classes; there would be brief "window periods" for application; and there would be substantial penalties for reemployment by the state within three years.

As this bill works its way through the legislative process, representatives of my Administration will be available to answer any questions that members of your body might have.

I urge your prompt consideration and passage of this bill.

Sincerely,



Tony Knowles
Governor