

**SB**

**148**

**HFIN**

**FILE**

# HOUSE COMMITTEE REPORT

(11)

Date Referred: May 5, 1995

FURTHER REFERRALS:

Date of Committee Action: \_\_\_\_\_

The FINANCE Committee considered:

CSSB 148(RLS) am(efd fld)

CS FOR SENATE BILL NO. 148(RLS) am(efd fld)

STATE EMP DEFINED CONTRIB RETIREMENT PROG

"An Act relating to contributions and benefits in the teachers' retirement system and in the public employees' retirement system; relating to retirement incentive programs for the public employees' retirement system and the teachers' retirement system; relating to separation incentives for certain state employees; repealing a provision permitting the National Education Association to participate in the teachers' retirement system."

recommends it be replaced  the same title  
 with the following committee substitute \_\_\_\_\_  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	DNP	NR	AM
Died				
in				
committee				

CHAIR'S SIGNATURE \_\_\_\_\_

# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148 (RLS)  
Mandatory Tier III \*\*

Revision Date: \_\_\_\_\_  
Title: An Act relating to contributions and benefits in the teachers' retirement system and the public employees'  
Sponsor: Senate Finance Committee  
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	497.5	497.5	297.7	189.7	189.7	189.7
TRAVEL	8.0	8.0	3.0	3.0	3.0	3.0
CONTRACTUAL	28.4	25.1	17.2	16.5	16.5	16.5
SUPPLIES	13.2	3.0	2.1	2.1	2.1	2.1
EQUIPMENT	118.8	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
<b>TOTAL OPERATING</b>	<b>665.9</b>	<b>533.6</b>	<b>320.0</b>	<b>211.3</b>	<b>211.3</b>	<b>211.3</b>

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
------------------------	-----	-----	-----	-----	-----	-----

**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	665.9	533.6	320.0	211.3	211.3	211.3
<b>TOTAL</b>	<b>665.9</b>	<b>533.6</b>	<b>320.0</b>	<b>211.3</b>	<b>211.3</b>	<b>211.3</b>

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

FULL-TIME	4	4	4	4	4	4
PART-TIME	0	0	0	0	0	0
TEMPORARY	9	9	3	0	0	0

**ANALYSIS:** (Attach a separate page if necessary.) The actual costs to participating employers due to the retirement incentive 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 program. The bill will also establish a third tier in both the PERS & TRS for employees first hired after March 31, 1996. The cost as a percent of salary for PERS and TRS employees first hired after March 31, 1996 is estimated to be 5.5%. Please refer to the attached graphs for a complete explanation.

\*\* This fiscal note would be appropriate if the changes represented in CSSB 148(RLS) were mandatory for all employers under PERS and TRS.

Prepared by Robert F. Stanger Jane Parker Phone: 465-4470  
Division: Retirement & Benefits Date: \_\_\_\_\_

Approved by Commissioner Mark Brown Mark Brown Date: 5/3/95  
Agency: Department of Administration

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FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148(RLS)  
Mandatory Tier III

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
<b>TRAVEL</b>			
Traveling to various locations throughout the state to counsel prospective retirees and give seminars.	\$ 8.0	\$ 8.0	\$ 3.0
<b>CONTRACTUAL</b>			
Communication (Telephone, Postage)	14.0	14.0	9.6
Mainframe Computer Time	9.7	9.7	6.2
Software Maintenance	3.3		
Training/Risk Management	<u>1.4</u>	<u>1.4</u>	<u>1.4</u>
Total Contractual	28.4	25.1	17.2
<b>SUPPLIES</b>			
Office Supplies, Calculators, software	13.2	3.0	2.1
<b>EQUIPMENT</b>			
Computer Workstations	44.0	0.0	0.0
File Cabinets (2)	1.6	0.0	0.0
Office Chairs (3)	5.6	0.0	0.0
Microfiche Viewers (11)	5.6	0.0	0.0
Office Workstations	20.0	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>5.6</u>	<u>0.0</u>	<u>0.0</u>
Total Equipment	<u>118.8</u>	<u>0.0</u>	<u>0.0</u>
<b>TOTAL OPERATIONS COST</b>	<b>\$665.9</b>	<b>\$533.6</b>	<b>\$320.0</b>

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	\$366.2
1034	TRS	<u>299.7</u>
		\$665.9

FISCAL NOTE

Bill Version: CS88 148 PL5  
 (S) Publish Date: 5-2-95

STATE OF ALASKA  
 1995 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
 Title: An Act relating to contributions and benefits in the teachers' retirement system and in the public employees'  
 Sponsor: Senate Finance Committee  
 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	835.5	835.5	635.7	527.7	527.7	527.7
TRAVEL	60.0	60.0	55.0	52.0	52.0	52.0
CONTRACTUAL	1,536.9	931.8	923.9	923.9	923.9	923.9
SUPPLIES	20.4	5.1	3.9	3.9	3.9	3.9
EQUIPMENT	186.0	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
<b>TOTAL OPERATING</b>	<b>2,638.8</b>	<b>1,832.4</b>	<b>1,618.5</b>	<b>1,507.5</b>	<b>1,507.5</b>	<b>1,507.5</b>

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	2,638.8	1,832.4	1,618.5	1,507.5	1,507.5	1,507.5
<b>TOTAL</b>	<b>2,638.8</b>	<b>1,832.4</b>	<b>1,618.5</b>	<b>1,507.5</b>	<b>1,507.5</b>	<b>1,507.5</b>

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

FULL-TIME	10	10	10	10	10	10
PART-TIME	0	0	0	0	0	0
TEMPORARY	7	9	3	0	0	0

ANALYSIS: (Attach a separate page if necessary)

The actual costs to participating employers due to the retirement incentive 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 program.

The cost as a percent of salary for PERS and TRS employees first hired after March 31, 1996 is estimated to be 5.5%. Please refer to the attached graphs for a complete explanation.

Prepared by: Robert F. Stanger *Robert F. Stanger* Phone: 465-4470  
 Division: Retirement & Benefits Date: \_\_\_\_\_

Approved by Commissioner: Mark Boyer *Mark Boyer*  
 Agency: Department of Administration Date: 5/2/95

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FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148(RLS)

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 June 30, 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 June 30, 1998. Participating PERS political subdivision employers may adopt a RIP between October 31, 1995 and October 31, 1996. 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 ten permanent employees will be needed to manage the operations of the program and increased service demands into the future. Nine long-term non-permanent employees will also be needed over the next two fiscal years, with three 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 17 trips over the next two fiscal years to assure that members and employers understand the options and requirements of the programs.

This bill also creates a third tier in the PERS and TRS. The major provisions of the third tier will: 1) lower the employee contribution rate, 2) increase the service based retirement requirements, 3) set the benefit multiplier at one and one-half percent for all years of service, 4) makes dependent medical coverage purchasable by the retiree, 5) eliminates the 66 2/3 last survivor option, and 6) eliminates the Level Income Option for PERS.

However, the biggest change is that tier three, mandatory for state of Alaska and the University of Alaska, is elective for all other employers. Also, when determining employer contribution rates, tier one and two will be determined separately from tier three. Previous changes to the retirement systems have been mandatory.

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

FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148(RLS)

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
<b>PERSONAL SERVICES</b>			
	<u>FY 1996</u>		
1 Analyst/Programmer IV	\$ 62.4		
2 Accountant III	117.2		
2 Retirement & Benefits Spec II	117.2		
2 Retirement & Benefits Spec I	103.0		
1 Accounting Tech I	45.5		
2 Retirement & Benefits Tech II	82.4		
4 Retirement & Benefits Tech II (NP)	148.8		
3 Accounting Clerk III (NP)	100.8		
2 Admin Clerk I (NP)	<u>58.2</u>		
TOTAL FY 1996 COSTS .....		\$835.5	
	<u>FY 1997</u>		
1 Analyst/Programmer IV	\$ 62.4		
2 Accountant III	117.2		
2 Retirement & Benefits Spec II	117.2		
2 Retirement & Benefits Spec I	103.0		
1 Accounting Tech I	45.5		
2 Retirement & Benefits Tech II	82.4		
4 Retirement & Benefits Tech II (NP)	148.8		
3 Accounting Clerk III (NP)	100.8		
2 Admin Clerk I (NP)	<u>58.2</u>		
TOTAL FY 1997 COSTS .....		\$935.5	
	<u>FY 1998</u>		
1 Analyst/Programmer IV	\$ 62.4		
2 Accountant III	117.2		
2 Retirement & Benefits Spec II	117.2		
2 Retirement & Benefits Spec I	103.0		
1 Accounting Tech I	45.5		
2 Retirement & Benefits Tech II	82.4		
2 Retirement & Benefits Tech I (NP)	74.4		
1 Accounting Clerk I (NP)	<u>33.8</u>		
TOTAL FY 1998 COSTS .....			\$527.7

FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148(RLS)

TRAVEL

Traveling to various locations throughout the state to counsel prospective retirees and give seminars.

\$ 60.0                      \$ 60.0                      \$ 55.0

CONTRACTUAL

Communication (Telephone, Postage)  
Actuarial Services  
Computer System Upgrades  
Legal Services  
Audit Services  
Lease Space  
Mainframe Computer Time  
Software Maintenance  
Training/Risk Management  
TOTAL CONTRACTUAL

23.4	23.4	19.0
240.0	240.0	240.0
600.0	0.0	0.0
110.0	110.0	110.0
40.0	40.0	40.0
500.0	500.0	500.0
15.0	15.0	11.5
5.1	0.0	0.0
<u>3.4</u>	<u>3.4</u>	<u>3.4</u>
1,536.9	931.8	923.9

SUPPLIES

Office Supplies, Calculators, software

20.4                      5.1                      3.9

EQUIPMENT

Computer Workstations  
File Cabinets (10)  
Office Chairs (17)  
Microfiche Viewers (17)  
Office Workstations  
Computer/Network Printers  
Computer Network Upgrades  
Telephone Unit (17)  
Total Equipment

68.0	0.0	0.0
4.0	0.0	0.0
10.2	0.0	0.0
10.2	0.0	0.0
50.0	0.0	0.0
12.0	0.0	0.0
21.4	0.0	0.0
<u>10.2</u>	<u>0.0</u>	<u>0.0</u>
186.0	0.0	0.0

TOTAL OPERATIONS COST

\$2,638.8                      \$1,832.4                      \$1,818.5

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

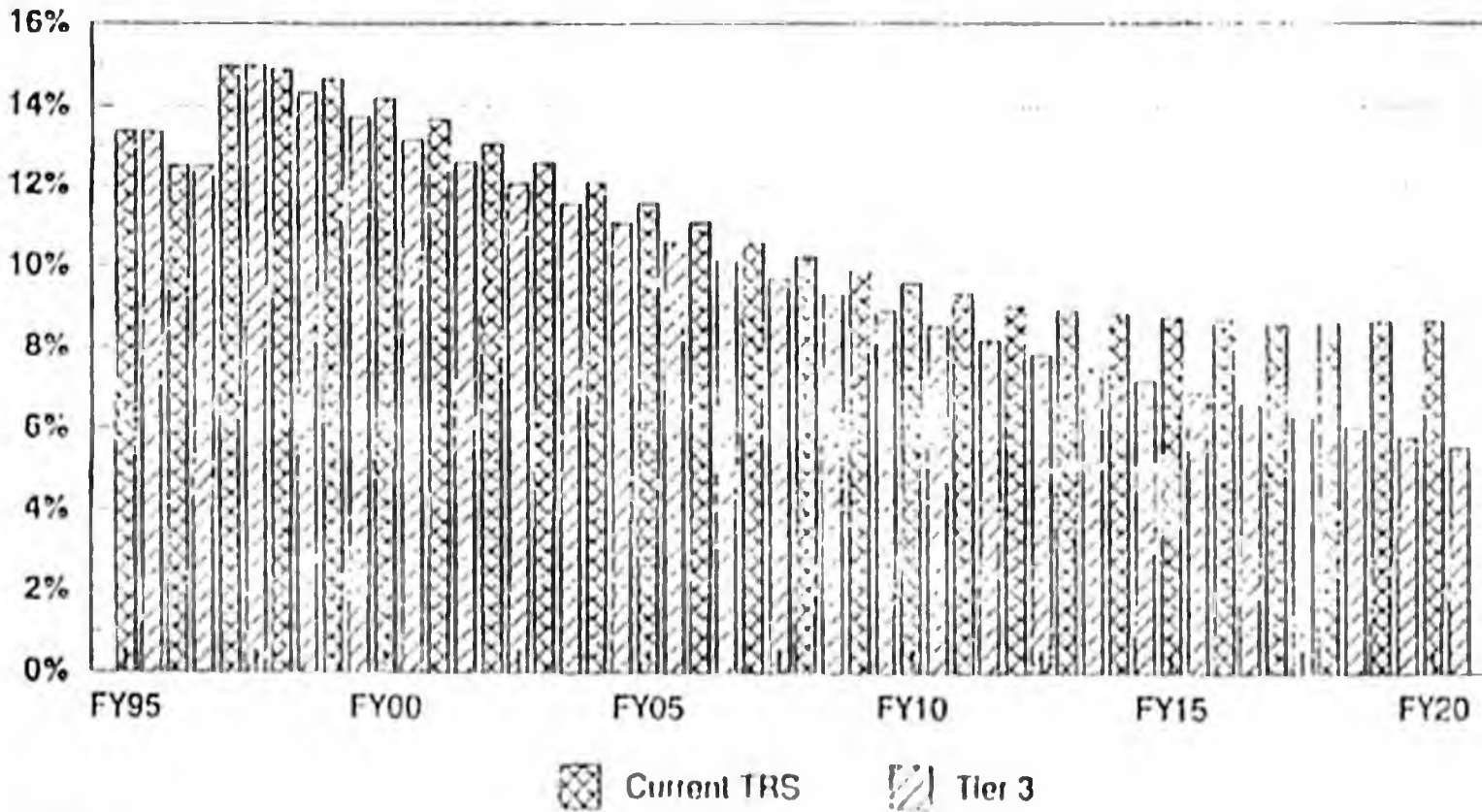
1029	PERS	\$1,451.3
1034	TRS	<u>1,187.5</u>
		\$2,638.8

# STATE OF ALASKA TRS

## TIER 3 PLAN PROVISIONS

### COMPARISON OF TOTAL EMPLOYER CONTRIBUTION RATES

(% of Pay)



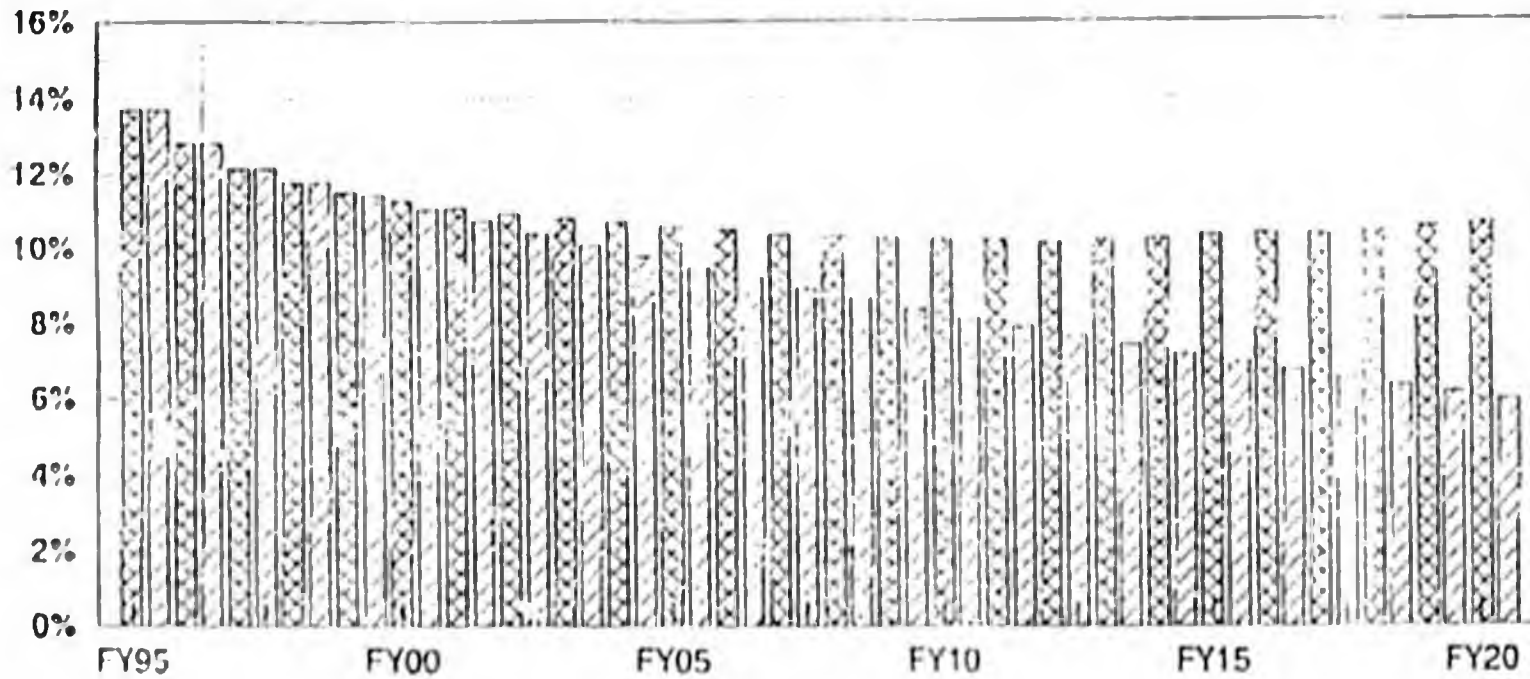
SB11113r

# STATE OF ALASKA PERS

## TIER 3 PLAN PROVISIONS

### COMPARISON OF TOTAL EMPLOYER CONTRIBUTION RATES

(% of Pay)



Current PERS Tier 3

SBI11P3r

STATE OF ALASKA DEPARTMENT OF REVENUE

FISCAL NOTE

no. 3  
 Bill Version: CS98148 RLS  
 (S) Publish Date: 5-2-95

STATE OF ALASKA  
 1995 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
 Title: "An Act relating to contributions and benefits..."  
 Sponsor: Senate Finance  
 Requestor: \_\_\_\_\_

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	19.1	19.1	19.6	9.8	0.0	0.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	19.1	19.1	19.6	9.8	0.0	0.0

CAPITAL EXPENDITURES	0	0	0	0	0	0
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CHANGE IN REVENUES ( )	0	0	0	0	0	0
------------------------	---	---	---	---	---	---

FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	19.1	19.1	19.6	9.8	0.0	0.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER						
TOTAL	19.1	19.1	19.6	9.8	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, Director  
 Division: Finance

Phone: 465-2240  
 Date: \_\_\_\_\_

Approved by Commissioner: Marc Boyer  
 Agency: Department of Administration

Date: 5/2/95

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PRESS ENTER TO CONTINUE

04/18/95

Personal Services Cost Calculations Detail

08:05:07

Position: 02-02#167	Project: 0	Salary Costs:	13,968.00
Component: 02-95-04-04-00-00	Region:	Benefits Costs:	5,083.57
Scenario: 2 FY: 96	COLA %: 0.000	C.O.L.A. Costs:	0.00
		Total Costs:	19,051.57

Schedule: 2A Range: 12 Step: A & Extra Step:

Monthly Base Rate: 2328.00 & Extra Rate:	0.00	( FROM SALARY SCHEDULE )
Base Hourly Rate @ 162.50 Hours Per Month:	14.33	( FROM SALARY SCHEDULE )

Salary: for	6.0 months	+ COLA	& for	0.0 months	+ COLA	Total
Annual Pay=	13,968.00	0.00	0.00	0.00	13,968.00	
Premium Pay=	0.00	0.00			0.00	
Totals=	13,968.00	0.00	0.00	0.00	13,968.00	

Benefits:	Est. cost	+ COLA	Seas. Ind.= P	Barg. Unit= GG	Ret. Code= A
SBS=	856.23	0.00	SBS rate= 0.06130	* salary: max= 3861.90	
Medicare=	139.68	0.00	Med rate= 0.01000	* salary: max= 99999.99	
Retirement=	1,966.69	0.00	Retirement rate	0.14080	* salary
Variable=	821.31	0.00	Variable benefits rate	0.058800	* salary
Short-term=	0.00	0.00	Nonperm benefits rate	0.000000	* salary
Fixed Ben.=	1,299.66	N/A	6.0 months @	433.220 & 0.0 @	0.000 /2

FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148 (RLS)

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 program.

Accounting Technician I,

	FY 96	FY 97	FY 98	FY 99
Range 14 A half time.	19.1	19.1		
Range 14 B half time.			19.6	9.8

POSITION INFORMATION HAS BEEN UPDATED AND FUNDING HAS BEEN UPDATED.  
04/18/95 Position Information Inquiry/Update

08.05:01

Position: 02-02#157 Project: 0 Salary Costs: 13.968.00  
Component: 02-95-04-04-00-00 Region: Benefits Costs: 5.083.57  
Scenario: 2 FY: 96 COLA % = 0.000 Total Costs: 19.051.57

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

00/00/00 Step: A for 6.0 months & Step: B for 0.0 months (total: 6.00 )  
Merit Date: use merit defaults? N ( 0.0 @ & 0.0 @ )  
0 Class/Sched Prefix: 2 Schedule: 2A (actual: )  
Bargaining Unit: GG Range: 12 (actual: )  
Location Code: AWA Place: JUNEAU  
Job Class Code: P1210 Title: ACCOUNTING TECH I \_\_\_\_\_  
Seasonal Indic.: P 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

# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148(RLS) nm (EDF FLD)

Revision Date \_\_\_\_\_  
Title An Act relating to contributions and benefits in the teachers' retirement system and in the public employees' retirement system  
Sponsor Senate Finance Committee  
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	835.5	835.5	635.7	527.7	527.7	527.7
TRAVEL	60.0	60.0	55.0	52.0	52.0	52.0
CONTRACTUAL	1,536.9	931.8	923.9	923.9	923.9	923.9
SUPPLIES	20.4	5.1	3.9	3.9	3.9	3.9
EQUIPMENT	186.0	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
<b>TOTAL OPERATING</b>	<b>2,638.8</b>	<b>1,832.4</b>	<b>1,618.5</b>	<b>1,507.5</b>	<b>1,507.5</b>	<b>1,507.5</b>

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
------------------------	-----	-----	-----	-----	-----	-----

**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/AMTA	0.0	0.0	0.0	0.0	0.0	0.0
OTHER	2,638.8	1,832.4	1,618.5	1,507.5	1,507.5	1,507.5
<b>TOTAL</b>	<b>2,638.8</b>	<b>1,832.4</b>	<b>1,618.5</b>	<b>1,507.5</b>	<b>1,507.5</b>	<b>1,507.5</b>

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

FULL-TIME	10	10	10	10	10	10
PART-TIME	0	0	0	0	0	0
TEMPORARY	9	9	7	0	0	0

**ANALYSIS:** (Attach a separate page if necessary.)

The actuarial costs to participating employers due to the retirement incentive 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 program.

The cost as a percent of salary for PERS and TRS employees first hired after March 31, 1996 is estimated to be 5.5%. Please refer to the attached graphs for a complete explanation.

Prepared by Robert F. Stansaker *Robert F. Stansaker* Phone 465-4470  
Division Retirement & Benefits Date \_\_\_\_\_

Approved by Commissioner Mark Meyer *Mark Meyer*  
Agency Department of Administration Date 5/5/95

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## FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148(RLS) am (EDF FLD)

### 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 June 30, 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 June 30, 1998. Participating PERS political subdivision employers may adopt a RIP between October 31, 1995 and October 31, 1996. 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 ten permanent employees will be needed to manage the operations of the program and increased service demands into the future. Nine long-term non-permanent employees will also be needed over the next two fiscal years, with three 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 17 trips over the next two fiscal years to assure that members and employers understand the options and requirements of the programs.

This bill also creates a third tier in the PERS and TRS. The major provisions of the third tier will: 1) lower the employee contribution rate, 2) increase the service based retirement requirements, 3) set the benefit multiplier at one and one-half percent for all years of service, 4) makes dependent medical coverage purchasable by the retiree, 5) eliminates the 66 2/3 last survivor option, and 6) eliminates the Level Income Option for PERS.

However, the biggest change is that tier three, mandatory for state of Alaska and the University of Alaska, is elective for all other employers. Also, when determining employer contribution rates, tier one and two will be determined separately from tier three. Previous changes to the retirement systems have been mandatory.

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

FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

BILL NO. CSSB 148(RLS) am (EDF FLD)

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
<b>PERSONAL SERVICES</b>			
	<u>FY 1996</u>		
1 Analyst/Programmer IV	\$ 62.4		
2 Accountant III	117.2		
2 Retirement & Benefits Spec II	117.2		
2 Retirement & Benefits Spec I	103.0		
1 Accounting Tech I	45.5		
2 Retirement & Benefits Tech II	82.4		
4 Retirement & Benefits Tech II (NP)	148.8		
3 Accounting Clerk III (NP)	100.8		
2 Admin Clerk I (NP)	<u>58.2</u>		
TOTAL FY 1996 COSTS		\$835.5	
	<u>FY 1997</u>		
1 Analyst/Programmer IV	\$ 62.4		
2 Accountant III	117.2		
2 Retirement & Benefits Spec II	117.2		
2 Retirement & Benefits Spec I	103.0		
1 Accounting Tech I	45.5		
2 Retirement & Benefits Tech II	82.4		
4 Retirement & Benefits Tech II (NP)	148.8		
3 Accounting Clerk III (NP)	100.8		
2 Admin Clerk I (NP)	<u>58.2</u>		
TOTAL FY 1997 COSTS		\$835.5	
	<u>FY 1998</u>		
1 Analyst/Programmer IV	\$ 62.4		
2 Accountant III	117.2		
2 Retirement & Benefits Spec II	117.2		
2 Retirement & Benefits Spec I	103.0		
1 Accounting Tech I	45.5		
2 Retirement & Benefits Tech II	82.4		
2 Retirement & Benefits Tech I (NP)	74.4		
1 Accounting Clerk I (NP)	<u>33.6</u>		
TOTAL FY 1998 COSTS			\$635.7

FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148(RLS) am (EDF FLD)

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
<b>TRAVEL</b>			
Traveling to various locations throughout the state to counsel prospective retirees and give seminars	\$ 60 0	\$ 60 0	\$ 55 0
<b>CONTRACTUAL</b>			
Communication (Telephone, Postage)	23 4	23 4	19 0
Actuarial Services	240 0	240 0	240 0
Computer System Upgrades	600 0	0 0	0 0
Legal Services	110 0	110 0	110 0
Audit Services	40 0	40 0	40 0
Lease Space	500 0	500 0	500 0
Mainframe Computer Time	15 0	15 0	11 5
Software Maintenance	5 1	0 0	0 0
Training/Risk Management	<u>3 4</u>	<u>3 4</u>	<u>3 4</u>
<b>TOTAL CONTRACTUAL</b>	<b>1,538 9</b>	<b>931 8</b>	<b>923 9</b>
<b>SUPPLIES</b>			
Office Supplies, Calculators, software	20 4	5 1	3 9
<b>EQUIPMENT</b>			
Computer Workstations	68 0	0 0	0 0
File Cabinets (10)	4 0	0 0	0 0
Office Chairs (17)	10 2	0 0	0 0
Microfiche Viewers (17)	10 2	0 0	0 0
Office Workstations	50 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 (17)	<u>10 2</u>	<u>0 0</u>	<u>0 0</u>
Total Equipment	<b>186 0</b>	<b>0 0</b>	<b>0 0</b>
<b>TOTAL OPERATIONS COST</b>	<b>\$2,638 8</b>	<b>\$1,832 4</b>	<b>\$1,618 5</b>

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

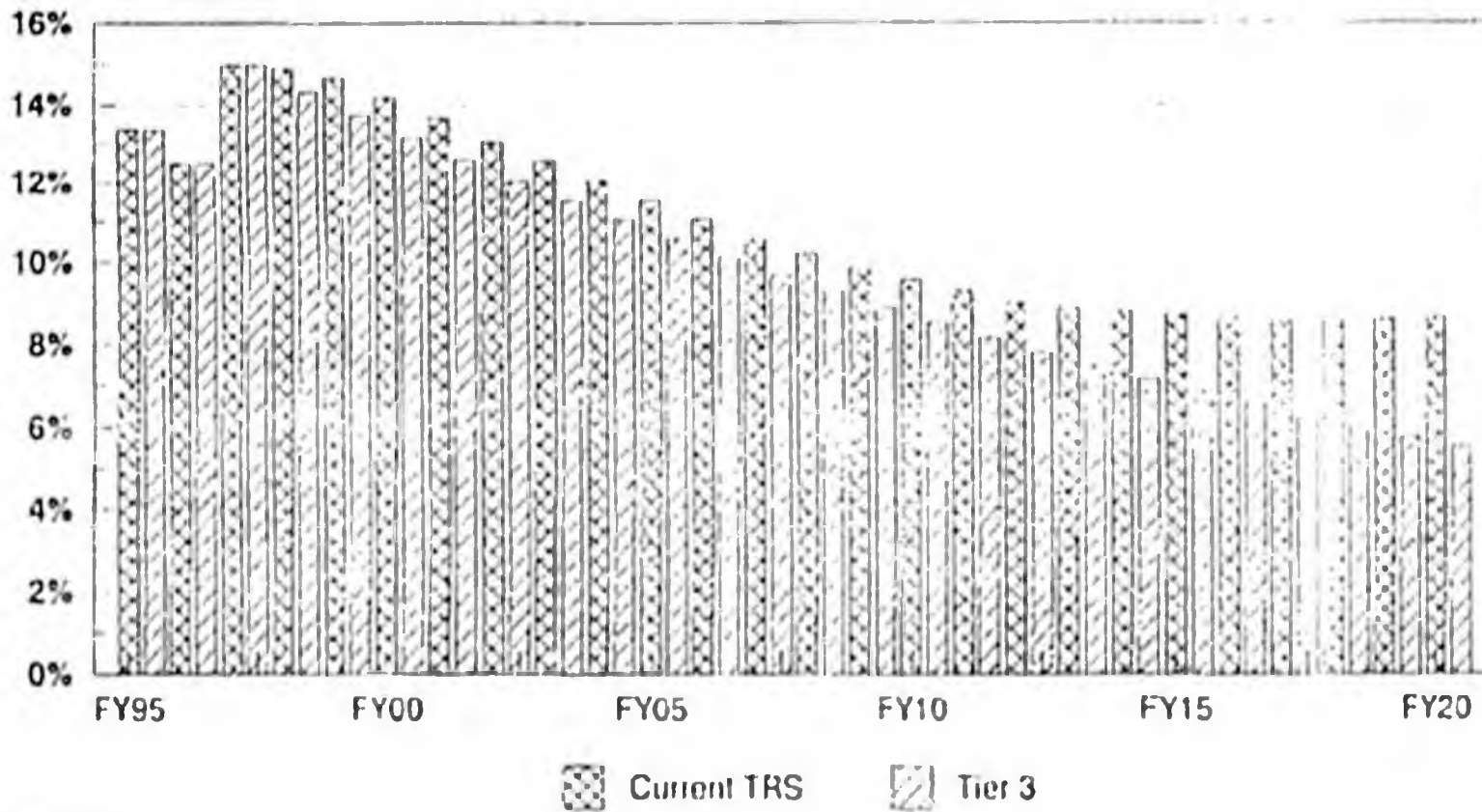
1029	PERS	\$1,451 3
1034	TRS	<u>1,187 5</u>
		<b>\$2,638 8</b>

# STATE OF ALASKA TRS

## TIER 3 PLAN PROVISIONS

### COMPARISON OF TOTAL EMPLOYER CONTRIBUTION RATES

(% of Pay)



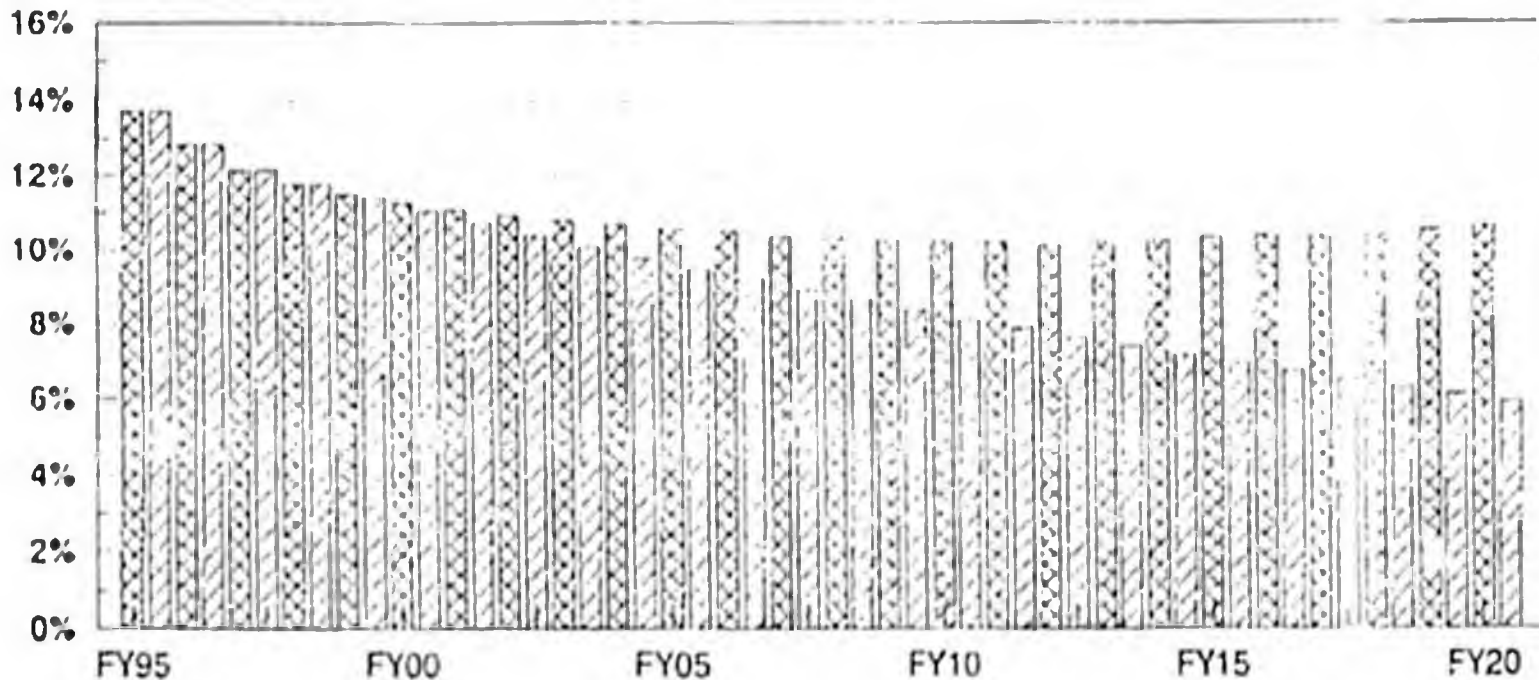
SB11113

# STATE OF ALASKA PERS

## TIER 3 PLAN PROVISIONS

### COMPARISON OF TOTAL EMPLOYER CONTRIBUTION RATES

(% of Pay)



 Current PERS       Tier 3

SB111P3:

APR 28 1995 17:55 AM PERD

FISCAL NOTE

BILL NO. CSSB 148(RLS)am(cfd fld)

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

Revision Date \_\_\_\_\_

Department Affected: Administration

Title: "An Act relating to retirement incentive..."

BRU: Finance

Component: Finance

Sponsor: Senate Finance

Requestor: \_\_\_\_\_

COMPONENT SERIAL NO. 59

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	19.1	19.1	19.6	9.8	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 & 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
<b>TOTAL OPERATING</b>	<b>19.1</b>	<b>19.1</b>	<b>19.6</b>	<b>9.8</b>	<b>0.0</b>	<b>0.0</b>

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
--------------------	-----	-----	-----	-----	-----	-----

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	19.1	19.1	19.6	9.8	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
<b>TOTAL</b>	<b>19.1</b>	<b>19.1</b>	<b>19.6</b>	<b>9.8</b>	<b>0.0</b>	<b>0.0</b>

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 *(CW)*  
Division Finance

Phone 465-2240  
Date \_\_\_\_\_

Approved by Commissioner Mark Boyer *(Signature)*  
Agency Department of Administration

Date 5/5/95

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FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148(RLS)am(cfd fd)

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 program.

Accounting Technician I,

	FY 96	FY 97	FY 98	FY 99
Range 14 A half time.	19.1	19.1		
Range 14 B half time.			19.6	9.8

4/27/96



# NEA-ALASKA Position Paper

## TRS and PERS: An Uncertain Future

<b>Tier I</b> <b>TRS 7/1/55 - 6/30/90</b> <b>PERS 1/1/61 - 6/30/86</b>	<b>Tier II</b> <b>TRS Hired on or after 7/1/90</b> <b>PERS Hired on or after 7/1/86</b>	<b>Tier III (SB 148)</b> <b>(Proposed legislation as of 6/1/95)</b> <b>NEA-Alaska opposes.</b>
Pre-tax employee contribution Teachers - TRS 4.2% for PERS and school district employees	Pre-tax employee contribution 5.65% for teachers (5.0% for PERS and 0.65% for TRS) and 6.0% for PERS school district employees 1.0% for other employees (0.5% for TRS and 0.5% for PERS)	Pre-tax employee contribution 5.5% for teachers 6.0% for PERS
Salary schedule for TRS and PERS - 10% annual salary increase from 1980 to 1990 - 10% annual salary increase from 1990 to 1995 - 10% annual salary increase from 1995 to 2000 - 10% annual salary increase from 2000 to 2005 - 10% annual salary increase from 2005 to 2010 - 10% annual salary increase from 2010 to 2015 - 10% annual salary increase from 2015 to 2020 - 10% annual salary increase from 2020 to 2025 - 10% annual salary increase from 2025 to 2030 - 10% annual salary increase from 2030 to 2035 - 10% annual salary increase from 2035 to 2040 - 10% annual salary increase from 2040 to 2045 - 10% annual salary increase from 2045 to 2050	Salary schedule for TRS and PERS - 10% annual salary increase from 1980 to 1990 - 10% annual salary increase from 1990 to 1995 - 10% annual salary increase from 1995 to 2000 - 10% annual salary increase from 2000 to 2005 - 10% annual salary increase from 2005 to 2010 - 10% annual salary increase from 2010 to 2015 - 10% annual salary increase from 2015 to 2020 - 10% annual salary increase from 2020 to 2025 - 10% annual salary increase from 2025 to 2030 - 10% annual salary increase from 2030 to 2035 - 10% annual salary increase from 2035 to 2040 - 10% annual salary increase from 2040 to 2045 - 10% annual salary increase from 2045 to 2050	Salary schedule for TRS and PERS - 10% annual salary increase from 1980 to 1990 - 10% annual salary increase from 1990 to 1995 - 10% annual salary increase from 1995 to 2000 - 10% annual salary increase from 2000 to 2005 - 10% annual salary increase from 2005 to 2010 - 10% annual salary increase from 2010 to 2015 - 10% annual salary increase from 2015 to 2020 - 10% annual salary increase from 2020 to 2025 - 10% annual salary increase from 2025 to 2030 - 10% annual salary increase from 2030 to 2035 - 10% annual salary increase from 2035 to 2040 - 10% annual salary increase from 2040 to 2045 - 10% annual salary increase from 2045 to 2050
Health insurance - TRS: 100% employer contribution - PERS: 100% employer contribution	Health insurance - TRS: 100% employer contribution - PERS: 100% employer contribution	Health insurance - TRS: 100% employer contribution - PERS: 100% employer contribution
Disability insurance - TRS: 100% employer contribution - PERS: 100% employer contribution	Disability insurance - TRS: 100% employer contribution - PERS: 100% employer contribution	Disability insurance - TRS: 100% employer contribution - PERS: 100% employer contribution
Pension benefits - TRS: 100% employer contribution - PERS: 100% employer contribution	Pension benefits - TRS: 100% employer contribution - PERS: 100% employer contribution	Pension benefits - TRS: 100% employer contribution - PERS: 100% employer contribution
Pension benefits - TRS: 100% employer contribution - PERS: 100% employer contribution	Pension benefits - TRS: 100% employer contribution - PERS: 100% employer contribution	Pension benefits - TRS: 100% employer contribution - PERS: 100% employer contribution
Pension benefits - TRS: 100% employer contribution - PERS: 100% employer contribution	Pension benefits - TRS: 100% employer contribution - PERS: 100% employer contribution	Pension benefits - TRS: 100% employer contribution - PERS: 100% employer contribution



# NEA-ALASKA

*Affiliated with the National Education Association*

## NEA-ALASKA POSITION PAPER SB 148

NEA-Alaska opposes passage of SB 148 because of its adverse impact on the teaching profession. SB 148 will negatively impact Alaska's ability to retain teachers and attract qualified new teachers to our state. We are concerned about the bill's negative impact on TRS participants and school employees in the PERS system.

Our schools are experiencing a teacher shortage. A recent supply and demand study conducted by the Alaska Teacher Placement Service at the University of Alaska, Fairbanks found that the demand for elementary and secondary teachers in the State of Alaska remains strong due to the constant growth of Alaska's student population. Teacher shortages still exist in rural areas. Alaska's universities are striving to meet the demand for educators, but as in prior years, the demand is strongest in areas with the fewest potential University of Alaska graduates. Special education, counseling and speech pathology programs are critical shortage areas. Shortages in some hard to fill positions remain open due to shortages of qualified applicants.

The increase of 25,000 additional Alaskan households over the past four years has continued to elevate the demand for teachers and the support personnel needed to effectively educate children. It is estimated that 21% of Alaska's population is school-age. As a result of growth, Alaska's school districts saw a net increase of 76.5 new teaching positions in 1995. This increase also resulted in an increase in support staff positions.

Furthermore, the demand for educators and school employees is projected to remain high in the out-years because of the aging of the current teacher and support employee work force. An additional variable is turnover. Areas such as industrial arts, library/media, school psychologists and counselors experienced an approximate 10% turn-over rate, a 15% change rate occurred in the fields of math and speech pathology and a 20% turnover rate in special education. The average turnover rate for administrators and teachers for all Alaska's school districts in 1995 was 13.67%. Some of these school employees leave employment. It is clear that every attempt must continue to be made to recruit qualified candidates for Alaska's schools, first from within the State and then from outside.

must continue to be made to recruit qualified candidates for Alaska's schools, first from within the State and then from outside.

School budget cuts have affected staffing expansion thus driving up class size but it is predicted that annual hiring levels should remain stable at around the 800 level according to the report.

These factors have a direct impact on Alaska's capacity to retain and attract qualified applicants to both teaching and support positions. School district salaries, the PERS and TRS retirement programs and benefit packages contribute directly to our state's ability to secure qualified teachers and school employees for our children.

Will weakening the retirement system for new school employees through passage of SB 148 tend to dry up the pool of qualified applicants needed to meet the demand for more teachers and support personnel caused by enrollment growth? Will the bill diminish our chances of attracting qualified applicants to critical teacher shortage areas?

Will requiring teachers and support personnel to work longer increase employee turn over and contribute to burn out? Doesn't the affect of requiring a person to work longer actually shift greater costs to the school district in the long run? At a point when a teacher could retire under current law, SB 148 requires a person to work an additional 10 years or reach age 60 or achieve the sum of the member's age plus years of service equal or exceeding 85.

If SB 148 becomes law, teachers and support staff will have little option but to work to age 60 or as long as they can because the lower 1.5% benefit multiplier will make it prohibitive to retire at any time short of 30 years. Reducing the benefit multiplier means a teacher working 20 years or a nine month school secretary working 26.6 years will receive 30% of his or her final average salary. A teacher with 30 years of service will be entitled to a retirement annuity of 45% of his or her final average salary and the secretary would have to accumulate 40 years of service credit to get 45% of his or her final average salary.

Public school teachers don't participate in social security like teachers in many states, or receive a supplemental benefit system like members of PERS or have attractive severance arrangements like some school administrators in Alaska. Currently our teachers receive 40% of their final average salary after 20 years of service. Under SB 148 a teacher will receive 45% of his or her final average salary after 30 years of service - that's it - there is no supplemental benefit provided.

Is it good public policy to demand 30 years of work for a teacher and 40 years for the school support staff member or work to at least age 60 in order to retire at full benefits?

If SB 148 becomes law, teachers will be forced to moonlight after school or during the summer to establish the necessary credits to qualify for a modest, but necessary, Social Security annuity. Will this moonlighting make it more difficult for teachers to study in the summer or take additional courses during the school year?

It is assumed that Alaskan retirement systems are important to those who want to retire and live in Alaska. Will persons be able to retire in Alaska under SB 148 or does this measure become an incentive for retirees to leave?

We urge the House Finance Committee to oppose the bill because it will make teaching less attractive. In summary, please consider the bills (1) impact on Alaska's ability to attract qualified teachers and support employees, (2) weakening of the profession by forcing employees to rely on other occupations and jobs to establish retirement credit in social security or some other system, (3) impact on a teacher or a support person who must work to the rule of 85 and (4) negative impact on both teachers and support staff who want to retire in Alaska.

4-27-96

Analysis of changes to the Public Employee's (PERS) and Teacher's (TRS)  
Retirement Systems as proposed in the CS for SB 148.

One of the attached charts identifies the benefit changes as compared to the current tier II in both the PERS and TRS. The second chart provides a comparison of different levels of benefits provided by multi employer (union) plans, public employer plans, private sector plans, and Social Security.

The savings shown on the first chart represent a reduction in percent of pay from the current assumed rate for tier II employees in each system. Currently, we assume the rate for tier II employees in the PERS is 10% and in the TRS is 8.3%. When applying the estimated percent reduction, the estimated normal cost for tier III employees would be 5.28% in the PERS and 5.69% in the TRS. In both cases, the employees would be contributing 5.5% or approximately 1/2 of the total rate.

The real savings will be realized when you replace the current tier I employees, who cost approximately 13.5% in the PERS and 14% in the TRS, with the tier III employees. The estimated savings (for R/P purposes) in the PERS would be 8.22% and in the TRS would be 8.31% of pay.

When the tier II legislative changes were implemented in the TRS in 1990, the actuaries proposed a level funding method to the TRS Board in recognition of the traumatic changes between the tier I and tier II benefits. While that decision is one best left to the actuaries, I would expect that they will certainly give strong analysis to the funding viability of a level funding strategy with this change. If one were implemented, a real savings in contributions could be expected almost immediately.

Comparison of Tier II and Proposed Tier III

Tier II	Tier III	Tier III Cost Savings	
		PERS	TRS
<p>Pre-tax employee contribution rates of:</p> <ul style="list-style-type: none"> <li>8.65% for teachers</li> <li>6.75% for 'all others'</li> <li>7.5% for peace officers</li> </ul>	<p>Pre-tax employee contribution rates of:</p> <ul style="list-style-type: none"> <li>5.5% for teachers and 'all others' in PERS</li> <li>6% for peace officers and fire fighters</li> </ul> <p>These rates will be for new hires only.</p>	+1.20%	+3.12%
<p>Normal retirement age is 60, teachers, peace officers and fire fighters are eligible to retire after 20 years of service. 'All others' in PERS are eligible to retire after 30 years.</p>	<p>Sets normal retirement age to 60, peace officers and fire fighters are eligible to retire after 25 years of service. 'All others' in PERS and teachers are eligible to retire utilizing the 'rule of 85'</p>	-0.25%	-0.85%
<p>Early retirement is allowed at age 55</p>	<p>Sets the age for early retirement to age 55. The actuarial reduction will be 1/2% per month, 6% per year.</p>	n/a	n/a
<p>Grants PRPA increases to disabled members, retirees 60 and over and those who have received benefits for 8 years in the TRS and 5 years in the PERS.</p>	<p>Grants PRPA increases of 50% CPI to disabled members and retirees 60 and over.</p>	-0.50%	-0.50%
<p>Major medical insurance is provided free of charge to disabled members and retirees over the age of 65. Retirees under age 60 must pay the full cost of the insurance, while those between the ages of 60 and 65 must pay one-half the premium cost. Health also includes dependents.</p>	<p>Major medical insurance will be provided free of charge to disabled members and retirees at least age 65. Retirees under age 60 must pay the full cost of the insurance, while those between the ages of 60 and 65 must pay one-half the premium cost. Health coverage is for the retiree only. Dependent coverage is optional and may be purchased by the retiree.</p>	-2.20%	-1.40%
<p>PERS members vest with 5 years of service. TRS members vest with 8 years of service.</p>	<p>All members will vest with 5 years of credited service.</p>	n/a	-0.04%
<p>PERS 'all others' and elected officials formula is 2% for the first 10 years of service, 2.25% for the next 10 years and 2.5% per year thereafter. PERS peace officer &amp; fire fighter formula is 2% for the first 10 years and 2.5% thereafter. TRS benefit formula is 2% for the first 20 years, &amp; 2.5% thereafter.</p>	<p>The benefit formula for all employees will be 1.5% for all years of service.</p>	-2.97%	-3.35%
<p>Disability benefits for teachers are paid at 50% of the teacher's base salary with an additional 10% added for each dependent child, up to a maximum of 4 children.</p>	<p>Disability benefits will be paid at 40% of a teacher's base salary. This brings the TRS into accord with the PERS disability statutes.</p>	n/a	-0.09%
		4.72%	-3.11%

## Comparison of Common Plan Provisions

	Small Employer*	Large Private Sector	Public Sector	U.S. Social Security															
1. Age/Service Requirements for Normal Retirement	Age 60 with 5 to 10 years.	Age 65, or age 62 with 20 years.	Age 55 and 30 years or 30 years and out.	Age 65, phasing into age 67 for people born after 1950.															
2. Employee Contributions	None (employer contribution negotiated).	11% require employee contributions, 1% to 2% of pay.	All require employee contributions, 5% to 8% of pay.	6.20% of earnings up to \$61,200, plus 1.45% of all earnings.															
3. Benefit Formula	Flat dollar per year of service, \$40 to \$50.	1.5% of final average pay per year of service.	2.0% of final average pay per year of service.	Varies based on pay, approximate relationship of benefit to final pay:  <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Age</th> <th>Annual S.S. Benefit in 1995</th> <th>Benefit as a % of Pay</th> </tr> </thead> <tbody> <tr> <td>65</td> <td>\$ 6,480</td> <td>34%</td> </tr> <tr> <td>65</td> <td>11,870</td> <td>39%</td> </tr> <tr> <td>65</td> <td>11,188</td> <td>24%</td> </tr> <tr> <td>65</td> <td>11,188</td> <td>14%</td> </tr> </tbody> </table>	Age	Annual S.S. Benefit in 1995	Benefit as a % of Pay	65	\$ 6,480	34%	65	11,870	39%	65	11,188	24%	65	11,188	14%
Age	Annual S.S. Benefit in 1995	Benefit as a % of Pay																	
65	\$ 6,480	34%																	
65	11,870	39%																	
65	11,188	24%																	
65	11,188	14%																	
4. Definition of Pay	WPA	High five consecutive years.	High three consecutive years.	Career average.															
5. COLA's	Ad hoc common, every 1 to 4 years, usually flat percent or based on years since retirement.	Ad hoc common, every 1 to 4 years, usually flat percent or based on years since retirement.	50% provide automatic, 100% of CPI change with 1% cap.	Automatic, based on CPI change.															
6. Vesting	5 to 10 year cliff.	5 year cliff.	50% at 5 year cliff, 50% at 10 year cliff.	40 quarters (10 years)															
7. Post-retirement Health	50% provide full coverage, 10% provide coverage with certain restrictions and limitations.	Common, with retiree contributions and some restrictions.	20% provide coverage fully paid by the employer, 40% require that the retiree share in the cost.	Medicare															
* Based on limited information.																			

# LEGAL SERVICES

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## MEMORANDUM

February 28, 1996

**SUBJECT:** Sectional Summary of CSSB 148(RLS) am(efd fld). (Teachers' Retirement System, Retirement Incentive Programs, and separation incentives)

**TO:** Representative Mark Hanley

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

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional 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.

Time schedule in the bill. This version of SB 148 creates new, reduced versions of the Teachers' Retirement System (TRS) and the Public Employees' Retirement System (PERS) for new employees of the state and permits school districts, political subdivisions, and public organizations to decide whether to retain the existing TRS and PERS for all of their employees or to adopt the reduced TRS or PERS for their new hires.

The timetable assumed that the bill would be passed during the last legislative session: the new retirement systems begin March 31, 1996. You may want to consider adjusting the date.

### AMENDMENTS TO THE TEACHERS' RETIREMENT SYSTEM

Section 1 requires school boards to decide whether to participate in the reduced TRS created by this bill or to retain participation in TRS as it exists now. A school board that chooses to participate in the reduced version of TRS may not change its election later.

Sec. 2 sets out the rates of employee contributions to TRS. For teachers employed by the state who were first hired on or after March 31, 1996, and for teachers first hired by school districts participating in the reduced TRS, the contribution rate is 5.5 percent. For teachers first hired before March 31, 1996, and for teachers hired at any time by school districts who are not participating in the reduced TRS, the rate remains at 8.65 percent.

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**Sec. 3** sets out the method of figuring the employer contribution rate for those employees of an employer in TRS participating in the reduced TRS and the second employer contribution rate for those employees of that employer who are participating in the existing TRS.

**Sec. 4** changes eligibility for normal and early retirement in TRS. For existing employees, normal retirement remains at 60 years of age with at least eight years of service (see paragraphs 2 and 3) or at any age with at least 25 years of credited service (see paragraph 5). For new hires under the reduced TRS, normal retirement is possible, after five years of membership service, at age 60 or when the sum of the member's age and the member's years of membership service equals 85 (see paragraph 4). A teacher who had 25 years of membership service would have to be 60 years of age to qualify under the second provision. Note also that membership service is more limited than credited service. Military service, employment for the Territory of Alaska, employment with a HIA school, and employment for some schools outside the state qualify as credited service but not as membership service. (See the definitions of "credited service" and "membership service" in AS 14.25.220.)

**Sec. 5** sets out how to figure a member's retirement benefit. For both the existing and the reduced TRS, the benefit is figured by multiplying a teacher's monthly salary (as determined under the statute) by the member's credited service and that amount by a percentage established in this statute. Under the existing TRS, the percentage is calculated by multiplying the first 20 years of credited service by two percent and the remaining years of credited service by 2.5 percent. Under the reduced TRS, the percentage is calculated by multiplying the total years of credited service by 1.5 percent.

**Sec. 6** sets out provisions for benefits for early retirement. (Under AS 14.25.110(b), a member is eligible for an early retirement benefit at age 55 with eight years of membership service.) The current TRS provision requires that an actuarial adjustment be made. It does not set out how much that might be. For the reduced TRS, the bill sets the monthly reduction at 5% of the number of months by which the teacher falls short of teaching 60 years of age. (A teacher who retired at age 55 would see a 30% reduction in benefits.)

**Secs. 7 and 8** set out provisions concerning the post retirement pension adjustment (PRPA) for members of TRS.

**Sec. 7** limits the availability of the post retirement pension adjustment under the reduced TRS. Eligible disabled members and persons over 60 who have received benefits during the previous year will continue to be eligible under both TRS systems. Retirees who have been receiving benefits for at least eight years and are not otherwise eligible (as disabled retirees or over 60) will not be eligible for the PRPA under the reduced TRS.

**Sec. 8** changes the PRPA for the reduced TRS, regardless of the age of the retiree, to the lesser of one half the increase in the cost of living or six percent.

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Sec. 9 removes one of the choices for joint and survivor retirement benefits under the reduced TRS. The option would have allowed a member to receive a reduced retirement benefit payable during the joint lifetime of the member and the contingent beneficiary and then, when one of them dies, pays the survivor a lifetime benefit equal to 2/3 of the amount previously received.

Sec. 10 requires benefit recipients under the reduced TRS to pay the full cost of major medical insurance coverage for dependents if they elect to receive major medical insurance coverage for dependents. Under current law, benefit recipients who are younger than 60 years of age must pay the full monthly premium if they elect major medical coverage for themselves or their dependents, those who are between 60 and 65 must pay half the cost for themselves and their dependents, and those over 65 or who are disabled make no premium payments. Current law does not separate premium costs for benefit recipients from the cost of coverage for their dependents.

Sec. 11 changes the definition of "vested member" or "vested teacher" for the reduced TRS by requiring that a member need only have five years of membership service to be vested in the reduced TRS. Current TRS members must have eight years of membership service to be vested (see AS 14.25.220(42)(B)).

Sec. 12 adds definitions for "nonparticipating school district" (a school district not participating in the reduced TRS) and "participating school district" (one that is participating in the reduced TRS).

#### AMENDMENTS TO THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Sec. 13 amends the Public Employees' Retirement System (PERS) employee contribution rates to reflect the establishment of a reduced PERS for employees first hired on or after March 31, 1996. The reduced PERS contribution rate for peace officers and fire fighters is six percent. For other employees in the reduced PERS system, the contribution rate is 5.5 percent. The rates in the existing PERS system are 7.5 percent for peace officers and fire fighters and 6.75 percent other employees.

Sec. 14 sets out the method for figuring the employer contribution rate for those employees of an employer participating in the reduced PERS and a second employer contribution rate for the employees who are participating in the existing PERS. (If an employer has employees under both systems, the employer will have two contribution rates.)

Sec. 15 sets normal retirement under the reduced PERS at 25 years for peace officers and fire fighters. Other employees in the reduced PERS are eligible for normal retirement when the sum of the employee's age and years of credited service equals 85. (A person who was 58 years old would have to have 27 years of credited service to qualify for normal retirement

Representative Mark Hanley

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under this paragraph.) For both the existing and the reduced PERS, a member remains eligible for normal retirement at age 60 with at least five years of credited service.

Sec. 16 sets the benefit reduction for members who take an early retirement under the reduced PERS as the result of multiplying .5 percent times the number of months by which the retirement date of the employee falls short of the date in which the employee reaches 60 years of age. This is the same reduction that is applied to early retirement under the reduced TRS. (See bill section 6.)

Sec. 17 establishes the formula for determining the amount of a normal retirement benefit under the reduced PERS as 1.5 percent of the employee's average monthly compensation times the years of credited service. This formula applies to peace officers and firefighters who are members of the reduced PERS as well as to other employees.

Sec. 18 removes one of the choices for joint and survivor benefits from the options available under the reduced PERS. Under the reduced PERS, members will not be able to select a retirement option that provides a reduced benefit payable during the joint lifetime of the employee and the contingent beneficiary and then, when one of them dies, pays the survivor a lifetime benefit equal to 2/3 of the amount previously received.

Sec. 19 excludes the level income option of benefit payments from the reduced PERS. (Under this option, retirement benefits are increased during the years before the PERS retiree's social security benefits begin, and decreased once he or she becomes eligible for social security. The result is that the total amount of PERS and social security benefits received each month during the person's retirement remains level.)

Sec. 20 limits the availability of the post retirement pension adjustment (PRPA) under the reduced PERS. Eligible disabled members and persons over 60 who received benefits during the previous calendar year will continue to be eligible under both PERS systems. Retirees who have been receiving benefits for at least five years and are not otherwise eligible (as disabled retirees or over 60) will not be eligible for the PRPA under the reduced PERS.

Sec. 21 limits the percentage multiplier for the PRPA that applies to retirees under the reduced PERS to the lesser of one half the increase in the cost of living or six percent.

Sec. 22 requires benefit recipients under the reduced PERS to pay the full cost of major medical insurance coverage for dependents if they elect to receive that coverage. Under current law, benefit recipients who are younger than 60 years of age must pay the full monthly premium if they elect major medical coverage for themselves or their dependents, those who are between 60 and 65 must pay half the cost for themselves and their dependents, and those over 65 or who are disabled make no premium payments. Current law does not separate premium costs for benefit recipients from the cost of coverage for their dependents.

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Sec. 23 permits political subdivisions and public organizations who are participating in PERS on January 31, 1996, to decide whether they want to continue under the current system or switch to the reduced PERS for their new hires. As currently drafted, the section requires them to make this election by February 1, 1996. A choice to switch to the reduced PERS is irrevocable.

Sec. 24 adds a definition of "nonparticipating employer" to PERS.

#### RETIREMENT INCENTIVE AND SEPARATION INCENTIVE PROGRAMS

Secs. 25 - 38 establish a retirement incentive program for PERS and TRS except that, under sec. 38 and under the definition of employer in sec. 26(g), school districts are excluded from participating in the TRS retirement incentive program. Section 34 establishes a separation incentive program for state agencies.

Sec. 25 sets out the legislative findings and purpose of the retirement incentive program (RIP) and the separation incentive program (SIP).

Sec. 26 establishes the general requirements for a retirement incentive program. Subsection (a) permits employers to designate organizational units of employees eligible to participate. It specifically provides that employers may choose limited groups to which to extend the retirement incentive plan.

Subsection (b) limits the employees who will be eligible to participate in the RIP to employees who will be qualified to retire after receipt of the retirement incentive.

Subsection (c) 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 in the RIP by the employer's employees.

Subsection (d) 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 (e) 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 (f) 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.

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Subsection (g) defines "department" and "employer" for purposes of bill section 26. The definition of "employer" includes all PERS employers and specifically includes departments (which are defined as executive branch agencies only). This means that a department may establish a RIP even if other departments do not. For TRS, the definition of "employer" is limited to the University, the Board of Education, and Regional Resource Centers. This excludes school districts from participating.

Sec. 27 authorizes state agencies to adopt a retirement incentive plan for their employees, to begin at the time established by the commissioner of administration. The periods for application must begin no earlier than June 30, 1995, and end no later than June 30, 1998. The periods must be at least 30 days and no more than 60 days in length. There must also be a waiting period of at least 30 days after the schedules are established before the application period begins.

Subsections (c) prohibits top management state employees from participating in a RIP. Subsection (d) requires state employees to have continuous employment with the state for the periods listed. Subsection (e) requires that participants be appointed to retirement no later than six months after the last day of the application period.

Subsection (f) prohibits state agencies from filling vacant positions in a category of positions that was included in the RIP until after March 31, 1996. There are exceptions if the governor notifies Legislative Budget and Audit that he intends to fill a vacancy -- then waits 45 days before filling the position or if LB&A approves filling the vacancy earlier. If LB&A recommends that the vacancy not be filled but the governor still intends to fill it, the governor must provide a statement of reasons to the committee. Note that this provision is drafted to apply to all state agencies, including those in the judicial and legislative branches. At the governor is the only official given the power to request a waiver on filling vacant positions. Note also that the date of March 31, 1996, will pass before this version of the bill could take effect, thereby making this section obsolete.

Subsection (g) defines "committee" for this bill section.

Sec. 28 authorizes the University of Alaska to adopt a retirement incentive plan for its employees and to request that the commissioner of administration establish one or more application windows for the RIP. The application windows must fall between June 30, 1995, and June 30, 1998, last between 30 and 60 days, and begin after a waiting period of at least 30 days.

Subsection (c) requires that participants be appointed to retirement within six months after the end of the application period. Subsection (d) addresses participants in the Optional University Retirement Program.

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Sec. 29 authorizes political subdivisions and public organizations which participate in PERS to adopt a retirement incentive plan for their employees and to request that the commissioner of administration establish one or more application windows for the RIP. The application windows must fall between October 31, 1995 and October 31, 1998, last between 30 and 60 days, and begin after a waiting period of at least 60 days.

Subsection (b) requires that participants be appointed to retirement within six months after the end of the application period.

Sec. 30 authorizes regional resource centers who are employers in TRS to adopt a retirement incentive plan for their employees. The application window begins June 30, 1995, and ends December 31, 1995. Note that these dates have passed.

Subsection (b) requires that participants be appointed to retirement by August 1, 1996.

Sec. 31 permits state employee participants of a RIP 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.

Sec. 32 permits the Department of Administration to take certain actions if employers who are participating in the RIP become delinquent in the payments they owe the system for the increased benefits paid to their retirees under the program.

Sec. 33 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 the Judicial Retirement System.

Subsection (b) prohibits participants from working for a state department or agency for three years after the participant retired. There is an exception, so long as the employee will not be entitled to retirement, health, or leave benefits, to work for the University of Alaska and for employment with the legislature during the session if the employment is on an hourly basis. 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).

Sec. 34 establishes a separation incentive program (SIP) for state agencies, which may offer the program instead of a RIP or in addition to a RIP. Under subsection (b), the separation incentive is a lump sum paid to the employee after the employee leaves state service and is a maximum of the amount of the employee's base salary for six months or \$25,000. The agency may set the incentive at a lower amount. Under subsection (c), a state agency may ask the commissioner of administration to establish application windows for participating in the SIP which must fall between June 30, 1995, and June 30, 1998. The application windows last between 30 and 60 days and may not begin until at least 30 days after they were established. For state agencies that are also participating in the RIP, the windows for the SIP must coincide with the RIP application windows.

Subsection (d) sets requirements that employees must meet to participate in the SIP. Subsection (e) imposes a penalty on an individual who receives a separation incentive payment and is reemployed by a state agency or the University of Alaska within three years after receiving the payment.

Subsection (f) applies to employees who are also eligible to participate in a RIP. For those employees, the separation incentive payment may not exceed the amount that the state agency would have to pay if the employee participated in the RIP and the employee may not participate in both the RIP and the SIP.

Subsection (g) defines "base salary" for bill section 34.

Sec. 35 directs state agencies to file with the Office of Management and Budget reports showing the expected effect of the RIP or the SIP on the agency's personal services cost and operation. Subsection (b) directs OMB to report to the legislature on the RIP and the SIP. The reports are to begin January 15, 1997, and end in the year 2000.

Sec. 36 states that employees do not have a vested or contractual right to benefits under a RIP or a SIP until an agreement is executed with the administrator of the retirement system. The legislature reserves the right to make changes to the program.

Sec. 38 makes the definitions in TRS and PERS, as appropriate, applicable to the bill, except that school districts are excluded from the definition of "employer" for the TRS provisions. This has the effect of excluding school districts from participating in a RIP under this bill. Subsection (c) defines terms used in the bill.

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### OTHER PROVISIONS

Sec. 39 repeals AS 14.25.045, which currently permits certain employees of the National Education Association to participate in the Teachers' Retirement System.

Sec. 40 repeals sections 26, 27, and 34 of the bill on July 1, 1999. Those sections establish the retirement incentive program, authorize the state to participate in the RIP, and authorize the separation incentive program for state employees.

Sec. 41 repeals sections 28 - 31 of the Act, on July 1, 1997. Sections 28 - 30 authorize the University of Alaska, Regional Resource Centers, and those political subdivisions and public organizations that are employers under PERS to participate in the RIP. Section 31, as noted above, allows certain state employees who worked for a political subdivision or public organization before it belonged to PERS to count those years of employment when determining whether the employee is eligible to participate in the RIP. It would probably be more consistent to repeal this section in bill sec. 40, which repeals the authorization for state agencies to participate in the RIP, although there is nothing legally wrong with having these repeals take effect at different times.

Please let me know if you have questions about this bill.

TC.klb  
96-159.klb



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April 24, 1996

Representative Mark Hanley, Co-Chairperson  
 House Finance Committee  
 Alaska House of Representatives  
 Juneau, Alaska 99811

Dear Representative Hanley

Your House Finance Committee is scheduled to hear SB 145 on Friday, April 26, 1996 at 1:30 p.m. This bill adds the third tier to the Teachers' Retirement System.

On behalf of the 281 members of the Alaska Association of Secondary School Principals, our state professional organization, I urge you not to take any further action on this bill, but to bury it. We are convinced it will ultimately hurt the quality of education of the students in the State of Alaska.

At our annual business meeting in Anchorage last October our membership unanimously passed a resolution opposing this bill. We realize school district contributions would be lowered with this third tier retirement program, but it will be many years before those savings are realized, since it affects only those teachers whose initial hire follows the passage of the legislation. In the meantime, we believe the quality of the teachers and principals being hired will decline.

As you have been told, this bill will move Alaska's Teachers Retirement System from one of the best in the nation to one of the worst. While the Alaska mystique may still bring us the young, just-out-of-college teachers who want to spend a couple of years on an adventure — the same mystique that brought many of us to Alaska — with the passage of this bill we will not be able to retain the quality educators. They can return to their home states and have better retirement programs, something that is not true now and keeps them here. Those who have grown up in Alaska and even graduated from our universities will also look elsewhere when they start thinking about retirement. I can tell you that from reading professional association newsletters from all over the country, it is no longer big salaries that will bring teachers and administrators to Alaska or keep them here. We are no longer that far above those in many other states.

Those in IRS do not earn quarters toward social security benefits. As a principal for most of the years since I came to Alaska in 1961, my quarters have run from 11 to 12 months. I had no time for summer jobs to get FICA credits. Those I have right now were earned through summer high school and college jobs and what I have earned since retiring. The same would be true for many other principals.

Please, Mark, do not pass SB 145 out of your committee.

Sincerely,

*Lawrence N. Graham*  
 Lawrence N. Graham  
 Executive Director

Enclosure



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**RESOLUTION #95-3: OPPOSITION TO CS for SB 148**

**SUBMITTED BY:** Alaska Association of Secondary School Principals

WHEREAS the Senate is considering a bill (CS for SB 148) which would directly affect the teachers' retirement system as well as the public employees' retirement system and the judicial retirement system, and

WHEREAS this bill would allow school boards to elect to participate in a program that reduces the district contributions to retirement and benefits provided in the act and would deduct a reduced percentage of the teacher's salary from what is currently required, and

WHEREAS this bill states teachers initially employed by a participating school district after the bill goes into effect would be able to retire only when the teacher has attained the age of 61 years and has at least five years of membership service, or the sum of the member's age plus the member's years of membership service equals or exceeds 85, and

WHEREAS the current teachers' retirement program requires both the district and teacher to contribute more money to the system but allows retirement at the end of 20 years membership service or 25 years service with the last five years in membership service, and

WHEREAS this bill reduces the amount paid to the retiree from two and two and one-half percent (depending on when the teacher was hired) to the average of that teacher's highest three years of salary times the years of credited service to one and one-half percent of the teacher's salary times the years of credited service, and

WHEREAS the Alaska Teachers' Retirement System has been one of the best in the United States and an incentive to bring the best possible teachers to the state who might not otherwise come, especially to rural areas, and an incentive for them to stay in Alaska giving educational programs consistency and continuity, and

WHEREAS the changes proposed in this bill would make the Alaska Teachers' Retirement System one of the worst of any state in the United States and would, therefore, limit the recruitment of the best teachers available in the country to Alaska and would certainly increase the turnover of teachers thus affecting the educational programs throughout the state, and

WHEREAS the savings by both the school districts and individuals due to their reduced contributions would be minimal based on the need to pay those contributions on more years at the highest salaries an individual teacher would earn,

THEREFORE BE IT RESOLVED that the Alaska Association of Secondary School Principals opposes the passage of CS for Senate Bill No. 148 or any bill which attempts to change the retirement program from current provision by lowering the contributions of the benefits for retirees or increasing the years of credited service in qualify for retirement.

APPROVED: 10/1/95



POSITION STATEMENT  
SB 148  
"THIRD TIER FOR TRS AND RIP"

The Alaska Council of School Administrators is strongly opposed to SB 148.

In evaluating what this proposed legislation will do for future members joining the TRS system, we believe that it will place the State of Alaska and the students of this state at risk of not being able to attract the brightest and best educators to serve in our schools.

We need only to look at the comparison of what this third tier retirement system would do for future Alaskan educators with other retirement systems across the country to see that we would lose another edge at attracting talented educators away from those states to Alaska.

Of the sixty nine retirement systems examined 53 plans allow for some combination of TRS and Social Security coverage. If Alaska adopted the third tier, social security has never been a part of the Alaska TRS program and would not be under this proposed third tier system.

While SBS has been an additional benefit to PERS members, and will continue to be, TRS members have never been given the opportunity to participate in it.

SB 148 replaces the current multiplier of 2.0 and 2.5 to 1.5. Of the 69 retirement programs studied, thirty one pension plans use an accrual rate equal to or greater than 2 percent, twenty four plans use an accrual rate between 1.79 and 1.99. Only 7 plans use 1.5 or less as the multiplier for computation of retirement benefits. If Alaska were to adopt 1.5 multiplier, this state would be at the bottom of the list for attractive retirement systems.

We have always heard from the Division of Retirement and Benefits of how financially strong the TRS system is. When there is discussion of an early retirement incentive program, we are reassured that the TRS will remain financially strong. Why are we now saying we need to extend the years of service and lower the multiplier if indeed, the system is financially sound?

What this third tier really does is retain the highest paid teachers in the system even longer when districts are looking for ways to reduce the expenses. The largest area of the budget that can show a savings is in staff salaries.

The benefits for retaining the current retirement system far out weight the reasons our retirement system in Alaska should be reduced to the proposed language. As we have attempted to emphasize, SB 148 places Alaska at the bottom of quality and value when compared with other states. Our salaries are becoming more in line with those of other states. We are having difficulty in retaining quality educators even under the present system for many districts across Alaska. By adopting SB 148, we have created one more reason why not to come to Alaska.

We urge this legislature to take no action on SB 148.

IF ALASKA WERE TO CHANGE THEIR SYSTEM ACCORDING TO SB 148, THIS IS HOW WE WOULD RANK AMONG ALL THE STATES SURVEYED.

A. Fifty three other state retirements systems include Social Security coverage. Alaska would be one of fourteen retirement systems which does not include Social Security. TRS members would continue to be ineligible for SBS.

B. In thirty four pension plans, employees contribute over 5 percent of their annual salaries to the retirement plan. Currently, this includes Alaska. Under the proposed legislation, Alaska would join only eighteen other states who's employees contribute up to 5 percent. Twelve other pensions plans have non-contributory requirements from employees.

C. Fifty five of the sixty nine plans studied used a multiplier higher then 1.5. By placing Alaska at the 1.5 multiplier level, this state would be in the bottom 20%. Alaska is now in the top 45% for states who use a multiplier of 2% or better.

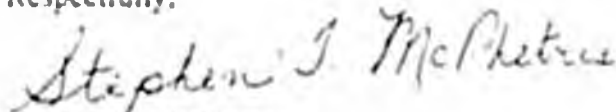
This legislation will cast a gray shadow over what should be a bright future for Alaska.

DISCUSSION POINTS

1. We are currently trying to pass a RIP legislation to move the personnel at the high end of the pay scale out early. The third tier retirement system will keep them in even longer. Is this consistent with what we are trying to do now?
2. It was noted at the recent Teacher Job Fair in Anchorage that there was a substantial reduction in qualified teachers seeking employment. Teacher recruiting will become even more difficult because of the fact that there will be virtually no advantages to come to Alaska. If we are to provide incentives for the best and brightest to come to Alaska to teach, there must be something in place.
3. The document put together to show the positive impact of the three legged stool concept for retirement planning provides only assumptions for TRS enrollees. One assumes TRS enrollees will also contribute to a TSA while PERS enrollees receive the benefit of an SBS. Again, one would like to assume TRS enrollees would be able to earn their required 40 quarters during this 30 year period to insure they would be eligible for Social Security. However, that is only an assumption, not a fact.

We urge the House Finance Committee to take no action on SB 148.

Respectfully,

  
Stephen T. McPhetres  
Executive Director



## Alaska Association Secondary School Principals

Educational Leadership for Alaska's Future

1720 Otter Street • Anchorage, Alaska 99504-2634

(907) 333-9613 • Fax (907) 333-3060

Larry S. LaDona, President  
Kodiak High School  
Kodiak

Lou Matheson, Pres. Elect  
Southwest Region SD  
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Carl G. Kane, Past President  
Metlakatla-Sitka BSD  
Palmer

Keith Tsch, Coordinator  
Central Jt High School  
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Leslie Vanderhoff  
Assistant Principal at Large  
Clark-Jensen High School  
Anchorage

Lawrence H. Graham  
Executive Director  
Anchorage

**RESOLUTION #95-3: OPPOSITION TO CS for SB 148**

**SUBMITTED BY:** Alaska Association of Secondary School Principals

**WHEREAS** the Senate is considering a bill (CS for SB 148) which would directly affect the teachers' retirement system as well the public employees' retirement system, and the judicial retirement system; and

**WHEREAS** this bill would allow school boards to elect to participate in a program that reduces the district contributions to retirement and benefits provided in the act and would deduct a reduced percentage of the teacher's salary from what is currently required; and

**WHEREAS** this bill states teachers initially employed by a participating school district after the bill goes into effect would be able to retire only when the teacher has attained the age of 60 years and has at least five years of membership service, or the sum of the member's age plus the member's years of membership service equals or exceeds 85; and

**WHEREAS** the current teachers' retirement program requires both the district and teacher to contribute more money to the system but allows retirement at the end of 20 years membership service or 25 years service with the last five years in membership service; and

**WHEREAS** this bill reduces the amount paid to the retiree from two or two and one-half percent (depending on when the teacher was hired) of the average of the teachers' highest three years of salary times the years of credited service to one and one-half percent of the teacher's salary times the years of credited service; and

**WHEREAS** the Alaska Teachers' Retirement System has been one of the best in the United States and an incentive to bring the best possible teachers to the state who might not otherwise come, especially to rural areas, and an incentive for them to stay in Alaska giving educational programs consistency and continuity; and

**WHEREAS** the changes proposed in this bill would make the Alaska Teachers' Retirement System one of the worst of any state in the United States and would, therefore, hurt the recruitment of the best teachers available in the country to Alaska and could certainly increase the turnover of teachers, thus affecting the educational programs throughout the state; and

**WHEREAS** the savings by both the school districts and individuals to their reduced contributions would be minimal based on the need to pay those contributions on more years at the highest salaries an individual teacher would earn;

**THEREFORE BE IT RESOLVED** that the Alaska Association of Secondary School Principals opposes the passage of CS for Senate Bill No. 148 or any bill which attempts to change the retirement program from current provision by lowering the contributions or the benefits for retirees or increasing the years of credited service to qualify for retirement.

Alaska Association of  
Elementary School Principals

Resolution 95-8

Supporting the current state teacher retirement system.

Submitted by: Alaska Association of Elementary School Principals

WHEREAS the current pension plan offers a strong incentive to be able to attract the best teachers and administrators in the country; and

WHEREAS proposed legislation (SB148) would remove medical benefits for retirees and their families; and

WHEREAS a pension plan which allows for retirement after 20 years of service can allow for motivated professionals; and

WHEREAS the proposed revision of the current retirement system would make Alaska a much less competitive state in which to make a career as an educator; and

WHEREAS the Alaska State Teacher Retirement System is actuarially sound;

BE IT THEREFORE RESOLVED that the Alaska Association of Elementary School Principals supports the current state teacher retirement system.



# NEA-ALASKA

*Affiliated with the National Education Association*

## NEA-ALASKA POSITION STATEMENT CS SB 148

NEA-Alaska opposes CSSB 148. *"An Act relating to contributions and benefits in the teachers' retirement system and in the public employees' retirement system relating to retirement incentive programs for the public employees' retirement system and the teachers' retirement system; relating to separation incentives for certain state employees; repealing a provision permitting the National Education Association to participate in the teachers' retirement system."*

NEA-Alaska strongly opposes passage of CSSB 148. Creating a new defined benefit plan for new hires and providing reduced benefits to employees will cause unnecessary inequity, will discourage our young people from entering the teaching profession, and will establish a three tier retirement system, which may be costly and certainly will be cumbersome to the state.

The primary issue, historically, for establishing retirement systems has been one of intent. What is the purpose of the retirement plan? This is answered (as part of the overall compensation scheme) in terms of what it takes to recruit and retain good employees. A related question has to do with the length of service thought desirable for the function. For example, pension plans for emergency service personnel are generally structured to facilitate turnover so as to maintain a relatively younger work force; youthful physical attributes and protecting the public have always gone hand in hand. In contrast, judicial retirement plans are designed to bring experienced attorneys into public service from lucrative private practices.

What do we wish for teachers and other public employees in Alaska? The historical answer has been given in terms of some longevity and in terms of attracting energetic and competent professionals to our state. The previous idea included a relatively young employee who would commit to a career in public service. Our retirement plans were structured accordingly. What do we wish today? The answer may be a restatement of historical conclusions with the advantage of a fresh conviction or may be a new purpose with a different design to accomplish it. The analyses, however, should be rigorous. Our long term public welfare depends upon it. The current systems should not be changed impulsively or thoughtlessly.

Creation of another retirement tier will be confusing and divisive because of the inequity in benefits paid under the two systems. NEA-Alaska is also concerned about the effect this change will have on the overall stability and soundness of

the current defined benefit plan. In-depth research and detailed analysis should be part of any decision to change the current systems.

The following are disadvantages to an age/weighted (ASW) plan:

- *ASW plan benefits are generally less protected from preretirement and postretirement inflation than are defined benefit plans. Contributions, though somewhat larger in later years, are made based upon each year's salary rate, making the account balance a function of earnings over a participant's working lifetime.*
- *Employees must remain in the plan longer than under a flat percentage of pay plan in order to allow enough time for the late-career higher contributions to "overcome" the early-career lower contributions.*
- *By nature, ASW plans skew larger contribution percentages to older, long-service employees. Experience shows that these employees tend to be more highly compensated than younger, short-service employees. Therefore, a retirement system sponsoring an ASW plan may run into some nondiscrimination issues that may necessitate adjusting contributions for either or both of long and short-service employees.*
- *ASW plans tend to incur higher administrative costs than flat percentage of pay plans and are somewhat more difficult to communicate to employees because of the added complexity of the contribution formula.*

CSSB 148 provides that employees hired after March 31, 1996, will enter the tier three plan. What will the actuarial impact be to the short and long term economic stability of the current system? Will employees in the current plan be forced at some point to increase their contributions in the system to control a possible increase in unfunded liability caused by less employees entering the new plan?

The bill creates a single retirement system for state employees. Most states are working to reduce years of service, but CSSB 148 proposes increasing the years of service to 30 in order to draw full benefits. For a person to retire, he or she must be 55 years of age with 30 years of service credit. The proposed bill would be a disincentive for young people to enter into a career of public service. Because of the reduction in the benefit multiplier to 1.5%, the employee will receive a significant reduction in benefits but will be required to contribute 5.5% instead of 8.65% of pay but over a longer period of time. This diminished tier three plan is being proposed for teachers in TRS who do not participate in Social Security or a supplemental benefits system.

Although CSSB 148 includes a retirement incentive program, NEA-Alaska does not support it as part of this bill. We support the Administration's bill, SB 137. Why is RIP being used to lever support for weakening our retirement systems? Why public employees are being singled out for punishment is not clear. We will not agree to give up retirement benefits for future employees for a retirement incentive program.

The current retirement systems are actuarially sound. We urge you not weaken the retirement programs. Please vote against CSSB 148.

TONY KNOWLES  
GOVERNOR



P O Box 110001  
Juneau, Alaska 99811-0001  
1907) 485-3500  
Fax (907) 485-3532

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

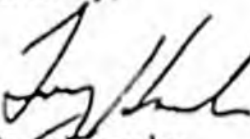
Page 3

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



**WRANGELL**

**PUBLIC SCHOOLS  
DISTRICT OFFICE**

PO BOX 2319

WRANGELL, ALASKA 99929

Telephone (907) 874 2347

DR. ELL B. SORENSON, Superintendent

GATEWAY TO THE SKIING

April 11, 1995

Representative Mark Hanley  
State Capitol, Room 507  
Juneau, Alaska 99801-1182

Dear Representative Hanley:

With the closing of the Alaska Pulp Corporation sawmill, we face sharply declining enrollment projections for the next three years. In an era of declining enrollment, a retirement incentive program would be a wonderful asset for the necessary reduction in staff.

At present, we are looking at every possible way to reduce our costs without losing our best and brightest, many of whom are our newest members. A retirement incentive program will result in considerable savings to our district as we will not replace people who are at the top of our salary schedule.

Reducing staff while keeping the highest quality of energetic people is at the top of our priority list. We urge you to support SB 137 and HB 270 or similar legislation that provides retirement incentive programs for district employees.

Sincerely,

Wrangell School Board  
Robert Caldwell, President



# CITY OF KENAI

*" Oil Capital of Alaska "*

210 FIDALGO AVE., SUITE 200 KENAI, ALASKA 99611-7794  
TELEPHONE 907-283-7535  
FAX 907-283-3014



April 11, 1995

Governor Tony Knowles  
State of Alaska  
P.O. Box 110001  
Juneau, AK 99811-0001

RE: *RETIREMENT INCENTIVE PROGRAM*  
*SB 137 and HB 270*

Thank you for your letter of March 28, 1995 in which you encouraged comments on the proposed retirement incentive program (SB 137 and HB 270). The Kenai City Council discussed your letter and bills at their April 5, 1995 council meeting.

To close the state's fiscal gap, major changes need to occur in how the state does business. Over the next several years adjustments in state operations, making the state government more efficient, need to take place. In some cases, there may even be elimination of many nonessential services. Forced layoffs of personnel may be a direct result of elimination of programs/services and making efficient existing programs. Such layoffs could have a ripple effect on the private sector statewide and endanger the health of Alaska's economy.

The City of Kenai is interested and supports the concept of HB 270 and SB 137 which allow for retirement and separation incentive programs for employees of state government, municipalities, and school districts. With the use of retirement incentives which are tailored to the fiscal and staffing requirements of any participating entity, significant savings in program costs will result. Retirement and separation incentives have been used successfully by the State of Alaska previously with substantial savings. Private sector programs have also proved to be successful. In both of these cases, payroll cutbacks occurred while still eliminating or minimizing the need for layoffs.

The City of Kenai believes that HB 270 and SB 137 are properly structured and can be a cost-effective and humane method of downsizing. The only consideration the City of

Governor Tony Knowles  
April 11, 1995  
Page 2

Kenai requests is that the window periods for any participating state government, municipality, or school district be identical. Any window period of opportunity needs to be from July 1, 1995 through June 30, 1998.

The Kenai City Council supports the passage of both HB 270 and SB 137. We thank you for the opportunity to communicate with you on this matter.

Sincerely,

CITY OF KENAI



John J. Williams  
Mayor

JJW/clf

cc: Representative Mike Navarre  
Senator Judy Salo  
House Speaker Gail Phillips  
Senate President Drue Pearce  
Senator Lyda Green, Chair, Health, Education & Social Services Committee  
Senator Bert Sharp, Chair, Senate State Affairs Committee  
Senator Steve Frank, Chair, State Finance Committee  
Representative Jeannette James, Chair, House State Affairs Committee  
Representative Pete Kott, Chair, House Labor & Commerce Committee  
Representative Mark Hanley, Chair, House Finance Committee



May 3, 1995

DON VALESKO  
Business Manager /  
Secretary-Treasurer

VALERIE K. BAFFONE  
Assistant Business Manager

HEADQUARTERS  
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Anchorage, Alaska 99503  
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(907) 278-7211

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(907) 452-5024

710 West 8th Street  
Juneau, Alaska 99801  
FAX (907) 586-5757  
(907) 586-8063

Members of the Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182

RE: SB 148

Dear Legislator:

Having reviewed SB 148 in its entirety, Local 71 must go on record in total opposition to this bill.

The passage of SB 148 would effectively gut the Public Employees Retirement System. The current system is not perfect, but over the years has developed into a fair retirement plan for public employees who dedicate themselves throughout the course of their careers in public service.

Local 71 is in support of the Governor's retirement incentive program.

However, we would in no way be supportive of the RIP bill if its passage were linked to the unfair terms of SB 148.

Sincerely,

Donald Valesko  
Business Manager/  
Secretary-Treasurer

DV:jlq



# ALASKA STATE AFL-CIO

2501 Commercial Drive Anchorage, Alaska 99501 907-258-6284 Fax 274-0570

MANO FREY  
Executive President



BRUCE LUDWIG  
Secretary Treasurer

May 1, 1995

Dear Members of the Alaska State Legislature.

The Alaska State AFL-CIO stands adamantly opposed to Senate Bill 148. Though the committee process, SB 148 has become a bill that punishes new as well as current employees. The Governor's original intent has been taken from the RIP portion of the bill. The third tier in PERS and TERS is not in the state's or it's future employees' best interest and we feel it will hurt the system irreparably in the long run.

We urge you to cast your vote in favor of the state's employees and against SB 148.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mano Frey', written in a cursive style.

Mano Frey  
Executive President



# NEA-ALASKA

*Affiliate of the National Education Association*

May 2, 1995

Senator Jim Duncan  
Alaska Legislature  
State Capitol  
Juneau, Alaska 99801

Dear Senator Duncan:

NEA-Alaska opposes passage of SB 148. Creating a new defined benefit plan for new hires and providing reduced benefits to employees will cause inequity. Creation of another retirement tier will be confusing and divisive because of the inequity in benefits paid under the two systems. We are also concerned about the affect this change will have on the overall stability and soundness of the current defined benefit plan.

SB 148 provides that employees hired after March 31, 1996 will enter the tier three plan if the school district elects to participate. What will the actuarial impact be to the short and long term economic stability of the current system? Will employees in the current plan be forced at some point to increase their contributions in the system to control a possible increase in unfunded liability caused by fewer employees entering the current plan?

In addition to the diminishment of benefits NEA-Alaska is concerned about allowing school districts to elect to participate. Allowing a school district to opt into the new plan will cause inequity between districts since some districts will be in the diminished benefit plan while others will stay in the current program. The option has the potential of weakening retirement benefits to school employees who move from one district to another. The increased cost of administration will be significant since employee service for retirement purposes must be allocated to one plan or the other as well as to school districts.

The bill creates a single retirement system for state employees when the current systems are working well for employees. Most states are working to reduce years of service, but SB 148 proposes increasing the years of service to 30 in order to draw full benefits. For a person to retire early, he or she must be 55 years of age with 30 years of service credit. Because of a reduction in the benefit multiplier to 1.5 percent, the employee will receive a significant reduction in benefits but will be required to contribute 5.5 percent instead of 8.65% of pay \*but over a longer period of time.



## 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

### Position Paper on CSSB 148

CSSB 148 combines two pieces of legislation. One is the Retirement Incentive Program proposed by Governor Knowles and the other is a drastic change to the State's retirement systems. We strongly disagree that they should be combined.

The Retirement Incentive Program, by itself, is a piece of legislation that should be adopted because it is a tool which allows the State, its Municipalities, Boroughs and School Districts to accomplish the same work with less money. It provides for the orderly replacement or elimination of employees without just forcing them out the door and being picked up on the rolls of some other governmental program. It is a program that deserves your support in its own right.

APEA/AFT is not averse to supporting reasonable changes to the PERS and TRS systems, even if the only goal is to reduce the cost for participating employers. We are very much opposed to making wholesale cuts to those systems without adequate thought going into it and without a complete understanding of the impacts that such reductions will have on the state's and other public employers abilities to provide services in the next century. Our members are Alaskan Citizens and have as much concern as most of you have over the dwindling revenues. We care about what we are bequeathing our children. We have an interest in seeing that every state dollar spent is being maximized. But if we just cut the costs without giving thought to or knowing the consequences of those cuts, we may be giving future generations of Alaska bigger problems to deal with than the ones we now believe they will be facing.

An employer offers its employees a retirement system for the primary purpose of recruiting and retaining qualified and competent employees. By slashing and cutting benefits, will we be able to retain and recruit the same high quality workforce we have today. State employees must deal with oil companies, mining companies, banks and other businesses that understand the worth and necessity of keeping qualified and able employees. Our employees are expected to be as good or better than these employees. If they aren't, we could lose billions in lost revenues and resources. Those companies pay their employees more money and offer better benefits than the state does currently. We are continually losing highly qualified employees to the private sector, only to see them come back later to work against the interests of the state, and for some private interest. If sufficient thought is not given to changes made in the retirement system, we will see even more turnover and more difficulty in recruiting high quality employees. The best protection we have to offer our children is a competent governmental workforce that continues to operate and practice stewardship of our resources for future generations. We can only assure that this will be done if careful consideration is given before we just slash and burn up something that has been created.

Anchorage Field Office

1689 C Street, Suite 204, Anchorage, Alaska 99501  
Telephone (907) 374-1688, (800) 478-9992, Fax 277-4588

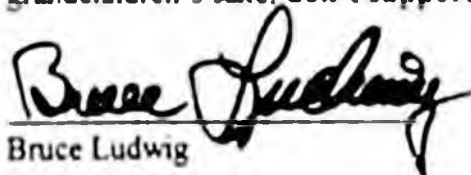
Fairbanks Field Office

825 College Road, Fairbanks, Alaska 99701  
Telephone (907) 456-5412, (800) 478-9993, Fax 456-7478

and fine tuned over the last 36 years by both Republican-led and Democratic-led Legislatures

We were told in the brief "public hearing" this bill received in the Finance Committee that the average state and private retirement benefit was 1.5% for each year of service. While we don't have available to us on this short of notice, any figures for the private sector for employers who would compete for our employees, we do have the information as to what other states offer their employees. To say that 1.5% is an average is a gross misrepresentation, to put it mildly. As can be seen from the attached chart, a benefit of 1.5% for each year of service would put Alaska in the bottom 10% of all states. It would have been much more correct to characterize Alaska's current benefits as average. I'm sure that if someone called around to Walmart, K-Mart and Joe's Filling Station we could come up with some numbers to prove a 1.5% average in the private sector, but we don't compete for the same employees as they do. The private employers we compete with are the big businesses that understand the importance of offering an attractive retirement package and understand the effect that having qualified and competent employees have on their "bottom line". Shouldn't you, as Alaska's Board of Directors, have the same concern? Shouldn't you be concerned of the effects that such drastic cuts in benefits will have on the state's "bottom line"?

We are asking that you not support CSSB 148 as it is currently written. Not because it cuts benefits, or because it will affect our future members. We are asking that you not support it because changes this big should be considered fully and each of you should be fully aware of the impact it would have on future generations. We offer to make ourselves available to work with the Legislature to make cost-saving changes to PERS and TRS which still preserve the state's ability to recruit and retain a qualified and competent workforce. **Please, for your children's and grandchildren's sake, don't support CSSB 148 as currently written.**



Bruce Ludwig  
Business Manager

### 13: RETIREMENT SYSTEMS

Forty-one states reported that their standard pension plan currently requires a contribution from the employee. However, three of these forty-one states -- Illinois, North Dakota and Oregon -- pay the employee's contribution, and Wisconsin pays all but 0.20% of the employee's contribution. In several states, a non-contributory pension plan is also available. Among those states reporting contributory plans with set contribution rates, the typical percent of salary paid by the employee is about 5% or 6%. The state contributes a higher percentage of salary in most instances, ranging as high as 21.25% (for those reporting a fixed contribution amount). Only the state of Massachusetts reports that it makes no contribution towards retirement.

One state reported that as of January 1, 1994 there was still a mandatory retirement age of 70. The number of years of service required before an employee is fully vested in a retirement system is typically 5 or 10 years.

Many states require that an employee reach a certain minimum age before retiring with full benefits. In other states, the employee must accrue a specified number of years of service before retirement. Several states provide for full retirement benefits based on a specific combination of service years and age.

A variety of computations were reported for calculating retirement benefits. Most followed the formula of a certain percentage multiplied by an employee's total number of years of service and further multiplied by the employee's average final compensation. Most often, average final compensation is based on three years of compensation. Some states indicated that different benefit formulas apply depending on age or date of hire.

Forty-three states (86%) report that most state employees do participate in the Social Security system. (The seven states not in the Social Security system are Alaska, Colorado, Louisiana, Maine, Massachusetts, Nevada and Ohio.) Of those states where employees receive both a state pension and Social Security benefits, nine have integrated plans. The states of Delaware and Vermont have some plans which are integrated with Social Security, as well as some plans which are not integrated.

Most states provide some form of cost-of-living adjustment for retired workers. Eighteen states reported that there is no established procedure for determining such an adjustment. Twelve states indicated that they tie their cost-of-living increases to changes in the Consumer Price Index, although the adjustment may be limited to some maximum percent change.

Table 13. Retirement

State	Contribution Rate - % Salary		Normal Retirement Age	Normal Full Benefit Requirements	Normal Pension Formula	Type of Plan
	State	Employer				
Alabama	6.00	5.00	65	10 years	Final Average Salary	Defined Contribution
Alaska	14.00	6.75	65	10 years	Final Average Salary	Defined Contribution
Arizona	3.10	3.10	65	10 years	Final Average Salary	Defined Contribution
Arkansas	10.00	0.00	65	10 years	Final Average Salary	Defined Contribution
California	10.00	5.00	65	10 years	Final Average Salary	Defined Contribution
Colorado	11.00	8.00	65	10 years	Final Average Salary	Defined Contribution
Connecticut	Varies (10)	5.00 (10)	65	10 years	Final Average Salary	Defined Contribution
Delaware	6.10 (12)	3.00 (12)	65	10 years	Final Average Salary	Defined Contribution
Florida	17.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Georgia	17.00	1.50	65	10 years	Final Average Salary	Defined Contribution
Idaho	10.00	7.00	65	10 years	Final Average Salary	Defined Contribution
Illinois	10.00	6.00	65	10 years	Final Average Salary	Defined Contribution
Indiana	4.00 (15)	0.00 (15)	65	10 years	Final Average Salary	Defined Contribution
Iowa	3.00	3.00	65	10 years	Final Average Salary	Defined Contribution
Kansas	2.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Kentucky	7.00	5.00	65	10 years	Final Average Salary	Defined Contribution
Louisiana	11.00	7.00	65	10 years	Final Average Salary	Defined Contribution
Maine	9.50	1.00	65	10 years	Final Average Salary	Defined Contribution
Maryland	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Massachusetts	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Michigan	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Minnesota	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Mississippi	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Missouri	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Montana	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Nebraska	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Nevada	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
New Hampshire	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
New Jersey	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
New Mexico	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
New York	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
North Carolina	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
North Dakota	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Ohio	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Oklahoma	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Oregon	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Pennsylvania	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Rhode Island	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
South Carolina	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
South Dakota	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Tennessee	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Texas	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Utah	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Vermont	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Virginia	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Washington	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
West Virginia	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Wisconsin	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution
Wyoming	0.00	0.00	65	10 years	Final Average Salary	Defined Contribution





ALASKA STATE EMPLOYEES ASSOCIATION  
AFSCME Local 52, AFL-CIO

Kelly Brown, President  
3510 Spenard Rd., Suite 201  
Anchorage, AK 99503  
May 2, 1995

Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

Dear Members of the Alaska State Legislature,

I am writing personally, and on behalf of the approximately 8,400 state workers represented by the Alaska State Employees Association, to express opposition to Senate Bill 148. This bill should never have been tied to the Governor's Retirement Incentive Program (RIP), and it should not have been put on such a fast track that we have had no time to evaluate its impact on public employees. First impressions indicate that SB 148 is a heavy-handed, meat cleaver attempt to cut costs by gutting the Public Employee Retirement System (PERS) and the Teacher Retirement System (TRS). We urge you not to pass this legislation.

The RIP bill, which will save the state money if passed, should be allowed to stand on its own merits. But SB 148 should be voted down -- or, at the very least, it should be referred to an interim committee for study during the next few months. There are better ways to deal with Alaska's fiscal crisis than simply chopping 40% across the board from public employees' retirement benefits.

Many of you have proven yourselves to be thoughtful lawmakers with the best interests of Alaska at heart. We are confident that all of you want to deal responsibly with our fiscal crisis, but we are not sure that all of you have had the time or the opportunity to analyze the consequences of this legislation. Please do whatever you can to stop SB 148, or at least to slow it down. Let's give ourselves time to find those better ways.

Sincerely,

*Kelly E. Brown*

Kelly E. Brown, President  
Alaska State Employees Association

**PUBLIC SAFETY EMPLOYEES ASSOCIATION**  
1569 S. BRAGAW, SUITE 201  
ANCHORAGE, ALASKA 99508  
(907) 337-1979

*REPRESENTING ALASKA'S FINEST*

2 May 1995

Alaska Legislative Members  
State Capitol Building  
Juneau, AK. 99801

Dear Members of the Alaska State Legislature:

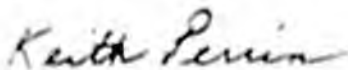
After a thorough review of SB 148 the Public Safety Employees Association finds it most oppose this bill in it's entirety.

SB 148 in it's original form was opposed due to it's deviation from the proven P.E.R.S. system; in it's present form SB 148 guts the P.E.R.S. system. In discussions with numerous members of this legislature, P.S.E.A. has stated it would promote active discussion of the State's Retirement package during the interim period.

Additionally, SB 148 should never have been combined with a Retirement Incentive Package. The RIP is a fine management tool in it's own right and should be passed on it's own merits.

We have no doubt that many of you are working for the best of all Alaskans. We promote the positive attraction and retention of State employees. Please work with us to obtain our goal by working with us in the interim.

Sincerely,



Keith Perrin  
President



# Inlandboatmen's Union of the Pacific

MALENT DIVISION — INTERNATIONAL LONGSHOREMEN'S & WAREHOUSEMEN'S UNION  
NATIONAL OFFICE • 30 JOHN STREET • SEATTLE, WA 98101 • (206) 448-9736 • FAX 448-9738



Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801

RE: SB 148

Dear Senators and Representatives:

The Inlandboatmen's Union of the Pacific must go on record as being strongly opposed to SB 148.

Passage of SB 148 would create a third tier of retired employees and eventually create a third class retiree. With the reduction in PERS as proposed in SB 148 retirees would not be able to afford to retire in Alaska.

It would seem appropriate to have public hearings on this bill over the interim. The legislature represents the residents of this great State and they are entitled to have their opinions heard on a matter of such significance.

The Inlandboatmen's Union of the Pacific is in support of the Governor's retirement incentive program. We are not, however, supportive of the RIP bill if it is rolled into SB 148.

Sincerely,

Bob Provost  
Regional Director  
Inlandboatmen's Union of the Pacific  
Alaska Region

REGIONAL OFFICES

PACIFIC NORTHWEST

REGULATORY

COLUMBIA RIVER

SAN FRANCISCO

SEASIDE

NORTHEAST CALIFORNIA

ALASKA

JUNEAU



May 2, 1995

DON VALESKO  
Business Manager /  
Secretary-Treasurer

VALERIE K. GAFFNEY  
Assistant Business Manager

HEADQUARTERS  
2510 Arctic Blvd.  
Anchorage, Alaska 99503  
FAX (907) 279-7171  
(907) 278-7211

7122 Airport Way  
Fairbanks, Alaska 99701  
FAX (907) 456-1771  
(907) 452-5024

710 West 8th Street  
Juneau, Alaska 99801  
FAX (907) 588-5757  
(907) 588-6993

Members of the Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182

RE: SB 148

Dear Legislators:

Having reviewed SB 148 in its entirety, Local 71 must go on record in total opposition to this bill.

The passage of SB 148 would effectively gut the Public Employees Retirement System. The current system is not perfect, but over the years has developed into a fair retirement plan for public employees who dedicate themselves throughout the course of their careers in public service.

Local 71 is in support of the Governor's retirement incentive program.

However, we would in no way be supportive of the RIP bill if its passage were linked to the unfair terms of SB 148.

Sincerely,

Donald Valesko  
Business Manager/  
Secretary-Treasurer

CV:jlq





# FAIRBANKS CENTRAL LABOR COUNCIL

AFL-CIO

315 Barnette Street  
Fairbanks, Alaska 99701-4568  
(907) 456-4584

May 2, 1995

To Members of the Alaska State Legislature:

On behalf of the Fairbanks Central Labor Council let me express my deep concern over SB 148 (RLS). My main concern is the speed and scope of the changes being proposed.

If a state employee in the GGU works for 30 years at a pay rate of \$2,500.00 a month he or she can expect to receive two thirds of that or \$1,687.50 a month as a retirement benefit. Dear Legislators, it is my opinion that a further reduction in retirement benefits will reduce state employees to living off government because they certainly will not be able to live off their retirement.

I urge you to look at the long term consequences of the changes proposed in SB 148 (RLS).

Sincerely,

A handwritten signature in cursive script that reads "John S. Brown".

John S. Brown  
President

JSB:an

# ALIVE

## Alaska Labor Independent Voter Education

Political Action Committee/Teamsters Local No. 959



BARBARA HUFF TUCKNESS, (Executive Director)  
P.O. BOX 102092, ANCHORAGE, ALASKA 99510, (907) 269-4238

GERALD L. HOOD, (Secretary/Treasurer)  
TEAMSTERS LOCAL 959

May 2, 1995

Mr. Jim Duncan  
Alaska State Senate  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

Dear Senator Duncan:

On behalf of the many thousands of public employees that Teamsters Local 959 represents, I am writing to request that as a Senator, and a duly elected representative of all your constituencies, you vote NO on Senate Bill (SB) 148.

SB 148 not only drastically changes the current retirement system, as the members we represent know it today, but due to the fast tracking of this legislation we are busy, as I write this, briefing them of these circumstances.

Public employees, like other citizens of our great State, have the right to a fair and open public process and when the Legislature decides to make sweeping changes to a system like the retirement program, they should be properly noticed. We request your careful and cautious review of this legislation in great hopes that fairness will prevail and this legislation will be voted down.

Sincerely,

Barbara Huff Tuckness  
Director, A.L.I.V.E.  
Teamsters Local 959

ALIVE\1008\06E28 LTR



May 2, 1995

Jim Duncan  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

Dear Senator Duncan

I am writing this letter to voice my opinion to SB 148, regarding proposed changes to the State Retirement System.

SB 148 proposes changes to the retirement program for public employees without the benefit of proper, public hearing. Public employees, like other citizens of the State, are entitled to noticed public hearings, especially when drastic changes to legislation occurs as is being proposed in SB 148.

Additionally, SB 148 addresses not only changes to the retirement system, but includes early retirement incentives which should be handled as separate legislation and should also require a proper, public hearing process. SB 148 deserves an open public hearing process like any other bill. To ram this legislation through the process at the last minute is grossly unfair and a great injustice to the thousands of public employees in our State.

We urge you not to support SB 148.

Sincerely,

*Eric M. Warren*  
13441 Sparrow Dr  
Anch. Ak 99516

May 2, 1995

Jim Duncan  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

Dear Senator Duncan:

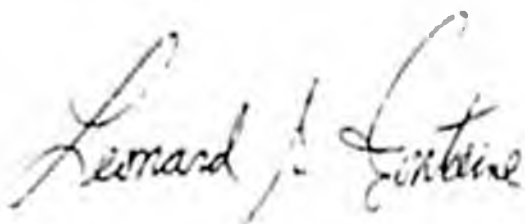
I am writing this letter to voice my opinion to SB 148, regarding proposed changes to the State Retirement System.

SB 148 proposes changes to the retirement program for public employees without the benefit of proper, public hearing. Public employees, like other citizens of the State, are entitled to noticed public hearings, especially when drastic changes to legislation occurs as is being proposed in SB 148.

Additionally, SB 148 addresses not only changes to the retirement system, but includes early retirement incentives which should be handled as separate legislation and should also require a proper, public hearing process. SB 148 deserves an open public hearing process like any other bill. To ram this legislation through the process at the last minute is grossly unfair and a great injustice to the thousands of public employees in our State.

We urge you not to support SB 148.

Sincerely,



May 2, 1995

Jim Duncan  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

Dear Senator Duncan

I am writing this letter to voice my opinion to SB 148, regarding proposed changes to the State Retirement System

SB 148 proposes changes to the retirement program for public employees without the benefit of proper, public hearing. Public employees, like other citizens of the State, are entitled to noticed public hearings, especially when drastic changes to legislation occurs as is being proposed in SB 148.

Additionally, SB 148 addresses not only changes to the retirement system, but includes early retirement incentives which should be handled as separate legislation and should also require a proper, public hearing process. SB 148 deserves an open public hearing process like any other bill. To ram this legislation through the process at the last minute is grossly unfair and a great injustice to the thousands of public employees in our State.

We urge you not to support SB 148.

Sincerely,

*Lynn Oldcraft*

May 2, 1995

Jim Duncan  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

Dear Senator Duncan

I am writing this letter to voice my opinion to SB 148, regarding proposed changes to the State Retirement System

SB 148 proposes changes to the retirement program for public employees without the benefit of proper, public hearing. Public employees, like other citizens of the State, are entitled to noticed public hearings, especially when drastic changes to legislation occurs as is being proposed in SB 148.

Additionally, SB 148 addresses not only changes to the retirement system, but includes early retirement incentives which should be handled as separate legislation and should also require a proper, public hearing process. SB 148 deserves an open public hearing process like any other bill. To ram this legislation through the process at the last minute is grossly unfair and a great injustice to the thousands of public employees in our State.

We urge you not to support SB 148.

Sincerely,

*Dail L. Mitchell*  
4401 E 5th Ave  
Anchorage AK 99508

DLW

May 2, 1995

Jim Duncan  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

Dear Senator Duncan:

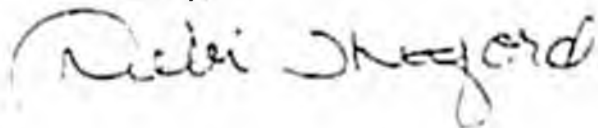
I am writing this letter to voice my opinion to SB 148, regarding proposed changes to the State Retirement System.

SB 148 proposes changes to the retirement program for public employees without the benefit of proper, public hearing. Public employees, like other citizens of the State, are entitled to noticed public hearings, especially when drastic changes to legislation occurs as is being proposed in SB 148.

Additionally, SB 148 addresses not only changes to the retirement system, but includes early retirement incentives which should be handled as separate legislation and should also require a proper, public hearing process. SB 148 deserves an open public hearing process like any other bill. To ram this legislation through the process at the last minute is grossly unfair and a great injustice to the thousands of public employees in our State.

We urge you not to support SB 148.

Sincerely,



# ALASKA



**STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(A Component Unit of the State of Alaska)**

**Required Supplementary Information  
Analysis of Funding Progress  
(000s omitted)**

Pension benefit obli- gation year ended June 30	Net assets available for Plan benefits	Pension benefit obligation	Percen- tage funded	Unfunded (assets in excess of) pension benefit obligation	Annual covered payroll (unaudited)	Unfunded (assets in excess of) pension benefit obligation as a percentage of covered payroll
1985	\$ 1,295,536	\$ 1,446,672	89.6%	\$ 151,136	\$ 830,579	18.2%
1986	1,739,843	1,556,610	111.8	(183,233)	890,092	(20.6)
1987	2,010,196	1,905,001	105.5	(106,195)	891,302	(11.8)
1988	2,123,695	2,246,585	94.5	122,888	908,363	13.5
1989	2,452,962	2,563,268	95.7	110,306	912,834	12.1
1990	2,746,555	2,753,518	99.7	6,963	952,070	.7
1991	3,017,541	3,339,145	90.4	321,604	1,027,807	31.3
1992	3,454,104	3,740,882	92.3	286,778	1,083,816	26.5
1993	4,007,907	4,125,761	97.1	117,854	1,135,889	10.4

Analysis of the dollar amounts of net assets available for Plan benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for Plan benefits as a percentage of the pension benefit obligation provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the

stronger the Plan. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

*See accompanying notes to required supplementary information.*

**STATE OF ALASKA  
TEACHERS' RETIREMENT SYSTEM  
(A Component Unit of the State of Alaska)**

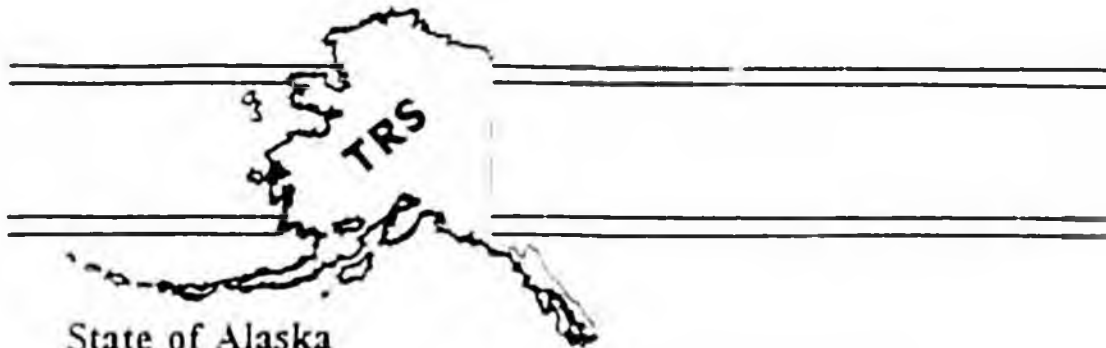
**Required Supplementary Information  
Analysis of Funding Progress  
(000s omitted)**

Pension benefit obligation year ended June 30	Net assets available for Plan benefits	Pension benefit obligation	Percentage funded	Unfunded (assets in excess of) pension benefit obligation	Annual covered payroll (unaudited)	Unfunded (assets of excess of) pension benefit obligation as a percentage of covered payroll
1985	\$ 866,333	\$ 1,042,551	83.1%	\$ 176,218	\$ 358,110	49.2%
1986	1,141,650	1,115,773	102.3	(25,877)	392,136	(6.6)
1987	1,303,464	1,210,909	107.8	(92,555)	348,606	(26.6)
1988	1,358,575	1,347,859	100.6	8,716	361,310	2.4
1989	1,545,877	1,557,643	99.2	11,766	431,445	2.7
1990	1,706,346	1,895,030	90.0	188,684	449,838	41.9
1991	1,824,663	2,075,405	87.9	250,742	422,655	59.3
1992	2,031,938	2,231,746	91.0	199,808	448,186	44.6
1993	<u>2,306,503</u>	<u>2,429,456</u>	<u>94.9</u>	<u>122,953</u>	<u>476,428</u>	<u>25.8</u>

Analysis of the dollar amounts of net assets available for Plan benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for Plan benefits as a percentage of the pension benefit obligation provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the

stronger the Plan. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

*See accompanying notes to required supplementary information.*



State of Alaska  
Teachers' Retirement System

Actuarial Valuation Report  
as of June 30, 1994

Prepared by:

William M. Marrow, Incorporated  
One Union Square, Suite 1200  
600 University Street  
Seattle, WA 98101-3137

# 1.6 Actuarial Projections (continued)

Table 2  
State of Alaska IRS  
Financial Projections ('000 omitted)

As of June 30	Investment Return 8.00%		Valuation Amounts on July		Surplus* (Deficit)	Total Salaries	Flow Amounts During Following 12 Months		Annual Population Increase		Net Contribs	Investment Earnings	Ending Asset Value
	Total Assets	Accrued Funding Liability Ratio	Total Salaries	Employer Etl. Rate			Employee Contribs	Total Contribs	Total Benefit Payments	Net Contribs			
1994	2,672,957	2,761,409	89.6%	(288,452)	676,098	13.36%	64,518	42,365	166,903	145,156	(18,251)	196,306	2,231,011
1995	2,631,011	2,931,132	89.8%	(300,121)	690,042	12.68%	62,052	43,556	105,607	156,106	(68,699)	208,561	2,791,053
1996	2,791,053	3,108,385	89.8%	(317,332)	506,377	16.96%	76,636	44,717	121,153	167,923	(46,771)	221,613	2,965,696
1997	2,965,696	3,286,373	90.2%	(320,677)	517,718	16.88%	78,070	45,849	123,919	183,469	(59,550)	236,076	3,161,019
1998	3,161,019	3,462,865	90.7%	(321,845)	531,456	16.66%	78,998	47,040	126,018	199,677	(73,579)	248,338	3,315,770
1999	3,315,770	3,637,671	91.2%	(321,892)	546,197	16.18%	78,718	48,416	127,132	217,810	(90,678)	261,635	3,486,755
2000	3,486,755	3,811,162	91.5%	(324,427)	564,209	13.67%	78,383	49,927	128,310	234,609	(106,100)	276,695	3,655,330
2001	3,655,330	3,978,739	91.9%	(323,409)	582,222	13.04%	77,106	51,637	128,543	252,948	(126,405)	289,751	3,818,376
2002	3,818,376	4,160,009	92.2%	(321,634)	600,234	12.55%	76,442	52,943	129,385	272,320	(162,935)	299,751	3,975,193
2003	3,975,193	4,296,779	92.6%	(319,586)	618,247	12.03%	75,663	54,666	129,908	291,699	(169,337)	311,566	4,126,976
2004	4,126,976	4,463,051	92.8%	(318,105)	636,259	11.53%	74,908	56,301	131,207	310,566	(179,337)	322,822	4,268,432
2005	4,268,432	4,585,031	93.1%	(316,599)	662,306	11.06%	74,757	58,509	131,287	329,585	(196,310)	333,622	4,405,755
2006	4,405,755	4,721,121	93.3%	(315,365)	688,750	10.57%	74,213	62,982	132,296	365,655	(228,363)	353,768	4,661,683
2007	4,536,276	4,851,921	93.5%	(316,550)	716,995	10.21%	74,462	65,252	139,716	381,575	(261,821)	363,260	4,781,082
2008	4,661,683	4,978,233	93.6%	(317,973)	741,240	9.87%	74,462	68,005	163,233	396,968	(251,735)	372,697	4,901,866
2009	4,781,082	5,101,055	93.8%	(319,742)	806,891	9.57%	75,278	71,241	167,798	411,648	(263,850)	381,596	5,019,588
2010	4,901,866	5,221,586	94.0%	(321,635)	862,297	8.88%	77,352	74,676	151,848	425,088	(273,260)	390,637	5,136,965
2011	5,019,588	5,361,223	94.0%	(324,597)	879,702	8.88%	79,804	77,712	157,516	437,510	(279,995)	399,757	5,256,228
2012	5,136,965	5,561,562	94.1%	(327,669)	917,108	8.79%	82,276	80,968	163,246	449,087	(285,863)	409,106	5,379,969
2013	5,256,228	5,586,397	94.1%	(331,754)	956,516	8.72%	85,658	84,778	170,236	459,319	(289,083)	418,034	5,509,608
2014	5,379,969	5,711,723	94.2%	(336,012)	1,005,671	8.65%	89,242	89,203	178,455	468,726	(290,279)	429,166	5,648,608
2015	5,509,620	5,865,733	94.3%	(340,209)	1,056,879	8.56%	92,640	93,678	186,028	475,692	(289,626)	440,304	5,799,688
2016	5,648,608	5,988,817	94.3%	(346,278)	1,107,987	8.57%	97,168	98,053	195,231	485,265	(290,041)	452,341	5,961,586
2017	5,799,688	6,163,566	94.6%	(351,185)	1,159,145	8.60%	101,886	102,679	206,166	495,345	(290,981)	465,288	6,135,093
2018	5,961,586	6,312,771	94.6%	(363,526)	1,210,303	8.62%	106,685	107,601	213,687	505,906	(292,218)	479,181	6,322,818
2019	6,135,093	6,499,419	94.6%										

\* Surpluses reduce employer contributions over 5 years  
\* Deficits increase employer contributions over 25 years

DIVISION OF LEGAL SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

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Mail Stop 3101


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

MEMORANDUM

April 7, 1995

**SUBJECT:** The Child Support Enforcement Agency  
(Work Order No. 9-LS0868A)

**TO:** Senator Steve Rieger  
Attn: Ann

**FROM:** Terri Lauterbach   
Legislative Counsel

Enclosed is a work draft attempting to implement your wish that obligors who are not current with their child support payments be treated separately from other persons dealt with by CSED

I realize that the work draft does not completely implement your wish that there be two separate agencies, but provides only for two offices within one agency. The reason I have written the draft this way is because federal law requires that a "single and separate organizational unit" (42 U.S.C. 654 (3)) be designated for establishing, administering, and enforcing child support orders. I think even having two "offices" within CSED might violate this requirement, so I have added provisos to the draft about being "allowed by federal law". I assumed that you did not want to jeopardize federal funding of CSED since approximately 90% of its administrative funds come from the federal government and, additionally, Alaska must have an approved child support plan in order to get full federal financial participation in the AFDC program.

I apologize for not bringing up the "single" requirement earlier in our other conversations on this topic. Please let me know if I can be of further assistance.

TSL, lmb:kib  
95-161 lmb

Enclosure

9-LS0868VA ✓  
Lauterbach  
4/6/95

SENATE BILL NO.  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - FIRST SESSION

BY SENATOR RIEGER

Introduced:  
Referred:

A BILL  
FOR AN ACT ENTITLED

1 "An Act relating to the functions of the child support enforcement agency."

2 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

3 • Section 1. AS 25.27.010 is amended to read:

4       Sec. 25.27.010. CREATION OF CHILD SUPPORT ENFORCEMENT  
5 AGENCY. There is created in the Department of Revenue the child support  
6 enforcement agency. If allowed under applicable federal law, the agency shall  
7 consist of a child support office and a child support enforcement office.

8 • Sec. 2. AS 25.27.010 is amended by adding new subsections to read:

9       (b) If created under (a) of this section, the child support office shall establish  
10 paternity and child support obligations under this chapter and administer a child  
11 support order under this chapter when no arrears are owed under the order. If arrears  
12 accrue under an order being administered by the child support office, the child support  
13 office shall transfer the administration of the order to the child support enforcement  
14 office.

15       (c) If created under (a) of this section, the child support enforcement office

1 shall perform the duties of the agency under AS 25.25, seek enforcement of child  
2 support orders under this chapter, and administer child support orders under which  
3 arrears are owed. Upon payment of all the arrears under a child support order, the  
4 child support enforcement office shall transfer the administration of the order to the  
5 child support office.

6 (d) The commissioner of revenue shall, by regulation, determine whether the  
7 child support office or child support enforcement office, if they are established under  
8 (a) of this section, shall perform the functions described in this chapter that are not  
9 clearly ascribed under (b) or (c) of this section. When making the determination  
10 required under this subsection, the commissioner shall implement the legislature's  
11 intent that, to the extent allowed by federal law, the cases of potential obligors for  
12 whom a support order has not yet been issued and obligors who owe no arrears should  
13 be handled separately from the cases of obligors who owe arrears.



State of Alaska  
**ombudsman**  
A Legislative Service Agency

Reply to:

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May 5, 1995

The Honorable Steve Rieger  
Member of the Senate  
Alaska Legislature  
State Capitol, Room 516  
Juneau, Alaska 99811

RECEIVED MAY 05 1995

Re: Child Support Enforcement Division (CSED) Organization

Dear Senator Rieger:

With apologies for the delay in responding, at our recent meeting you inquired whether, on the basis of its experience in dealing with the Child Support Enforcement Division (CSED), the Ombudsman's Office thought there would be merit in splitting CSED into two sections or groups dealing with: (1) obligors 60 days in arrears and more and (2) obligors who are current and remain current in child support payments.

You asked this office for an opinion on the advantages and disadvantages of reorganizing CSED operations as you outlined. Typically, the Office of the Ombudsman only makes recommendations following a formal investigation and as a part of the report of that investigation. We have not specifically reviewed the organizational framework you propose in any investigations conducted concerning CSED. Indeed, to date, there has been no such investigation of CSED's internal management structure, and we have not specifically discussed this organizational format with CSED administrators. Moreover, as we understand it, CSED is in the process of reorganization; the issue on which you asked us to comment may be addressed in that reorganization. Nonetheless, I asked my staff to review your proposal in light of their experience in dealing with CSED. Permit me to share their comments with you:

An Anchorage investigator observed that splitting the collections caseload into two groups could have some merit. The group of current obligors would need less intensive oversight, freeing up case workers for more intensive collection activity relating to those in arrears. Rather than a 60-day limit, 90 or 120 days might be more realistic, and more in line with the time frames used by other state and private collection agencies. Perhaps having an 'intensive' group would lead to greater predictability in collection efforts. Two recent examples illustrate sometimes unpredictable collections efforts: One obligor voluntarily used CSED as the collection agency for his child support debt. CSED was three months behind in setting up this case so it treated the obligor as if he hadn't been paying. CSED put a lien on his property and reported him to the credit bureaus. We heard from him when he couldn't sell his house. Another obligor has not made child support payments in three years because the case has not been properly set up. There have been no adverse consequences for this obligor whose ex-spouse and children are now on public assistance.

A Fairbanks investigator commented that establishing a friendlier process for those in voluntary compliance would be well-received. CSED, he observed, might even offer incentives, such as greater access to case workers and suggested that perhaps CSED should consider a 'cradle-to-the-grave' case handling process for those in compliance, instead of the "team" approach. (Indeed, as we understand it, the new CSED Director is phasing in just such a case management approach.)

Our Fairbanks staff director noted that CSED well may need to employ tough collection procedures with uncooperative obligors, but should consider a different approach for cooperative obligors. For example, she suggests that:

(1) CSED provide written notice and careful file review before taking such harsh collection measures on cooperative obligors who haven't been in arrears for one year as, e.g., garnishing bank accounts and placing liens on property. A one-year period shows stability and establishes a payment history, whereas 60 days current is too brief a period in which to demonstrate an obligor's reliability; a one-year period would be one way to distinguish between reliable and unreliable obligors.

(2) CSED revise its form letters; they could be "threatening" for uncooperative obligors and "business-like" for cooperative obligors. Several staff members observe that many obligors object most to the tone of the form letters CSED currently uses because these letters seem to suggest the obligor is 'bad' or uncooperative from the start.

Other than these two types of complaints, "unreasonable delay" is the complaint most frequently lodged with the Ombudsman's office. Investigators conclude that a great deal of the delay is caused because one CSED team hands off the file to another team and the receiving team doesn't pick it up in a timely manner; the absence of timely communication appears to be the main factor in creating that delay.

As you will note in reviewing the enclosed briefing paper we prepared on CSED-related issues, this office long has been concerned that CSED appears to treat the cooperative obligor the same way it treats the uncooperative obligor. We think that is inappropriate. It is a problem that clearly merits attention from CSED's new management. A letter from a complainant who contacted our Fairbanks office is illustrative. A copy of Fairbanks attorney Kenneth Covell's letter is attached to the briefing paper; he authorized its release both to the agency and to anyone with whom we discussed this problem. The "Letter of Intent" you offered in the Senate Finance Committee Tuesday, May 2, to accompany CSSB 115 (Finance) speaks to the need for CSED to address this problem. In listening to the discussion before the committee, I sensed no disagreement with the objective you stated. Absent a formal investigation, however, the Ombudsman cannot support a specific CSED reorganization proposal; nevertheless, on the basis of its experience with the agency, the Ombudsman believes that CSED should handle the cooperative obligor differently from the uncooperative obligor.

For your information, the enclosed briefing paper was prepared following discussions between the undersigned and the Commissioner of Revenue. It was intended to be of assistance to the new administration, alerting the Commissioner and his staff to issues revealed either in investigations conducted by this office or in the pattern of complaints we had observed over time. This briefing paper also will be shared with interested members of the Legislature. If you have further questions, or if my staff and I can be of further assistance, please contact me at 465-4970 in Juneau.

Cordially yours,

  
STUART C. HALL  
Ombudsman

SCII mem

Enclosure

OMBUDSMAN BRIEFING fo  
GLENDA STRAUBE, DIRECTOR, CHILD SUPPORT ENFORCEMENT DIVISION

February 10, 1995

Child Support Enforcement Division (CSED)

1. Management. On the basis of this office's contacts with CSED, the Ombudsman observes that strong, knowledgeable, inspired leadership is critical in managing the division. In recent times, there have been too many short-tenured directors attempting to lead this agency. Typically, they knew too little about the subject matter CSED is charged with administering or enforcing. The result: serious morale problems have developed among staff and case workers. In enforcing the law, CSED should be perceived by the public as a fair-minded agency, whose staff also has sense of compassion for the obligors, especially those who are cooperating with CSED, as well as for obligees. Too often, it appears to the Ombudsman that CSED has employed a hard-line approach, using enforcement as a hammer, not as a tool. *Example*: Fairbanks attorney Kenneth L. Covell's January 18, 1995, letter to Deputy Ombudsman Mike Hostina. Mr. Covell has granted the Ombudsman permission to release his name and this letter. (Attachment 1)
2. Communications. CSED's initial letters to obligors are nearly unintelligible to many who receive them, they should be written in plain English. Many recipients lack rhetorical skills, many are non-college graduates. Under a previous CSED management, samples of CSED correspondence were submitted to the Ombudsman staff for review and comment. Although the Ombudsman's recommendations for revisions were submitted, we are uncertain whether the suggestions were implemented.

Initial notices to obligors could be made less frightening, e.g., by explaining what percentage of one's income will likely be required under Rule 903 to support, one, two, three or more children, rather than setting out hard preliminary numbers which tend to be the highest possible charge. The Ombudsman staff has found that in cases involving AFDC/Public Assistance obligors, there is a serious lag time between the point at which the Division of Public Assistance (DPA) in the Department of Health & Social Services informs CSED of an obligation and CSED informs the obligor a child support debt is owed to the state, an entire year may be consumed in that process. Meanwhile, during that time, a huge debt can accumulate. Recommendation: the time between when DPA establishes an obligation and CSED notifies obligor of that obligation should be shortened. Additionally, out-of-state obligors should be more timely notified of an obligation.

Modification Notices. Obligor should receive information about how to avoid a child support arrearage. The obligor should be told that an arrearage and its possible consequences might be avoided if the obligor pays the proposed modified upward support amount even during the period before a modification order takes effect. Recommendation: CSED needs either staff or a volunteer force to help obligors, or other clientele, complete paperwork. If there is a confidentiality issue, volunteer(s) could sign a confidentiality agreement as Ombudsman volunteers do.

Downward modification requests from obligors, e.g., where custody has changed, can take as long as eight months to process. Meanwhile, collection action may be taken inappropriately against the obligor. Retroactive arrearages created by upward modifications seem to be instantly enforced by liens on real property and PFD attachments. Perhaps this is a computer function, but, in many cases, the affected obligors have cooperated fully in the modification process. Issue: should CSED take severe enforcement measures in the case of cooperative obligors, especially those never otherwise in arrears? *Example*: See the Covell letter, Attachment 1.

Federal rules require that modifications be scheduled within 30 days of the obligor's request. However, CSED doesn't actually review these requests until three or four

months, and as long as six to nine months, have elapsed. Recently, CSED has been working requests filed a year earlier.

Some teams with extraordinarily high caseloads are as much as six months behind in opening and answering their mail. Retrieving files to service a case requires three days; these files are not stored in the Enserch Building. *Questions:* Is off-site file storage practical or efficient? Is expensive "class A" office space required for CSED offices? What is the status of the 42 new CSED staff positions added by the Legislature for FY 1995? Were these positions authorized but not funded? Were they added to interstate teams or elsewhere in the division? The Ombudsman understands that CSED did get 42 positions, was scheduled to receive 20+ more but has been unable to secure them because of the new administration's hiring freeze.

*Recommendation:* The new CSED Director should examine the status of correspondence and phone calls with each team. How many letters remain to be opened, read, answered? How many phone calls remain to be answered? How long is each team taking to respond to correspondence, telephone calls, calls to the KIDS line? What are acceptable response times? If the responses are not being made within that period, the department and division should consider seeking funding for temporary employees to reduce the backlog and to seek funding for additional permanent employees to answer correspondence and return phone calls within acceptable time periods. The experience of the Alaska Commission on Postsecondary Education reducing significant correspondence and telephone message backlogs would be a helpful example.

*Kids' Line:* The KIDS Line message system is a chronic CSED problem. CSED's goal for caseworkers is to respond to messages within three working days; however, the Ombudsman caseload reflects large numbers of complaints that CSED does not respond within those guidelines. There can be a considerable lag between the time messages are left and CSED caseworkers reply. A large percentage of calls are local; however, CSED only makes collect out-of-state calls. *Recommendation:* The KIDS Line should be monitored to ensure three-day response time is being met. *Note:* Some CSED teams are on top of their caseload calls. Other teams may not be as efficient. Why?

### 3 Interstate Teams

The Ombudsman believes there are serious problems in CSED's team approach to case management. This is perhaps best illustrated by Team 5's activities in the Jodi Delaney case (Ombudsman Complaint F093-0281, Dec. 1, 1994); a copy of the final investigative report, press release, and related correspondence is provided (Attachment 2).

*Recommendation:* Adopting the Uniform Interstate Family Support Act (UIFSA) which replaces the Uniform Reciprocal Enforcement of Support Act (URESA) would provide a partial solution; a copy is attached for reference (Attachment 3). While this legislation may not solve all interstate team problems, the Ombudsman believes it would materially assist CSED in meeting its interstate responsibilities. Neither HB 465 nor SB 302, both of which were introduced by the Rules Committees of the respective bodies at the request of the Governor and considered by the 1994 Legislature were enacted. This legislation is a project of the National Conference of Commissioners on Uniform State Laws. The department should request the Governor to seek their introduction and passage in the current Legislature.

4 Criminal Enforcement: Criminal enforcement of child support orders with large arrearages is rare. One Ombudsman complaint looked at a \$160,000 arrearage. *Recommendation:* Even if there are few such cases, they should be pursued. If criminal enforcement is a realistic threat, an example of what occurs when obligors fail to meet their obligations may increase voluntary compliance.

This briefing paper reflects Ombudsman investigator impressions of complaints against the division. The Ombudsman and staff would be pleased to work with the division director and her staff in further discussions to seek solutions that would reduce the caseloads of both agencies and level of complaints received by the Ombudsman

**STUART C HALL**  
Ombudsman

OSCAR W. H. OMBUDSMAN

January 18, 1995

Kenneth L. Covell  
764 Senate Drive  
Fairbanks, Alaska 99712  
(907) 452-4377

Mike Hostina  
ASSISTANT STATE OMBUDSMAN  
250 Cushman, Suite 2d  
P.O. Box 74358  
Fairbanks, Alaska 99707  
(907) 451-2971

Dear Mike:

I am sending you this letter in response to your request for a written description of my latest experience with the CSZD.

I am non-custodial parent of one child, currently age thirteen, for whom a support order is in effect.

The initial order in my case was established by both the Department and by the Attorney General's Office in the context of a court proceeding. While that, in and of itself, was somewhat lengthy, frustrating and involved procedure it was eventually settled to a everybody's satisfaction. Thereafter I made prompt regular payments pursuant to the established order.

In October of 1992 I received a "Notice of Right to Request a Review of Support Order". As I wished no review I did not respond. Eventually, closer to Christmas time the Department requested income information from me as the custodial parent wished a review. I provided the Department with my most recent income information some time early in December, 1992. I had not yet prepared my taxes for 1992. I indicated that I would forward them to the Department upon their completion. On March 22, 1993 I sent the Department my completed 1992 income tax return. On October 1, 1993 I received a letter from the Department indicating they had not received my 1992 return. On November 2, 1993 I sent a copy of my 1992 return via certified mail. On November 27, 1993 the Department issued a "Notice of Proposed Adjustment in Support".

I might pause and note here that I had made a number of phone calls concerning this issue attempting to prompt the Department into action. Also the custodial parent informed me that she had made numerous contacts with the Department attempting to prod them into action on this issue. I would suggest that it is probably

somewhat of an unusual situation where both a custodial parent and a non-custodial obligor are both attempting to cause the Department to take action to increase a support payment.

In December, 1993 I indicated to the Department that I had no objection to establishment of the new support order. However, the Department wished to file in the court file my income tax returns for the preceding four or five years. I felt that this would be an unnecessary invasion of my privacy, the privacy of my wife and minor children, as well as any other individuals whose personal information might have been contained in my income tax returns. Therefore, I asked the Department to file such financial information under seal. The Department's representative indicated to me that they were incapable of doing that. Being an attorney I offered to draft and file a motion to achieve such purpose. Their only necessary action would be to non-oppose the motion. They indicated to me that they would be unable to do this and that they would have to refer the file to the Department of Law. These discussions and correspondence took place around January 1994. I made numerous follow-up calls on this matter from time to time. Eventually the file was assigned to Mary Gilson at the Attorney General's Office in Anchorage. Some time in May I had a conversation with Ms. Gilson where I offered to file a motion for modification of support in order to move the process along. The motion was finally filed by me on June 3, 1994. The court system had microfiched its file and then felt that it would be my responsibility to provide copies of its own file to itself and so notified me by mail. I then had to call the microfiche department of the court system in Anchorage, have them send me copies of their own court file for which I was charged \$20. I then mailed these documents back to one of the upper level floors in the Courthouse so they could re-compile their own file which they put on microfiche.

The new support order was signed on July 18, 1994. Beginning with my August 1 payment I began making payments at the new higher amount. I had received no demand for any arrearages and expected none to be assessed. Even if such arrearages were assessed I would expect them to be minimal as court rules provide that arrearages can only be calculated back to the date of the motion, which in this case would have been June 3, 1994. I also made a regular payment pursuant to the new order for September 1.

It had come to my attention that through sources other than official notification that the Department was seeking a substantial arrearage in the amount of \$1,800.

When I received my account statement of September 24, 1994 it indicated an arrearage of \$1,800. The only possible explanation for this I could surmise was that the Department had calculated arrearages back to January of 1994.

I contacted Mary Gilson with the Attorney General's office and explained to her that I felt the Department was making an error.

She indicated to me that the Department would take no action without a court order and indicated to me that I should file a motion. I filed a motion in the court case on September 16, 1994 for a court order concerning arrearages.

On September 30, 1994 I sent the Department a letter explaining that the first official notice I had from them concerning arrearages was their monthly statement which I received September 26, 1994. I included an additional check for \$227 to make up the difference for the payment which was due July 1 and indicated that no arrearages should be calculated for any time prior to June 3, 1994.

The court issued an order on what appears to be October 11th or 12th indicating that arrearages should not go back any earlier than June 2, 1994.

Rather than attempting at all to resolve the matter with me the CSED seized my Permanent Fund Dividend, with no prior notice to me and no hearing concerning any arrearage calculation, around October 14, 1994. I received notice of such seizure on October 27, 1994. Also the Department had reported to TRW Credit Agency that I was a bad credit risk and seriously behind in my payments. Besides having caused me difficulty in another consumer transaction the Department's report caused me not to receive a credit card for which I had applied which I considered necessary for the conduct of my business. The heavy-handed tactics of the agency did nothing to further enforcement of the case other than to enrage the obligor.

I called the Department and did receive some helpful assistance that day where an enforcement worker indicated they would be refunding all or most of my Permanent Fund Dividend to me. To my consternation when the check did arrive it was approximately \$227 short. After the seizure of my Permanent Fund I was notified that I was entitled to a hearing. I once again wrote the Department explaining to them what I perceived to be their error asking that they issue a letter of apology to me, rescind the bad credit report, and write letters to the particular credit card company explaining that I was not indeed a bad credit risk and by their error they had reported me behind in my payments. The Department declined to do so. Rather than notifying me of whatever time an administrative review might take place the Department made a determination that I was no longer in arrearages, however, continued to withhold approximately \$225 without explanation.

I then called the Department and spoke with a case worker and asked her to please explain to me why this approximate \$225 was withheld. This worker told me that she couldn't tell me but that she would have a hand audit sent to me and then perhaps I might be able to find out why this was done.

The "last straw" came while I was awaiting the hand audit. Rather than the correspondence being the hand audit I received a "Notice of Request for Financial Information" as the CSED was in

the process of reviewing my support order for possible review. This is dated by the Department December 8, 1994 and as with all their correspondence it doesn't actually get mailed until four or five days after the date that the message was generated.

I sent a correspondence back to the Department January 1, with my 1993 income tax returns and an affidavit and summary of my 1994 earnings.

On January 9, 1995 I had finally received the hand audit which indicated that the Department had pro-rated the support order for the month of June, 1994. At the very least finally explained the apparent basis for their withholding of the \$225. This pro-rating of a monthly support payment was a novel action to my knowledge.

In my letter to the Department I indicated that I felt that their re-initiation of a new review process into my support order was harassment as they had not even finally resolved their last review of my support order and here were beginning a new one. I further indicated that any reasonable review of the order based on an average of my income would not show a change of more than .5% of my monthly payment and therefore no review was warranted.

Having to deal with the Child Support Enforcement Division is neither pleasant nor easy under the best of circumstances. My experiences with them are wholly unsatisfactory. While from time to time I do encounter a particular employee or employees who appear to be motivated to rectify difficulties, this is far from the overwhelming experience or attitude of Department employees.

It is simply absurd that it took over two years to obtain and rectify arrearages on a motion for modification of support. The arrogant heavy-handed tactics of the Department in seizing my property without due process of law, particularly when they are clearly in the wrong, and then failing to even acknowledge any recognition to their illegal actions only serves to enrage obligors in my position. While I know it is best not to fight with a bureaucracy since you cannot win, I am more than tempted at times to pursue courses of actions which might lead to some satisfaction for the Department's transgressions in any reasonable context that might be presented.

I am aware that the Department is faced with a tremendous task, however, its operating efficiency does not even approach acceptable. I hope this description of my encounter with the Department is useful for your purposes. If I can provide any further information or explanation please do not hesitate to contact me.

Sincerely,

  
KENNETH L. COWELL



State of Alaska  
**Ombudsman**  
A Legislative Service Agency

INVESTIGATIVE REPORT  
Corrected Finding of Record and Closure

Ombudsman Complaint F093-0281  
December 1, 1994

**SUMMARY OF THE COMPLAINT**

On February 10, 1993, Jodi Delaney contacted the Ombudsman and filed a complaint against the Child Support Enforcement Division (CSED). She alleged that on two occasions, and despite repeated contacts by her, the agency failed to act promptly on specific information she provided about the employment of her former husband, who was behind in child support payments. Because of the arrearage, the agency could have required the employer to withhold 65 percent of the obligor's disposable wages for child support.

Ms. Delaney claimed CSED delayed acting on the information and went through unnecessary steps when they did act. She alleged the agency compounded its errors when it sent a payroll withholding demand to the wrong address. The consequence of these actions was that several thousand dollars in child support which could have been collected were not.

Through May of 1993, the Ombudsman attempted to resolve the complaint informally. At that point CSED made it clear that it was unwilling to have Ms. Delaney's case reviewed by the Division of Risk Management and the Ombudsman decided to fully investigate this complaint. The Ombudsman reframed the allegation in accordance with AS 24.55.150 and stated it as follows:

*The Child Support Enforcement Division inefficiently failed to collect child support.*

The investigation was organized and conducted by former Assistant Ombudsman Elizabeth Schaffhauser. She was assisted by former Assistant Ombudsman Glenn Bacon, who completed the investigation and shared responsibility for writing the investigative report. The preliminary investigative report was issued by Acting Ombudsman Michael Hostina. The final investigative report was completed by Deputy Ombudsman Michael Hostina and issued by Ombudsman Stuart C. Hall.

**BACKGROUND**

A 1988 divorce decree awarded custody of two minor children to Ms. Delaney and ordered the children's father, hereinafter the obligor, to pay \$275.28 per month in child support for each child through the Child Support Enforcement Division. CSED opened a case file on June 23, 1988. Within the year the account was in arrears.

Account administration has been affected by the obligor's frequently changing jobs, by his changing residences, by his moving for a time to California, and by the obligee's moving for a time to Arizona. Because the obligor was in California when the

child support account was established, the account was initially administered by CSED's interstate team.

CSED's *Interstate* team (Team 11) is one of several teams created by the agency, each of which has a specific function. Three other teams are pertinent to this investigation: *Initiating* (Team 5), *Locate* (Team 13), and *Enforcement* (Team 4). Agency procedures necessitate that a case be transferred from team to team as required action on the case changes.

Division statistics show that at the time the Ombudsman complaint was filed CSED was administering more than 36,000 cases. This was an increase of over 8,000 cases (nearly 29 percent) since 1988. The magnitude of the division's workload is revealed in the fact that it now processes an average of more than 80,000 pieces of mail each month.

## INVESTIGATION

### *Agency Procedures*

Child Support collection procedures involve a basic two-step process. First the obligor is notified concerning the support obligation, and the amount of any outstanding arrearage. This provides an obligor an opportunity to dispute the amount of the obligation or the obligation itself. Once the obligor has had an opportunity to respond to the liability notice, collection may begin. In cases where child support payments are not made voluntarily, CSED is empowered by law to garnish wages, intercept tax returns, attach permanent fund dividend checks, file liens, and take other measures to force obligors to provide child support.

Three key agency tools pertinent to this case were:

### *Notice of Liability (NOL)*

CSED policy is to issue a Notice of Liability (NOL) when an obligor is one month or more in arrears in child support payments ordered by the court. Division procedures for issuing NOLs are described in its policy 8210. This policy provides the NOL will be sent to the obligor's last known address, certified mail, without return receipt. Service is effected on the date of mailing regardless of whether the mail is returned. An obligor has 15 days from the date of service to submit a written request for a hearing to contest the NOL. AS 25.27.150.

### *Order to Withhold and Deliver (WID)*

Alaska law at AS 25.27.250(a) provides, "At the expiration of 30 days from the date of service of notice under AS 25.27.150, or from the date of service of a notice of finding of financial responsibility under AS 25.27.160, the agency may issue to any person an order to withhold and deliver property." AS 25.27.062(e) and 15 AAC 147.200 establish that a withholding order is binding immediately upon receipt.

Agency policy (8230.1) requires a withholding order be served within five working days of locating an employer's address.

### *Answer to Inquiry*

When an Order to Withhold and Deliver is sent it is accompanied by a questionnaire called an Answer to Inquiry, CSED form 04-1861. Within 14 days of service of a withholding order, the employer served must complete and return the Answer to Inquiry. AS 25.27.250(e).

In addition to other information, the response to the Answer to Inquiry will indicate whether employer-provided insurance is available to the employee and/or the employee's dependents. According to CSED Policy 8231.1, the enforcement team is responsible to ensure that medical insurance coverage available to the obligor is extended to dependents when required by the support order.

#### DIVISION HANDLING OF COMPLAINANT PROVIDED INFORMATION

In order to review agency actions regarding the obligor's child support account, the Ombudsman investigators obtained a copy of the account's *Management History Summary* and *Accounting History Summary*. These summaries consisted of coded computer printouts recording agency actions and account financial activities, respectively.

Investigation focused on two contacts, and numerous follow-ups, with CSED that, according to Ms. Delaney, are among several that did not receive appropriate reaction on the part of the agency. The first was when she reported to CSED that the obligor was working at a Fairbanks Super Valu grocery store. The second was when she later told CSED that he was working at a Fairbanks Fred Meyer store.

#### *Super Valu Employment*

Division records show Ms. Delaney called on October 16, 1991, and told CSED the obligor had returned to Alaska from California and was working at the Super Valu store at the Gavora Mall in Fairbanks. Two and a half months later, after Ms. Delaney called CSED offices in both Fairbanks and Anchorage on December 31, a Team 5 clerk sent the obligor an initial Notice of Liability (NOL) showing an arrearage which had already reached \$32,117.79.

In mid-January 1992, Ms. Delaney contacted CSED again to report the obligor was still working at Super Valu and to ask why no garnishments had been made. A Team 5 clerk explained payroll garnishment required issuance of a withholding order which, in turn, required a Notice of Liability to have been served at least 30 days earlier.

It is noteworthy that an NOL could have been served as soon as the obligor fell more than one month behind in child support, and it was agency policy to do so. Since the account was in significant arrears within a year of being established, this means the NOL could have been issued several months before Ms. Delaney reported the obligor's employment at Super Valu. Had the NOL been issued earlier it would have enabled immediate issuance of a payroll withholding order when the employment was reported.

When asked why the NOL was not issued earlier, the agency explained that at the time of the Super Valu employment the computer tracking system was not capable of automatically detecting arrearage on interstate cases, though there was this capability for in-state cases. The large number of interstate cases precluded the possibility of manually reviewing cases to detect large arrearages. More recently the computer system has become capable of detecting arrearages on interstate cases and automatically sends an NOL when appropriate.

After the late start for the 30-day NOL process, the agency waited much longer than the required 30 days before issuing the withholding order. It was 57 days after the NOL was issued, and only after Ms. Delaney again called CSED's Fairbanks Field Office, that Team 5 sent a withholding order to Market Basket, parent corporation of Super Valu.

The process should have taken one day if the NOL had been issued promptly. Even with the late issuance of the NOL, it should have taken 30 days. Instead, it took three and one half months. The result was that Ms. Delaney and the state were deprived of garnishment benefits on three and one half months of earnings.

When a withholding order was finally issued, it was for 50 percent of disposable earnings. This is less than the 65 percent allowed by agency policy (8230.4).

CSED accounting records showed Super Valu forwarded a total of \$404.19 before the obligor's employment terminated. He had worked at Super Valu for nearly six months.

### *Unemployment Benefits*

After CSED received notice on April 2 that the obligor was no longer employed by Super Valu Foods, it was *four weeks later*, on April 29, that a Team 5 clerk sent a withholding order to the Employment Security Division to garnish possible unemployment benefits.

### *Fred Meyer Employment*

On June 29, 1992, Ms. Delaney called CSED again, this time to tell them the obligor was working at the new Fred Meyer store in Fairbanks. *Two months later*, on August 25, Ms. Delaney placed a follow-up call to CSED and was dismayed to learn a withholding order had not yet been sent to Fred Meyer.

Then, instead of issuing a payroll withholding order immediately, a Team 5 clerk referred the case to the locate team, Team 13. On September 3, 1992, Team 13 sent a letter to Fred Meyer requesting confirmation of employment. The team took no other collection action because, according to the agency, that would have been a function of a different team.

When Ms. Delaney contacted CSED in mid-October, asking again if a payroll withholding order had been sent to Fred Meyer, she was told not yet. Finally, four days later and over three and a half months after Ms. Delaney provided CSED the employer information, a Team 5 clerk retrieved the case file from archives and CSED issued a withholding order.

When asked by the Ombudsman investigator to explain the referral to Team 13 and the subsequent delay in enforcement, Team 5 supervisor Judith Imlach explained that Team 5 was the "interstate" team and did not normally issue withholding orders. According to procedures then in effect, procedures required a case worker, not a clerk, to issue the withholding order.

Ms. Imlach noted the case worker assigned to Ms. Delaney's case had recently been promoted and was no longer with Team 5. As a result a clerk worked the case and mistakenly sent the employer information to the locate team (Team 13) instead of having a case worker send a withholding order to the employer. Ms. Imlach added that when the locate team received the information, it was placed in queue to be worked. At that time only two people were doing locates for approximately 32,000 cases; and they were approximately 15 months behind. No explanation was provided as to why the case had not been transferred to another case worker when the original case worker was promoted.

By late November 1992, Ms. Delaney had again contacted CSED. She asked which Fred Meyer store received the withholding order. When told the old Fred Meyer on College Road, she told the agency the withholding order should have been sent to the new Fred Meyer store on Airport Road, the store she originally reported as employing the obligor. Though this was not reflected in agency records, Ms. Delaney told the Ombudsman investigator that she also explained to CSED that copies of Fred Meyer withholding orders would need to be sent to the company's Portland headquarters.

CSED records show it was only later when they contacted the old store's manager that it learned Fred Meyer policy was to forward all withholding orders to the chain's main

office in Portland, Oregon. When it finally contacted the Portland office, *three weeks later*, it learned the office had not received the withholding order from Fairbanks. CSED immediately sent another order directly to Portland, and confirmed on December 28 that it had been received.

At the time the preliminary report was completed the agency was reviewing Fred Meyer's response to determine whether the store should be required to forward money equal to that which would have been garnished had the withholding order been honored when it was first received by the Fairbanks store.

On January 4, 1993, with mounting out-of-pocket medical bills, Ms. Delaney contacted CSED and discussed the need for the obligor to provide medical insurance for the children. A week later, a Team 4 (Enforcement) clerk left a message on the agency's KIDS line voice mail system telling Ms. Delaney the obligor reported his children were covered by his medical insurance. However, a telephone conversation later that day between a Team 4 clerk and Fred Meyer revealed the children were not enrolled on the obligor's employee plan, though it was available from his employer for \$18.00 per month.

The clerk provided the corrected information to Ms. Delaney that same day. However, it was not until January 15, four days later, that the clerk sent a letter to Fred Meyer asking that the children be added as dependents on the obligor's medical insurance plan.

The obligor's employment at Fred Meyer terminated on January 25.

*It was 25 weeks from the time Ms. Delaney reported the Fred Meyer employment to the time the withholding order was in place.* This process should have taken several days at most according to agency policy. Arguably, during this period (June to December 1992) CSED failed to collect more than \$10,000 in child support. This figure is a projection based on a pay stub obtained by the Ombudsman. (More specific information was provided to the agency in the confidential preliminary report.) However, it is difficult to predict what might actually have been collected, since the obligor could have terminated employment as soon as a withholding order was put in place.

CSED accounting records showed a total of only six withholdings, ranging from \$157.77 to \$237.83 and totaling \$1,176.73, were eventually forwarded by Fred Meyer.

### CSED COMPUTER TICKLER SYSTEM

The facts surrounding this case make it clear many agency actions depend upon timely follow up on prior actions. Susan Goodman, the division computer system supervisor, explained for the Ombudsman investigator the computer-generated system for notifying division workers that action is needed on a particular case. Ms. Goodman told the Ombudsman investigator the agency computer message system has been in place for years, but has undergone nearly constant revision to improve its effectiveness.

During a follow-up conversation with Vickie Mitchel, assistant operations manager for CSED, the Ombudsman investigator learned the agency's computer system enables generation of various reminder messages to pertinent workers regarding time critical events. The system is designed either to send messages automatically when certain threshold events occur, or to allow messages to be sent from one worker to another. In general, when computer generated directives, such as for issuance of a withholding order, are not acted upon or when messages are not read, the system alerts a supervisor.

A March 1994 audit report (Report 04-26) prepared by the State of Alaska Office of Management and Budget (OMB) cites lack of computer hardware and software as a critical shortcoming in the Child Support Enforcement Division. The report concludes that

automation of various agency functions could greatly increase the speed of agency response. The agency agrees that its efficiency could be improved and reports it is continuing with its attempts to secure necessary computer hardware and software.

### AGENCY RESPONSE TO REQUEST FOR REFERRAL TO DIVISION OF RISK MANAGEMENT

When the Ombudsman investigator asked the agency to consider referring the history of this case to the Division of Risk Management to help determine whether state liability existed, CSED declined.

Walt Furnace, then-deputy director for CSED, wrote in an April 9, 1993, letter to the Ombudsman investigator, "I note that we were initially contacted on June 29, 1992. We were unable to review the case for the next appropriate action due to staff shortage until September, 1992." This position was reiterated by agency Director Mary Gay, who told the Ombudsman investigator that the agency did what they were supposed to do and did it to the best of its ability given available staff.

Vickie Mitchel, assistant operations manager for CSED, told the Ombudsman investigator that Ms. Delaney had not actually lost any money because money not collected from Fred Meyer would be added to the child support arrearage and still could be collected. She later added that the agency had received a verbal opinion from the Attorney General's office that the state would not be liable for non-collection resulting from insufficient staff and/or resources.

### ANALYSIS AND FINDING

The allegation in this complaint is that the Child Support Enforcement Division performed its administrative tasks inefficiently. The Office of the Ombudsman's Policies and Procedures Manual at 4040(14) defines *performed inefficiently*: This determination generally covers instances of unreasonable agency delay and ineffectual performance. A finding by the Ombudsman that an agency was inefficient reflects his conclusion that the administrative action exceeded (a) a limit established by law (statute, regulation, or similar enacted source) or (b) a limit or balance established by custom, good judgment, sound administrative practice, or decent regard for the rights or interests of the person complaining or of the general public.

The following issues were analyzed: Did the Child Support Enforcement Division follow timelines established in its procedures for issuance of a Notice of Liability and the Order to Withhold and Deliver demands sent to Super Valu and Fred Meyer? If not, were the agency's actions reasonable under the circumstances?

Investigation revealed that on at least eight separate occasions the agency missed important opportunities for collection by failing to observe its own policies. The Child Support Enforcement Division repeatedly failed to act until badgered by the complainant to do so, and even then long delays resulted.

Division leadership told the Ombudsman investigator that its actions were reasonable, given the staff shortage experienced by the agency. Without a doubt CSED is overworked. And, to be sure, an occasional lapse in performance can be expected in such a high volume agency. However, the pattern of inefficiency in this case calls for an explanation that goes beyond that offered by the division.

For example, the staff shortage explanation does not account for the fact that agency staff did not readily identify the proper notice address for Fred Meyer, one of Alaska's largest employers. This is particularly difficult to understand in view of the agency's position that it had a good working relationship with the company. Also, the

division appears to have maintained competent files concerning other employers in Alaska. For example, the division demonstrated it knew the correct name and address for Super Valu when it issued a WID to its parent company, Market Basket.

Additionally, the division's explanation that its routine slowness in processing information was the result of staff shortages does not explain how the division could respond so quickly once it learned the Fred Meyer Portland office had not received a payroll withholding order. If this quick action was not normal procedure, it is not clear what criteria signaled the need to override normal, slower procedures.

Part of the explanation for agency slowness in this case appears to be not so much staff shortage as inexperience of staff assigned routine agency tasks. Repeatedly, it seems only the intervention of more experienced staff caused collection action to move forward. In this context, the fact that much of the agency action on this case was undertaken by clerks, not case workers or others with more experience, appears to take on particular importance.

Notwithstanding various explanations for agency slowness, one of the more disturbing elements in this case is that some agency staff feel the complainant has suffered no harm as a result of agency slowness, since money not collected could be added to the arrearage. A significant problem with this logic is that it assumes money will be collected. In the Ombudsman's view, this position at best fails to recognize the difference between paper assets and collection.

From a debt collection perspective there was no assurance the division could ever collect any of the arrearage. In this case the obligor had a spotty employment history, had been uncooperative, and was already tens of thousands of dollars in arrears. And, the arrearage was growing, not declining.

Beyond that there were out-of-pocket expenses resulting from lack of medical insurance coverage. Ms. Delaney provided the Ombudsman with copies of invoices totaling nearly \$1,000 in out-of-pocket medical expenses not covered by Medicaid or private insurance. Notwithstanding the possibility that not all these expenses would have been covered under Fred Meyer insurance, some may have been.

CSED was remiss in not confirming Fred Meyer medical insurance coverage earlier than it did. According to agency policy (8231.1), staff had an obligation to review the Answer to Inquiry questionnaire completed by Fred Meyer to determine whether medical insurance coverage was available and whether the obligor had enrolled his dependents. Two factors prevented effective agency action. First, CSED sent the withholding order to the wrong store. Then, the agency failed to follow up when the Answer to Inquiry questionnaire accompanying the withholding order was not returned within 14 days as required by law. It was too late by the time CSED found out that the Fred Meyer Portland office had never received a withholding order.

An important public interest here concerns families whose incomes preclude the possibility of obtaining medical insurance coverage. In such situations, unless the obligor is promptly required to obtain available insurance, children may go without coverage. In such cases medical insurance coverage lost is lost forever, and medical care not received for lack of insurance may have permanent consequences for growing children.

Also in the larger perspective, aggressive collection is of more than passing interest to the public, since CSED's failure to collect child support can result in greater stress on state public assistance resources than would be required if families received child support due them. As the agency recently learned as a result of a federal audit, inefficiency could cause federal funds to be withheld from both state child support and public assistance agencies.

The position that later collection of child support will mitigate failure to garnish wages earlier is particularly without merit when considered in the context of support. If the concept of mitigation has merit at all, it follows that mitigation is both more certain and more meaningful the earlier it occurs. It is important to recognize that the concept of child support is based on society's judgment that *children* need support. Stated another way, *the purpose of child support is to provide support to children, while they are children.*

In absolute terms, without assurance that money not collected will eventually be paid, there is no assurance that the lost collection opportunities will ever be mitigated. Thus, CSED's failures to collect are not necessarily recoverable errors. In this context, the Ombudsman's preliminary report concluded that in Ms. Delaney's case CSED's actions exceeded limits established both by agency policy and by good government practice. Accordingly, the Ombudsman proposed to find justified the allegation that the Child Support Enforcement Division inefficiently failed to collect child support. Given the lack of a detailed response from CSED contesting the proposed finding, the Ombudsman retained a justified finding.

## RECOMMENDATION

The Ombudsman's preliminary report proposed one recommendation. For the reasons set forth in the Ombudsman rebuttal section of the report, that preliminary recommendation has been retained as a final recommendation.

**Recommendation 1.** Given the likelihood that support not collected will never be collected, and given that Ms. Delaney's children are forever denied child support not collected during their formative years, the Ombudsman recommends the Child Support Enforcement Division refer this matter to the Division of Risk Management to determine whether liability exists and whether compensation to Ms. Delaney and her children is appropriate.

Additional recommendations could be made. Those pertinent to this investigation were already made as part of a program audit completed in March 1994 by the Alaska Office of Management and Budget, Division of Audit and Management Services (OMB Report 04-26). Because CSED has already received and responded to those recommendations, they will not be repeated here.

## AGENCY RESPONSE AND OMBUDSMAN REBUTTAL

The Ombudsman's preliminary report was provided to the agency on June 29, 1994. On July 8, Director Mary Gay requested an extension of time to August 14, 1994, to respond to the finding. According to Ms. Gay:

We are forwarding your recommendation and management history case information to the Department of Law, Attorney General and Department of Administration, Risk management Division, for their separate opinions.

When no response was forthcoming by the extended deadline, Ombudsman Stuart Hall met with Department of Revenue Commissioner Laraine Derr on September 1 to discuss the report. Commissioner Derr told Ombudsman Hall that because CSED had already informed the Ombudsman that it disagreed with the proposed finding and recommendation, the Ombudsman should proceed to issue the final report. Commissioner Derr added that CSED would not refer the matter to the Division of Risk Management because CSED believed it was not responsible for the uncollected child support due this complainant.

In a letter dated September 6, 1994, Ombudsman Hall asked Commissioner Derr to reconsider. He said in part:

While I am well aware that CSED is not legally responsible for uncollected child support, it is responsible for its errors. Jodi Delaney's case does not appear to be a simple case of delayed response due to agency workload or the discretionary allocation of admittedly limited resources to other priorities. Instead, there appear to have been a succession of delays and errors by CSED personnel in handling her case. These delays and errors led to lost opportunities to collect support and obtain health insurance for her children. While the debt owed Ms. Delaney by the obligor has not diminished as a result of CSED's actions, it may well be a worthless "paper" debt. If that is in fact the case, any opportunity lost to collect even small amounts of support may cause damage to Ms. Delaney.

Interestingly, we receive complaints about and see evidence of rapid and zealous collection responses in other CSED cases. In fact, as the report notes, there were some instances of rapid response in Ms. Delaney's case.

Ombudsman Hall went on to note that the agency response to date was a simple verbal denial of legal liability, and that CSED had lost sight of the human impact on Ms. Delaney and her children. He added that the lack of any reasoned explanation to the complainant or the public was especially unfortunate given Ms. Delaney's "persistent and useful" involvement in her case.

Commissioner Derr responded in a September 15, 1994, letter. She stated that:

... the Department of Revenue and the Child Support Enforcement Division continue to disagree with the determination of the Ombudsman.

As indicated in your letter of September 6, 1994, CSED is not legally responsible for uncollected child support. Your preliminary report states, "From a debt collection perspective there was no assurance the division could ever collect any of the arrearage. In this case the obligor had a spotty employment history, had been uncooperative, and was already tens of thousands of dollars in arrears. And the arrearage was growing, not declining." In point of fact, CSED has collected over \$13,000 in child support on behalf of Ms. Delaney.

While it is true that errors were made in the processing of Ms. Delaney's case and that the Interstate Team is severely understaffed, CSED has attempted to collect the child support on behalf of Ms. Delaney and continues to do so. Also, CSED is continually looking at ways to improve their operations and increase efficiency. Your comments in these areas are appreciated and are being taken into consideration.

The Department and CSED do not feel they have been negligent, nor are they liable for the uncollected child support. However, on behalf of the Child Support Enforcement Division, I do apologize for the errors made in Ms. Delaney's case.

In rebuttal the Ombudsman notes that agencies may well be liable for negligent performance in whatever they undertake to do, whether that is collection of child support or some other activity. It is not child support that the Ombudsman's report suggests may be owing Ms. Delaney from the state, but any damages that may have resulted from CSED's errors. The commissioner's refusal to refer the question to Risk Management leaves this office without the benefit of their analysis and no basis for changing the finding.



# UNIVERSITY OF ALASKA ANCHORAGE

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ANCHANC

April 25, 1996

Representative Mark S. Hanley  
Alaska State Legislature  
State Capitol Room 507 (MS 3101)  
Juneau, AK 99811-112

Dear Representative Hanley *Mark*

As the 1996 legislative session rapidly comes to a close, I urge you to consider enacting the retirement incentive program (RIP) for University of Alaska faculty and staff contained in Senate Bill 148. Without speaking to the other contents of the bill, I would like to address the importance and merits of the RIP portion of the bill and how it will affect students at UAA.

Last year the university conducted a rigorous internal assessment of our university programs. In the process we identified that an early retirement provision could be of significant financial benefit to the university. On the University of Alaska Anchorage campus we have a significant number of senior faculty who, I believe, would exercise the options of retirement should an early retirement bill be enacted. The financial savings associated with replacing a senior faculty member with a junior one would save the salary and benefit difference between the two. I expect the salary difference to average around \$70,000 per retirement. So, for example, should twenty five UAA faculty retire pursuant to the provisions contained in the present language of the retirement incentive program, UAA could save \$500,000 and apply these savings toward additional full- and part-time faculty who are desperately needed throughout our programs, or to mitigate other budget reductions and rising costs of library materials and books, utilities, and other fixed expenses.

While we will certainly miss many of our senior full time faculty who would exercise retirement, it will, nonetheless, afford us the opportunity to attract a cadre of young, dynamic faculty, who will bring many new ideas, fresh energy, and enthusiasm to the campus.

I know there have been conversations about the extent to which RIP savings are real. I can assure you that at UAA these savings are most certainly real. How the savings are used depends on the extent to which other budget reductions are being made or whether the savings can be used to support much needed instruction. I want to reassure you that I will do all that I can to ensure that any RIP savings would be used to directly support our academic programs and library.

Again, I urge you to enact legislation which would allow a retirement incentive program for the University of Alaska employees to be effective for the fiscal year 1997.

Sincerely,

*Lee*

Edward Lee Cornuch  
Chancellor

cc President Jerome Koskela  
Vice President Wendy Redman



UNIVERSITY OF ALASKA FAIRBANKS

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April 24, 1996

Representative Mark Hanley  
Co-Chair, Finance  
State Capitol, Room 507  
Juneau, AK 998701-1182


Dear Representative Hanley:

The University of Alaska Fairbanks supports a means of providing retirement incentives for long-term employees this year. In the past this has been an opportunity to have senior employees retire from the university thereby, making it possible to hire at the entry level for many of our positions. This, of course, results in savings for us and is effective and less disturbing than layoffs as a way to generate savings.

With the financial constraints of the past few years and anticipated continued pressures on the state budget, we need some flexibility to meet new needs, compensation adjustments, anticipated general fund reductions and fixed costs. The current market is good for hiring junior faculty, which means that we can hire at lower cost in areas of need. Especially helpful in SB148 is the opportunity to provide one or more RIP windows during a three-year period.

I urge you and all members of the Finance Committee to support this bill. It will provide relief at a time when dollars remain scarce.

Sincerely,

  
Juan K. Wadlow, Chancellor  
University of Alaska Fairbanks

JKW:KLC:evf