

**HB**

**211**

<TARGET><BILL>HB 211</BILL><SUBJECT>HB  
211</SUBJECT><COMM>HSTA29</COMM></TARGET>



# Representative Scott Jiu Wo Kawasaki


Alaska State Legislature

District 1 Fairbanks

## MEMORANDUM

Date: January 19, 2015

To: Representative Bob Lynn  
Chair, House State Affairs

From: Representative Scott Kawasaki  
District 1 Fairbanks 

RE: Hearing Request for House Bill 211: Retirement Incentives Program

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I would respectfully request a hearing for House Bill 211: An Act relating to retirement incentives for members of the defined benefit plan of Alaska. As this will be the first committee of referral, no changes have yet been made to the bill. I do not anticipate audio or teleconferencing needs. I have included the following items with this request:

- Sponsor Statement
- Sectional Analysis
- Most recent version of the bill
- Supporting documents

Please let me know if there's anything else I can provide for you. I look forward to presenting HB 211 to the House State Affairs Committee.

*Lachlan Gillispie  
x5890*



# Representative Scott Jiu Wo Kawasaki

Alaska State Legislature

District 1 Fairbanks

## House Bill 211 Sponsor Statement

*"An Act relating to retirement incentives for members of the defined benefit plan"*

HB 211 would temporarily implement Retirement Incentive Programs as an administrative means to save the state money by paying retirement benefits rather than full employee salary and benefits for retirement age and near-retirement age employees. Those near retirement age generally have a greater number of step increases, and therefore higher salaries, than replacement employees. HB 211 would also prevent layoffs and firings as a cost saving measure by creating a more humane method of payroll reduction. Rather than layoffs, employees are able to retire early and go off payroll.

Retirement Incentive Programs have been used on a temporary basis three times before in Alaska's history, and was proposed in 2004. Senator Jim Duncan estimated savings of the 1986 program at about \$25 million. In 1996 Rep. McGuire estimate the savings at \$41 million. A legislative Audit of the 1989 Retirement Incentive Program demonstrated a savings of \$22.9 million with nearly 1,764 individuals participating in the programs.

HB 211 enables employers to reduce operating costs by allowing certain positions to become vacant and then eliminate the positions, leaving them unfilled or placing more junior employees into those positions. This will keep the Alaskan economy strong and includes indirect benefits such as keeping money in the community and in Alaskan's pockets while keeping Alaskans off of social services.

###

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Email: Rep.Scott.Kawasaki@akleg.gov



# Representative Scott Jiu Wo Kawasaki

Alaska State Legislature

District 1 Fairbanks

## Sectional Summary

### HB 211

#### *Retirement Incentive Programs for Public Employees*

Please note that this summary should not be considered a comprehensive or authoritative interpretation of the bill, and the bill itself is the best statement of its contents.

**Section 1:** defines the purpose and intent of the bill to make Retirement Incentive Programs temporarily available.

**Section 2:** allows public employers in the state to adopt retirement incentive programs, limits approval of an employer's program and an individual employee's participation to the commissioner of administration

Establishes the duration a retirement incentive program can be open to applicants, outlines the requirements for an applicant's eligibility,

Sets a level of indebtedness for individuals participating in the program as a percentage of annual compensation at 25.95 Teachers' Retirement system, 22.5% for peace officers and firefighters, and 20.25% for other members of the Public Employees Retirement System

Provides a credit of three years of service to be given to an employee participating in the program.

**Section 3:** requires that state employees be employed for at least one year prior to applying and prohibits the governor, lieutenant governor or commissioners from taking part in the program.

**Section 4:** allows members of the University of Alaska retirement program that are vested in a defined benefit plan in the public employees' retirement system to participate in the program.

**Section 5:** allows a member of the teachers' retirement system or the public employees' retirement system to receive a credit for service while employed in a political or public organization prior to that organization's participation in the teachers' or public employees' retirement systems and prohibits this credit from being applied to determine the amount of retirement benefits that employee receives.

**Section 6:** allows the commissioner of administration to recover a delinquency owed to the state by an employer.

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**Section 7:** allows the commissioner of administration to close the program to new applicants if it has been determined that an increase in the number of participants in that program will have a significant negative effect on the actuarial soundness of a defined benefit plan in the teachers' or public employees' retirement systems.

**Section 8:** requires an employee appointed to retirement under a retirement incentive program that is reemployed in the public employees' or teachers' retirement systems or the judicial retirement system to forfeit incentive credits and incur an indebtedness to the defined benefit plan the individual was reemployed to of 110%.

Sets interest to be accrued on the amount indebted from the time of reemployment until the individual is appointed to retirement or repays in full, sets the rate of interest as that established by regulations of the Alaska Retirement Management Board.

Prohibits a state agency or the University of Alaska from employing or contracting an individual who has been appointed to retirement through a retirement incentive program for a period of three years, with a number of exceptions for school districts and the University of Alaska.

**Section 9:** requires the director of the Office of Management and Budget to determine if each retirement incentive program will reduce operating costs for the employer for a five year period beginning July 1, 2015 and report the outcome of the review to the commissioner of administration.

Prohibits the administrator from approving a retirement incentive program unless the program is expected reduce operating, requires the Office of Management and Budget to report to the state legislature annually beginning January 15, 2016 through January 15, 2019 and sets the requirements for the information from each program provided in the report.

**Section 10:** provides that an employee does not have a vested or contractual right to a benefit under this bill until an agreement with the commissioner of administration is executed and allowing the legislature to change a retirement incentive program as it relates to employees for whom an agreement has not been executed.

**Section 11:** allows the commissioner to adopt regulations under AS 44.62 to implement and interpret the Act.

**Section 12:** provides a set of definitions for the bill.

**Section 13:** prohibits sections 1-12 from impairing the benefits of a person to retirement under a defined benefit plan in the teachers' or public employees' retirement plan before the effective date of the Act.

**Section 14:** applies sections 1-12 of the bill to contracts made on or after the effective date of the bill.

**Section 15:** repeals sections 1-12 of the bill on July 1, 2018

**Section 16:** enacts the bill immediately under AS 01.10.070(c).

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P.O Box 230752

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99523

Rep. Scott Kawasaki

1292 Sadler Way

Suite 308

Fairbanks, AK 99701

Mr. Kawasaki;

My name is Gregory Hendrix. We spoke via telephone on November 17, 2015 in reference to House Bill 211.

I am a state employee since March 9, 1998. I'm with the Department of Transportation (Airport Police & Fire Department). I'm also a member of the Public Safety Employees Association.

I am supporter of HB 211. As you know there has been Retirement Incentive Programs (RIP) through the 80's and 90's in the state. With the goal to provide money saving measures that replace longtime, high-paid workers with new employees making less money. Back in the 80's oil prices and state revenue dropped. Today with dropping oil production on the North Slope and lowered oil prices worldwide, I believe that the program should be implemented again.

Governor Walker had proposed a State of Alaska employee cut of up to 300 positions. As of 2015, the state has around 24,000 employees. The Office of Management and Budget says that many of the 300 positions to be cut are already vacant. It was proven in the 80's and 90's that the Retirement Incentive Program helped save money.

The Office of Management and Budget and the Legislative Budget and Audit recommended the RIP program to save money. In a report issued by the OMB in January 2000, they estimated that the 1996 RIP would realize a total net savings of \$41.4 million through FY03. In addition, in 1991 LB&A concluded that the 1989 RIP realized a net savings of \$22.9 million among state agencies and the participating municipalities and school districts.

In a 2002 report entitled "Show Me The Money: Budget Cutting Strategies for Cash Strapped States", the American Legislative Exchange Council (ALEC) identified ten strategies for cutting budget deficits. The

first recommendation is to reduce workforce costs and chief among their suggestions is to provide incentives for early retirement stating "Offering early retirement incentives, such as allowing employees to retire early with full benefits and severance package, typically results in a large exodus of state workers, thereby reducing the workforce without layoffs".

**POLICE & FIRE EMPLOYEES:**

Under the proposed HB NO. 211, Police & Fire personnel per page no. #3, line 25 through 30 of the bill would also be qualified to participate if they meet the minimum eligible requirements.

The problem with bill for Police & Fire personnel is that our numbers are always in the negative for personnel on staff/shift. The House Bill 211 stipulates that the losing employer must delete a PC (Personnel code) number for the retiring officer. This would negatively impact all Police & Fire personnel in the State of Alaska. I respectfully request this language be removed from the bill in order for Police & Fire personnel to participate in the RIP program.

Most Police and Fire personnel with 17 plus years on in PERS/TIERS are making a six figure income. A new employee coming in would make less than half if not 1/3 of a senior officer's income. Plus new employees come on as a PERS IV. Which would be far less benefits monetarily than me who am a PERS II employee?

**2016 PROJECTION:**

Business Insiders and Reuters Press International are predicting that oil prices will drop to as little as \$20 a barrel. The State of Alaska projected deficit for next three years is 3.54 billion and that is if the oil prices stay in the mid-\$40 a barrel. Attach is the articles from both Business Insiders and Reuters.

**CONCLUSION:**

I do not have the numbers for those that would take the RIP if it is passed. I would be willing to display my three years gross salary to that of a new employee's salary for comparison if you would need me to. Please let me know if there is anything I can do to help see this bill through. Thank you,

Gregory Hendrix

PH: 632-4063

(Address above)

## Lachlan Gillispie

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**From:** Blaine Galleher <bgalleher@hotmail.com>  
**Sent:** Thursday, September 24, 2015 4:43 PM  
**To:** Rep. Scott Kawasaki  
**Subject:** HB211 RIP

**Follow Up Flag:** Flag for follow up  
**Flag Status:** Flagged

From: Blaine Galleher <bgalleher@hotmail.com>  
Subject: HB211 RIP

Message Body:

Representative Kawasaki, I am very pleased to learn of your sponsorship of HB 211. As a 53 year old employee of the State of Alaska with about twenty-five years of service I wrote to numerous congressmen and women about this very possibility during our ongoing budget woes. It would please me to no end to vacate my Tier I position in favor young energetic new talent.


I hope you will continue this fight and ask that you continue to post the progress of this bill so myself and coworkers might lend our support wherever possible. Thank you.

Blaine Galleher

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## Rep. Scott Kawasaki

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**From:**  Richard Pylilo <rpylilo@gmail.com>  
**Sent:** Saturday, January 16, 2016 1:14 PM  
**To:** Rep. Scott Kawasaki  
**Subject:** HB 211

From: Richard Pylilo <rpylilo@gmail.com>  
Subject: HB 211

Message Body:  
Sir,

I beleive HB 211 can be a very effective part of cost cutting in the budgetary process.

While I may be wrong, I read the bill to say that to be eligible you must have 17 years AND 50 years of age.

I'm not sure about the demographics of other state agencies but at the Alaska State Troopers, this would apply to very few. In order to apply during this calendar year, a Trooper would have had to start his career at age 33. Very atypical for this career path so HB 211 will apply to few or none.

I recommend a review of the demographic data and consider changing the age 50 requirement for AST.

Very Respectfully

  
Richard Pylilo

(Husband of a 17 year Trooper age 46)

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This e-mail was sent from a contact form on Representative SCOTT KAWASAKI ([http://akdemocrats.org/rep\\_kawasaki](http://akdemocrats.org/rep_kawasaki))

## Rep. Scott Kawasaki

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**From:** Jo Fisher <jofisher2004@juno.com>  
**Sent:** Tuesday, January 05, 2016 6:37 PM  
**To:** Rep. Scott Kawasaki  
**Subject:** HB 211--yes

**Follow Up Flag:** FollowUp  
**Due By:** Tuesday, January 05, 2016 9:29 PM  
**Flag Status:** Flagged

From: Jo Fisher <jofisher2004@juno.com>  
Subject: HB 211--yes

Message Body:

Rep. Kawasaki,

I would like to request that you re-submit HB 211 in this upcoming session. That was the bill which provided for a Retirement Incentive Program (RIP) for state employees. I believe this will motivate MANY baby boomers to leave the public sector, and reduce our government expenses.

Thank you.

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This e-mail was sent from a contact form on Representative SCOTT KAWASAKI ([http://akdemocrats.org/rep\\_kawasaki](http://akdemocrats.org/rep_kawasaki))

## Nancy Manly

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**From:** Rep. Bob Lynn  
**Sent:** Tuesday, March 29, 2016 8:41 AM  
**To:** Nancy Manly  
**Subject:** FW: HB 211

Another bill in STA. Not from a constituent.

Esther Mielke  
Office of Representative Bob Lynn  
Session Office Phone: 907-465-4931  
Toll-Free: 800-870-4931  
State Capitol Room 108  
Juneau AK, 99801

-----Original Message-----

**From:** friederike cook [mailto:friederikecook@me.com]  
**Sent:** Monday, March 28, 2016 6:07 PM  
**To:** Rep. Bob Lynn  
**Subject:** HB 211

Dear Representative Lynn,

I'm writing to you regarding HB 211, the RIP. I know you are in talks with the DOA commissioner. I'm sure you will be told it's not cost effective. It is. The fact is the Tier 1-2 folks that are eligible under this bill are the ones making the most money. They are the oldest folks and not the most tech savvy.

Why is that important? All divisions are looking at ways to save money. Much of that has to do with making technological changes on how things are done. These folks, typically, aren't the ones coming up with those ideas.

Additionally, people are being laid off. A lot of specialty positions are gone. A lot of management positions are cut. Those people, most close to retirement, laid off. Now they need to find new employment. Good luck with a hiring freeze. These folks should have had the RIP option. Instead, they face losing their homes. They face leaving state where they might find a job.

How is that helping Alaskans? It's not. Alaskans leaving, either due to State or oil company lay offs, hurts businesses everywhere.

The RIP, the way it's written, will allow people to retire early. Not by much but enough so they aren't laid off. Divisions can cut those positions thus reducing their budget. People can stay here. Dignity in place.

Please, this is a tremendous thing you can do for the people of Alaska. Not just for teachers (ASD is struggling financially) or for State workers but for all Alaskans. Thank you.

Sincerely,

Mrs Friederike Cook

Sent from my iPhone