

**SB**

**130**

# FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

BILL NO. SB 130

Revision Date: \_\_\_\_\_  
 Title: An Act amending the retirement incentive programs for municipalities and school districts; and providing for an effective date.  
 Sponsor: Sen. Duncan  
 Requestor: (S) CRA

Department Affected: Administration  
 BRU: Retirement and Benefits  
 Component: \_\_\_\_\_  
 COMPONENT SERIAL NO. 64

**Expenditures/Revenues:** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 93	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
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<b>CHANGE IN REVENUES ( )</b>	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						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
OTHER						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY 97) cost: \$ zero

**POSITIONS:**

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

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

This bill extends the period of time that a municipality or school district may elect to participate in the RIP. These amendments provide that a municipality or school district may elect to open a window period for a minimum of 30, but no longer than 60 days. Applicants must retire no later than the first of the month that is six months after the close of the application window.

There is no fiscal impact on the Division of Retirement & Benefits.

If enacted, this bill will not materially affect the accrued liabilities or the funding ratio of the Public Employees' or Teachers' Retirement Systems.

Prepared by: Janet Parker  
 Division: Retirement & Benefits

Phone: 465-4460  
 Date: \_\_\_\_\_

Approved by Commissioner: Mark Boyer  
 Agency: Department of Administration

Date: 4/25/97

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**SENATOR JIM DUNCAN**  
*ALASKA STATE LEGISLATURE*

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Alaska State Senate

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State Capitol • Room 119 • Juneau, Alaska 99801-1182 • (907) 465-4766 • Fax 465-4748

MEMORANDUM

**DATE:** April 21, 1997

**TO:** Senator Jerry Mackie, Chair  
Senate Community & Regional Affairs Committee

**FROM:** Senator Jim Duncan  
Minority Leader

**SUBJECT:** Request to Schedule SB 130, Extending the Application  
Periods for School Districts and Municipalities under the  
Retirement Incentive Program

I request that you schedule SB 130, relating to application periods for the retirement incentive program for municipalities and school districts.

Under the bill, school districts and municipalities will be allowed to request additional application periods for participation until June 30, 1999. The current window period for school districts expired on December 31, 1996, with retirement required on or before August 30, 1997. The application period for municipalities is open until June 30, 1997 with retirement required on or before February 1, 1998.

I believe it is in the best interests of our municipal governments and school districts to allow them the maximum flexibility to address declining state revenues without requiring layoffs and consequent diminishment of services to the public and increasing class sizes in our schools.

Thank you for your favorable consideration of this request.

Attachments

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

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

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

## MEMORANDUM

March 19, 1997

**SUBJECT:** Sectional Summary of SB 130. (Application periods for retirement incentive programs for municipalities and school districts)

**TO:** Senator Jim Duncan  
Attn: Roxanne Stewart

**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.

Section 1 permits school districts to request additional periods during which employees of the school district may apply to retire under the retirement incentive program. The last application period must end by June 30, 1999. The section retains the window from June 30 through December 31, 1996, enacted in the legislation last year.

Sec. 2 changes the repeal of the school district retirement incentive program authorization to reflect the extension of the application periods made by sec. 1.

Sec. 3 amends the authorization for retirement incentive programs for municipalities and other political subdivisions to permit them to request additional periods during which their employees may retire under the retirement incentive program. The last application period must end by June 30, 1999. The section retains the window from December 31, 1996, through June 30, 1997, enacted in the legislation last year.

Sec. 4 changes the repeal of the municipal retirement incentive program authorization to reflect the extension of the application periods made by sec. 3.

Sec. 5 is an immediate effective date.

TC:glc  
97-192.glc

COMMITTEE PACKET

SB 130, RIP for School Districts and Municipalities

1. Sponsor Statement
2. Bill Sectional
3. Bill

# SENATOR JIM DUNCAN

ALASKA STATE LEGISLATURE

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Alaska State Senate

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## SPONSOR STATEMENT SB 130 RETIREMENT INCENTIVE PROGRAM EXTENSION FOR MUNICIPALITIES AND SCHOOL DISTRICTS

SB 130 will allow school districts and municipalities to request one or more window periods before June 30, 1999 to allow their employees to participate in the retirement incentive program.

Under the terms of the Retirement Incentive legislation which passed in 1995, the window period for school districts expired on December 31, 1996, with retirement required on or before August 30, 1997. The application period for municipalities is open until June 30, 1997 with retirement required on or before February 1, 1998.

This bill will allow school districts and municipalities to request one or more window periods up until June 30, 1999, with retirement required within six months of the end of the application period. This gives school districts and municipalities more flexibility to address declining revenues over the same period as is available under the State employees Retirement Incentive Program.

According to statistics from the Division of Retirement and Benefits, currently there are 32 of 61 school districts participating in the Retirement Incentive. These districts have designated almost 1,800 employees to participate with an estimated savings over three years of almost \$80 million. 125 school employees have actually retired to date with the rest expected to retire this summer after summer vacation begins.

Only 12 of 99 municipalities so far have chosen to use the program. 175 municipal employees have been designated with an estimated savings if all participate of \$3.3 million.

I believe it is in the best interests of our municipal governments and school districts to allow them the maximum flexibility to address declining state revenues and increasing demands for public services through the use of the Retirement Incentive Program through 1999.

April 24, 1997

Retirement Incentive Program Statistics							
Group	Employers	Participating	Percent	Designated	Cost	Savings	Retired
TRS-SD	61	32	52.46%	1263	46,678,550	71,113,394	89
PERS-SD	54	19	35.19%	493	9,162,669	8,593,790	36
TRS-UA	1	1	100.00%	272	10,530,296	4,941,750	14
PERS-UA	1	1	100.00%	209	6,150,090	2,142,314	12
STATE	18	16	88.89%	549	17,666,563	12,868,486	51
ST-LEG	1	1	100.00%	17	471,517	491,773	10
PERS-PS	99	12	12.12%	175	4,494,110	3,289,458	21
<b>TOTALS</b>	<b>235</b>	<b>82</b>		<b>2978</b>	<b>95153795</b>	<b>103440965</b>	<b>233</b>

Post-it <sup>®</sup> Fax Note	7671	Date	3/10/97	# of pages	1
To	Rosalene	From	Bill Church		
Co./Dept.	Sen. Duncan's Off	Co.	Div Ret & Ben		
Phone #		Phone #	5700		
Fax #	4748	Fax #	2086		



# NEA-ALASKA

*Affiliated with the National Education Association*

## NEA-ALASKA POSITION PAPER RETIREMENT INCENTIVE PROGRAM

### SB 130

NEA-Alaska supports utilization of a retirement incentive program (RIP) as a cost effective means to reduce the overall cost of school district operation. This cost saving measure is needed especially at a time when student population is increasing and inflation continues to chop away at the opportunities schools offer children. Additional funding is needed to correct the problem but, in the short term, the RIP provides an option for school districts to trim already tight budgets.

We support the enactment of a retirement incentive program that is actuarially sound. We favor making the program available to all school employees in each school district since we believe no school support personnel has been given the option of using prior retirement incentives.

If it is the intent of the Legislature and the Administration to reduce the cost of state and local governments, a retirement incentive program is an excellent opportunity to achieve that goal without harming employees at the upper or lower ends of the salary schedule. Absent a RIP, a school district attempting to cut operating costs through reduction in staff (RIP) would be forced to lay off less experienced employees. This option creates a hardship on younger employees and their families and disrupts initial career goals of these employees.

Previous RIPs provided certified and non-certified school employees the benefit of the retirement incentive. Lawmakers have a history that demonstrates the benefits of RIP to both the employee and employer.

NEA-Alaska represents nearly 10,000 members; 2,500 of which are non-certified Educational Support Personnel. Earlier bills extended the benefits of RIP to all school employees. We support the universal application of the RIP to all school employees.

A retirement incentive program offers school district administrators an opportunity to retire staff at the top end of the salary schedule. Those who retire can be replaced by employees at a lower position on the salary schedule. If school administration carefully employs equally qualified but less experienced teachers and support employees, a school district will net a reduction in operating costs.

Previous RIPs offered experienced employees an early retirement option by providing them a credit of three additional years of service provided the employer and employee pay the actuarial cost of that service. Maintaining that option will not encourage large numbers of experienced school employees to retire since many would likely retire within three to five years anyway. Furthermore, it would maintain the strength of the retirement system for present and future generations of retirees.

We support a retirement incentive plan that is universal in nature. State and local governments, including school districts, can utilize a RIP to achieve cost savings in fair way to both the employer and employee.



04/20/97

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SB 130

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