

SB

126

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

No. 2
Bill Version: CSSB 126 (FIN)
(S) Publish Date: 3-25-97

Revision Date: _____
Title: An Act relating to the retirement incentive program for state employees; and providing for an effective date.
Sponsor: Senate Finance Committee
Requestor: Senate Finance

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

Expenditures/Revenues:	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY 98	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						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

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/Men. Health						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

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

POSITIONS:	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)
There is no fiscal impact on the Division of Retirement & Benefits.

Prepared by: Robert F. Stainaker Phone: 465-4470
Division: Retirement & Benefits Date: _____
Approved by Commissioner: Mark Bover Alison M. Elgee
Agency: Department of Administration Date: 3/19/97

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FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

No. 1
Bill Version: CS SB 126 (FIN)
(S) Publish Date: 3-25-97

Revision Date: _____ Dept. Affected: All Departments
Title: An Act relating to the retirement incentive BRU: N/A
program for state employees Component: N/A
Sponsor: Senate Finance Committee
Requester: Senate Finance Committee COMPONENT SERIAL NO. N/A

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	***	***	***	***	***	***

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	***	***	***	***	***	***

Estimate of any current year (FY97) cost: \$ _____

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This bill would increase the number of employees retiring under the retirement incentive (RIP) program. However, the magnitude of the increase in participating employees and the associated fiscal impacts cannot be accurately projected, because these factors depend both on individual employee decisions to be made in the future, as well as how many employees would participate under the current RIP over the next two years, which also cannot be accurately projected.

The Knowles Administration believes that the strategic RIP approach enacted by the Legislature in 1996 and currently being implemented by the Administration is more cost-effective and will result in greater long-term savings to state government than the "universal" RIP approach which SB 126 would require.

Prepared by: Annaloe McConnell *Annaloe McConnell* Phone: 465-4660
Division: Office of Management and Budget Date: _____
Approved by Commissioner: Jim Ayers, Chief of Staff *J. Ayers* Date: 3/20/97
Agency: Office of the Governor

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Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

CSSB 126 (FIN) **SPONSOR STATEMENT**

March 26, 1997

Senate Bill 126 will require state agencies to make better use of the Retirement Incentive Program (RIP) enacted last year.

Soon after the beginning of the legislative session, the Senate Finance Committee took testimony from the Office of Management and Budget regarding the administration's utilization of the RIP program and the savings that had been realized as a result of its implementation. The administration chose a very restrictive and selective approach to implementing RIP. Consequently, the number of employees who were even offered the opportunity to retire under the plan was small relative to total number of state employees, minimizing the potential savings to the state. In other cases, individuals who were offered the opportunity to participate may have chosen to delay their retirement to a later RIP date.

CSSB 126 (FIN) leaves the basic elements of current Retirement Incentive Program in place. However, it adds two principal provisions. It

1. limits a qualified employee's participation to the first RIP application period for which they qualify (*section 4*); and
2. requires state agencies to offer a RIP plan to all qualified classified state employees during three two month application periods (*section 1*).

This legislation will not only increase RIP participation, it will accelerate when employees are required to retire under this program. Both elements should increase savings to the state, the principal impetus to passing the RIP legislation last year.



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Juneau, Alaska 99801-1182

CSSB 126 (FIN) **SECTIONAL ANALYSIS**

March 26, 1997

- Sec. 1:** Amends Section 23(a) of chapter 4, FSSLA 1996 to
- a. describe plans offered under the current Retirement Incentive Program as discretionary, distinguishing them from those plans required to be adopted for classified employees; and
 - b. require state agencies to offer a RIP plan to all qualified classified state employees during three two month application periods.
- Sec. 2:** Amends Section 23(b) of chapter 4, FSSLA 1996 to describe plans offered under the current Retirement Incentive Program as discretionary, distinguishing them from those plans required to be adopted for classified employees.
- Sec. 3:** Amends Section 23(e) of chapter 4, FSSLA 1996 to properly reference the amendments made in Section 1 of CSSB 126 (FIN).
- Sec. 4:** Adds a new subsection 23(f) to chapter 4, FSSLA 1996 to limit a qualified employee's participation to the first RIP application period for which the employee qualifies.
- Sec. 5:** Makes the enacted changes effective immediately.



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Juneau, Alaska 99801-1182

SB 126 SPONSOR STATEMENT

March 20, 1997

Senate Bill 126 will require state agencies to make better use of the Retirement Incentive Program (RIP) enacted last year.

Soon after the beginning of the legislative session, the Senate Finance Committee took testimony from the Office of Management and Budget regarding the administration's utilization of the RIP program and the savings that had been realized as a result of its implementation. The administration chose a very restrictive and selective approach to implementing RIP. Consequently, the number of employees who were even offered the opportunity to retire under the plan was small relative to total number of state employees, minimizing the potential savings to the state. In other cases, individuals who were offered the opportunity to participate may have chosen to delay their retirement to a later RIP date.

SB 126 leaves the basic elements of current Retirement Incentive Program in place. However, it adds two principal provisions. It

1. limits a qualified employee's participation to the first RIP application period for which they qualify (*section 3*); and
2. requires state agencies to offer a RIP plan to all qualified classified state employees during three two month application periods (*section 1*).

This legislation will not only increase RIP participation, it will accelerate when employees are required to retire under this program. Both elements should increase savings to the state, the principal impetus to passing the RIP legislation last year.

Retirement Incentive Program

Status Report on Approved RIP Plans

3/20/97

Department Agency	Total In Department (Full Time)	Positions in RIP Plan(s)	Positions Deleted in Plan	Positions Downgraded in Plan	Hold Open At Least 3 Months	Can Be Refilled - No Delay	Application Period	Must Retro by	Applications Received (as of 2/1/97)	Retired To Date (by 2/1/97)
Administration	1,091	12	3	2	3	2	multiple plans	mult. plans	4	2
AIDEA	32	3		2		3	2/1/97 - 3/31/97	9/1/97		
Commerce	390	15	1	1	1	13	1/10/97 - 2/28/97	6/30/97	3	0
Community and Regional Affairs	171	5		1	1	4	multiple plans	mult. plans	1	1
Corrections (Corr. & Probation Officers)	1,352	238				234	1/13/97 - 2/12/97	7/1/97	24	11
Education	463	42	1	6		41	3/17/97 - 4/17/97	7/1/97		
Environmental Conservation	483	23	2	9		17	1/16/96 - 2/15/97	7/1/97	1	
Fish and Game	757	24	6	18		18	11/7/96 - 12/31/97	5/1/97	19	4
Governor's Office	178	2		1		2	12/2/96 - 1/20/97	7/1/97	1	1
Health and Social Services	2,049	69	15	2		54	multiple plans	mult. plans	12	6
Labor	645	44	7			37	11/3/96 - 12/2/96	1/1/97	11	11
Natural Resources	569	26	4	7		22	multiple plans	mult. plans	12	9
Revenue	791	3	2	1		1	9/1/96 - 9/30/96	3/1/97	2	1
Public Safety	869	59	59	3		59	3/8/97 - 4/8/97	6/30/97		
Transportation and Public Facilities	2,704	95			45	50	2/18/97 - 3/19/97	7/1/97	4	
DEPARTMENT TOTALS	12,544	660	100	53	50	557			94	46
University of Alaska	3,469	481					11/11/96 - 12/31/96	6/30/97	101	26
Legislature	224	17	1					12/1/96	10	10
Court System	653	81					1/16/97 - 2/28/97	7/1/97	16	3
GRAND TOTALS	16,890	1,239							221	85

(as of 2/1/97) (by 2/1/97)

Note: RIP savings cannot be accurately projected yet for most departments because it is uncertain how many employees will actually retire, when they will retire, and which employees (high or low savings) will retire.