

ALASKA LEGISLATURE

1522

HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996



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. GAFFIE
Assistant Business Manager

HEADQUARTERS
2810 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:

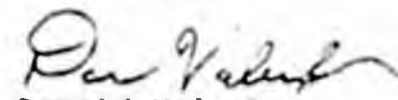
Having reviewed SB 148 in its entirety, Local 71 must go on record in total opposition to this bill.

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:

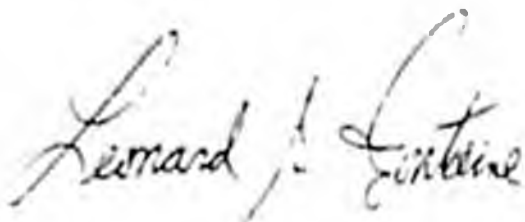
I am writing this letter to voice my opinion to SB 148, regarding proposed changes to the State Retirement System.

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,

Robin Hayward

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	Not 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	(105,195)	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)**

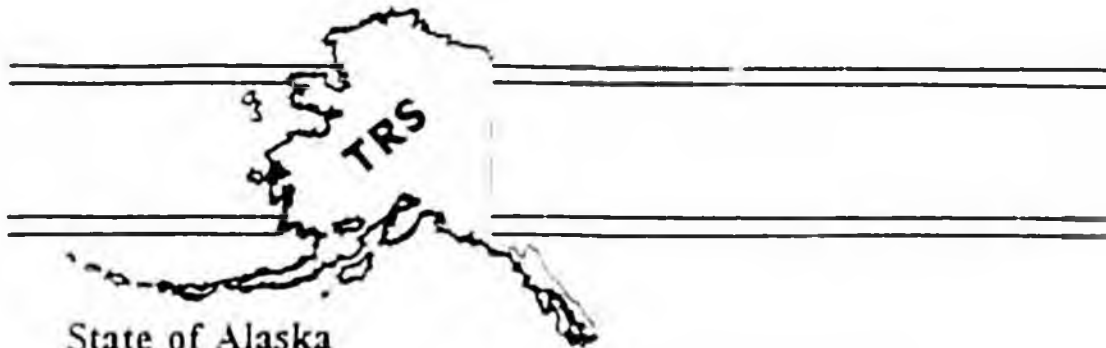
**Required Supplementary Information
Analysis of Funding Progress
(000s omitted)**

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	Funding Ratio	Total Funding			Employer Elt. Rate	Employee Contribs	Total Benefit Payments	Net Contribs				Investment Earnings
1994	2,672,957	2,761,409	89.6%	2,761,409	(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%	2,931,132	(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%	3,108,385	(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%	3,286,373	(320,677)	517,718	16.88%	78,070	45,849	123,919	183,469	(59,550)	236,874	3,161,019
1998	3,161,019	3,462,865	90.7%	3,462,865	(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%	3,637,671	(321,892)	546,197	16.18%	78,718	48,616	127,132	217,810	(90,678)	261,635	3,486,755
2000	3,486,755	3,811,162	91.5%	3,811,162	(324,627)	564,209	13.67%	78,383	49,927	128,310	234,609	(106,100)	275,695	3,655,330
2001	3,655,330	3,978,739	91.9%	3,978,739	(323,609)	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%	4,160,009	(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%	4,296,779	(319,566)	618,247	12.03%	75,663	54,666	129,908	291,699	(169,337)	311,566	4,126,976
2004	4,126,976	4,663,051	92.8%	4,663,051	(318,105)	636,259	11.53%	74,906	56,301	131,207	310,566	(179,337)	322,822	4,268,432
2005	4,268,432	4,585,031	93.1%	4,585,031	(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%	4,721,121	(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%	4,851,921	(315,665)	716,995	10.21%	74,462	65,252	139,716	381,575	(261,861)	363,260	4,781,082
2008	4,661,683	4,978,233	93.6%	4,978,233	(316,550)	741,240	9.87%	74,662	68,005	163,233	396,968	(251,735)	372,697	4,901,866
2009	4,781,082	5,101,055	93.8%	5,101,055	(317,973)	767,666	9.57%	75,278	71,241	167,798	411,668	(263,850)	381,596	5,019,588
2010	4,901,866	5,221,586	93.9%	5,221,586	(319,742)	804,891	9.30%	76,557	74,676	171,628	425,088	(273,260)	390,637	5,136,965
2011	5,019,588	5,361,223	94.0%	5,361,223	(321,635)	862,297	8.98%	77,352	77,712	177,516	437,510	(279,995)	399,757	5,256,278
2012	5,136,965	5,661,562	94.1%	5,661,562	(327,669)	917,108	8.79%	82,276	80,968	183,246	449,087	(285,863)	409,106	5,379,969
2013	5,256,278	5,586,397	94.1%	5,586,397	(331,754)	956,516	8.72%	85,658	84,778	170,236	459,319	(289,083)	418,034	5,509,620
2014	5,379,969	5,711,723	94.2%	5,711,723	(336,012)	1,005,671	8.65%	89,242	89,203	178,655	468,726	(290,279)	429,166	5,648,608
2015	5,509,620	5,865,733	94.3%	5,865,733	(340,209)	1,056,879	8.56%	92,640	93,678	186,068	475,692	(289,626)	440,304	5,799,688
2016	5,648,608	5,988,817	94.3%	5,988,817	(346,278)	1,107,987	8.57%	97,168	98,053	195,231	485,265	(290,061)	452,341	5,961,586
2017	5,799,688	6,163,566	94.6%	6,163,566	(351,185)	1,159,165	8.60%	101,806	102,679	206,166	495,345	(290,981)	465,288	6,135,093
2018	5,961,586	6,312,771	94.6%	6,312,771	(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	6,699,419	94.6%	6,699,419										

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

DIVISION OF LEGAL SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

907 465-3867 or 465-2450
P.O. Box 9071 465-2929
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:klb
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

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.)

Reply to:

- P.O. Box 102636
Anchorage, AK 99510-2636
(907) 209-5290
(800) 478-2624
(FAX) 289-5291
- P.O. Box 113000
Juneau, AK 99811-3000
(907) 465-4970
(800) 478-4970
(FAX) 465-3330
- P.O. Box 74358
Fairbanks, AK 99707-4358
(907) 451-2880
(800) 478-3257
(FAX) 451-2267

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
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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

OFFICE OF THE CHANCELLOR

3211 Providence Drive
Anchorage, Alaska 99508-8060
(907) 786-1417 - FAX (907) 786-6173
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 Kosloski
Vice President Wendy Redman



UNIVERSITY OF ALASKA FAIRBANKS

Office of the Chancellor
320 Signers' Hall
P.O. Box 757500
Fairbanks, Alaska 99775 7500

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

SB

148

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/5/95

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 5-1-95

Finance Committee considered SB 148

Relating to a defined contribution retirement plan for state employees.

CS to follow

and recommends:

be replaced with CS SB 148 (FIN)

adopt previous CS _____ (_____)

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to the _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical change

new: SCR* _____

SIGNING/DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Steve Nigj</i>	✓	<i>2008 HED</i>	✓		
		<i>Wayne Doherty</i>		✓	
		<i>Paul H. Henshaw</i>		✓	
Co-Chair <i>Rick Helford</i>	✓				
Co-Chair:					

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
<i>Don</i>	<i>4/20/95</i>		<i>115825</i>

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148 (RLS)

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

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 Waino, Director
 Division Finance

Phone 465-2240
 Date _____

Approved by Commissioner Mark Berry
 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

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#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 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)
0 Merit Date: use merit defaults? N (0.0 @ & 0.0 @)
 Class/Sched Prefix: 2 Schedule: 2A (actual:)
 Bargaining Unit: GG Range: 12 (actual:)
 Location Code: AWA Place: JUNEAU
 Job Class Code: 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

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)

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. 54

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
TOTAL OPERATING	2,638.8	1,832.4	1,618.5	1,507.5	1,507.5	1,507.5

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/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
TOTAL	2,638.8	1,832.4	1,618.5	1,507.5	1,507.5	1,507.5

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	3	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. Stalnaker *Robert F. Stalnaker* 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(RIS)

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)

PERSONAL SERVICES	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
	<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	\$935.5	
	<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>22.6</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)

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

3 4 3 4 3 4

TOTAL CONTRACTUAL

1,538 9 931 8 923 9

SUPPLIES

Office Supplies, Calculators, software

20 4 5 1 3 9

EQUIPMENT

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)

10 2 0 0 0 0

Total Equipment

155 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 RIFs 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 1,187 5

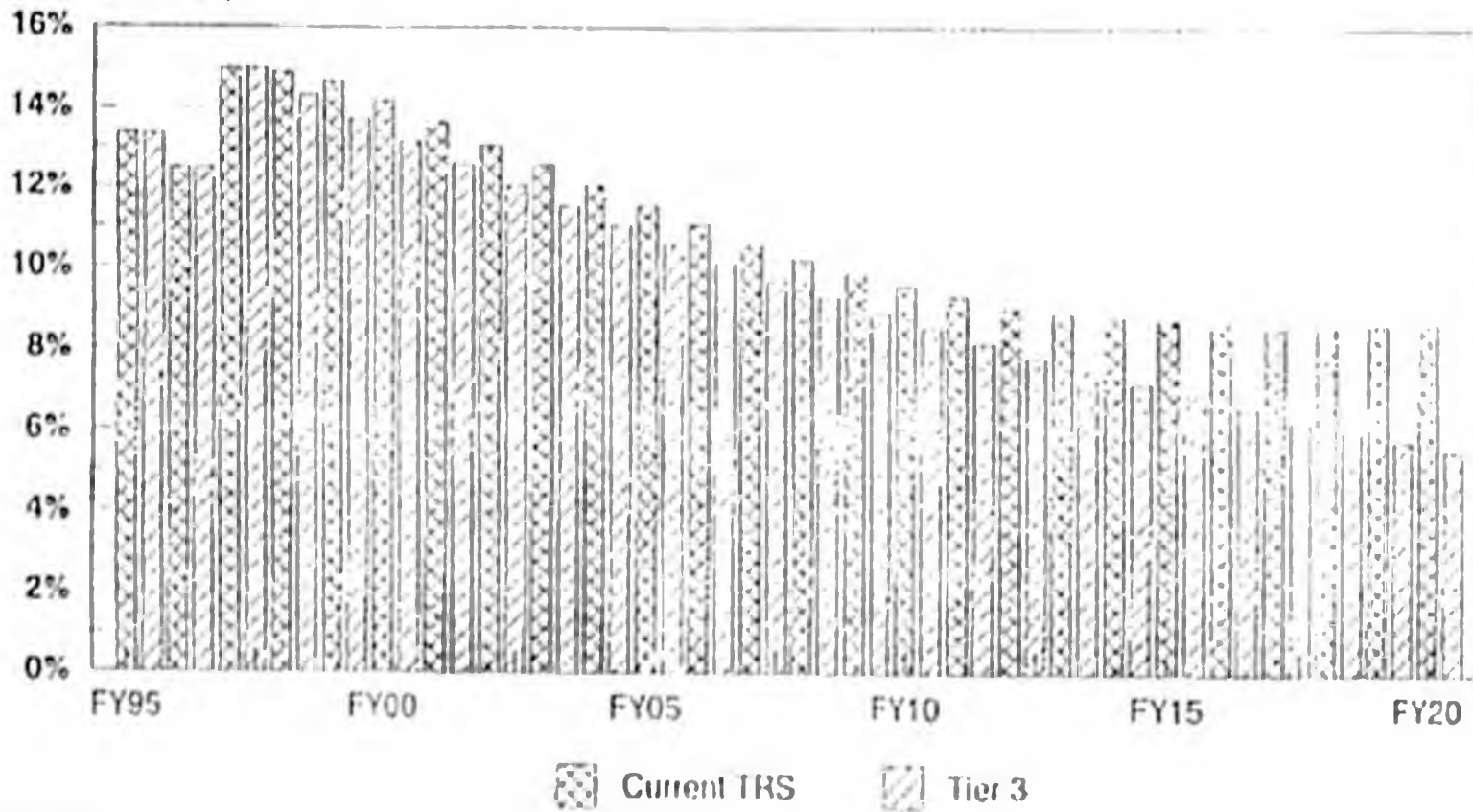
\$2,638 8

STATE OF ALASKA TRS

TIER 3 PLAN PROVISIONS

COMPARISON OF TOTAL EMPLOYER CONTRIBUTION RATES

(% of Pay)



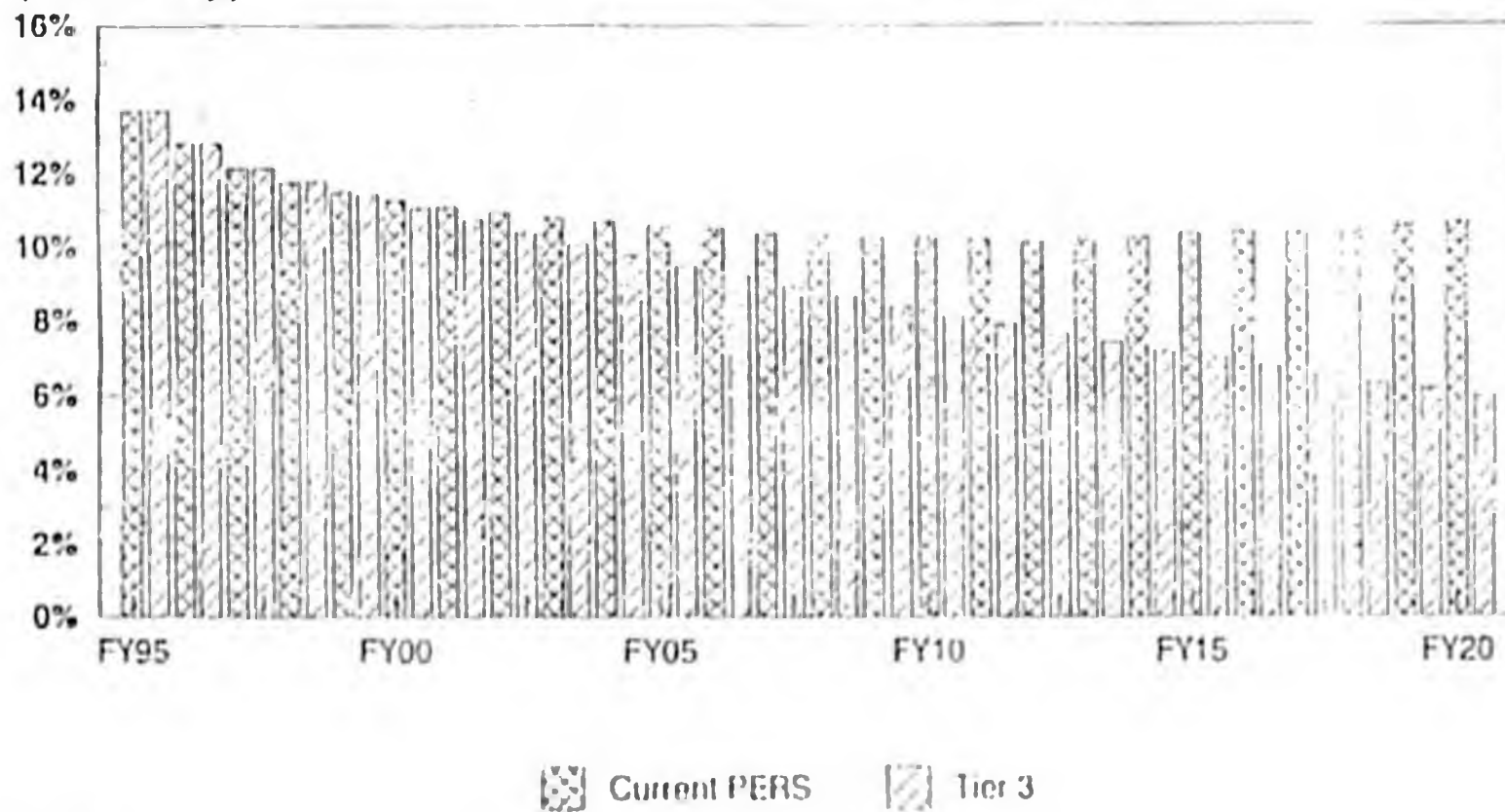
SB111137

STATE OF ALASKA PERS

TIER 3 PLAN PROVISIONS

COMPARISON OF TOTAL EMPLOYER CONTRIBUTION RATES

(% of Pay)



SB111P3

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FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148 (FIN)
9-LS0-9416G (4/1/95)

Revision Date _____
Title An Act relating to defined contribution retirement plan for state employees for certain employees of participating
Sponsor _____
Requestor Senate Finance Committee

Department Affected Administration
BRU Retirement & Benefits
Component Retirement & Benefits
COMPONENT SERIAL NO. 54

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	309.2	309.2	309.2	309.2	309.2	309.2
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	766.2	766.4	766.4	766.4	766.4	766.4
SUPPLIES	7.2	1.8	1.8	1.8	1.8	1.8
EQUIPMENT	74.2	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	1,156.8	1,077.4	1,077.4	1,077.4	1,077.4	1,077.4

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/INTIA	0.0	0.0	0.0	0.0	0.0	0.0
OTHER	1,156.8	1,077.4	1,077.4	1,077.4	1,077.4	1,077.4
TOTAL	1,156.8	1,077.4	1,077.4	1,077.4	1,077.4	1,077.4

Estimate of any current year (FY 95) cost: \$ 200

POSITIONS

POSITION TYPE	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
FULL-TIME	?	?	?	?	?	?
PART-TIME						
TEMPORARY						

ANALYSIS (Attach a separate page if necessary)

The impact to the state contributions for the Public Employees Retirement System (PERS) and the Defined Contribution Plan are expected to increase over the next 15 years until the effect of new entrants actually decreases the total state contributions - see attached charts on pages 4 & 6 for annual estimated impact. Political subdivisions would likely have similar experience.

Prepared by Robert H. Stanger *Robert H. Stanger* Phone 581-4870
Division Retirement & Benefits Date _____

Approved by Commissioner Walt Boyer *Walt Boyer*
Agency Department of Administration Date 1/20/95

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FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148(FIN)
9-LS0-9411G (4/11/95)

ANALYSIS (continued)

This bill sets up a defined contribution retirement plan (DCRP) for all state employees first hired on or after January 1, 1996. It also allows political subdivisions (including school districts) and public organizations to voluntarily elect to participate in the DCRP for their employees first hired on or after January 1, 1996 in lieu of participating in the Public Employees' (PERS) or Teachers' (TRS) Retirement Systems. The new DCRP will be administered by the Department of Administration with the Alaska State Pension Investment Board (ASPIB) holding fiduciary responsibility for investments. Under this bill, the TRS will continue as a growing system with new entrants allowed after January 1, 1996, the PERS will become a closed system with no new entrants allowed after January 1, 1996. Under the DCRP both the employee and employer will contribute 7.5% of compensation to a retirement account.

Administrative costs associated with the DCRP include seven employees who will be responsible for collecting and transmitting contributions, auditing accounts, and counseling members on their benefit payout options and authorizing benefit payments. Recordkeeping for investment options will be handled by an outside recordkeeper.

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

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
PERSONAL SERVICES			
<u>FY 1996</u>			
1 Accountant IV	\$ 60.7		
1 Accounting Tech II	45.5		
1 Retirement & Benefits Tech III	45.5		
1 Accounting Tech I	41.2		
1 Retirement & Benefits Tech III	41.2		
1 Accounting Clerk III	37.1		
1 Admin Clerk I	32.0		
TOTAL FY 1996 COSTS		\$309.2	
<u>FY 1997</u>			
1 Accountant IV	\$ 60.7		
1 Accounting Tech II	45.5		
1 Retirement & Benefits Tech III	45.5		
1 Accounting Tech I	41.2		
1 Retirement & Benefits Tech III	41.2		
1 Accounting Clerk III	37.1		
1 Admin Clerk I	32.0		
TOTAL FY 1997 COSTS		\$309.2	
<u>FY 1998</u>			
1 Accountant IV	\$ 60.7		
1 Accounting Tech II	45.5		
1 Retirement & Benefits Tech III	45.5		
1 Accounting Tech I	41.2		
1 Retirement & Benefits Tech III	41.2		
1 Accounting Clerk III	37.1		
1 Admin Clerk I	32.0		
TOTAL FY 1998 COSTS			\$309.2

STATE OF ALASKA
1995 LEGISLATIVE SESSION

FISCAL NOTE

BILL NO. CSSB 148(FIN)
9-LS0-941(G (4/11/95))

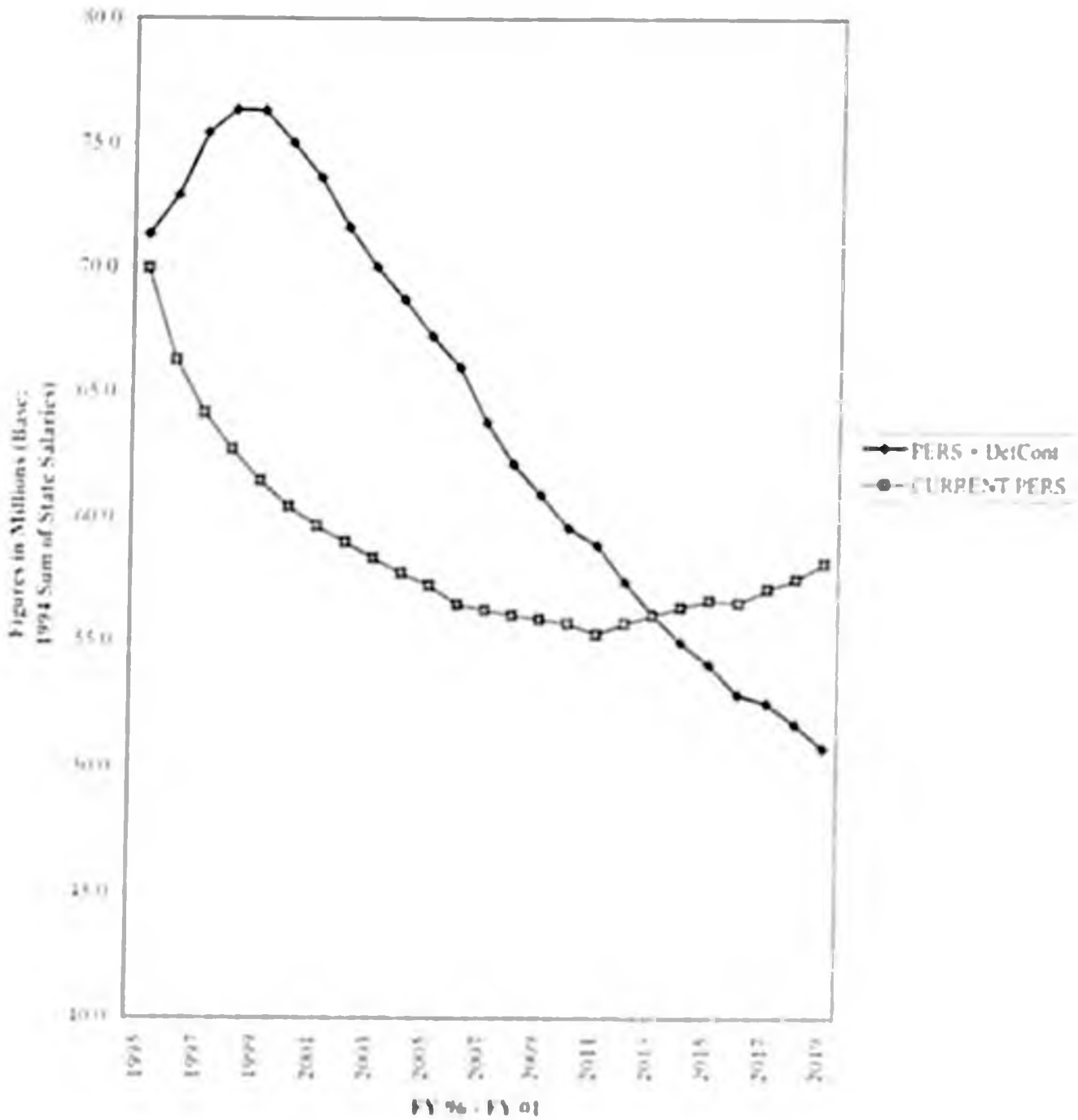
	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
	\$ 00	\$ 00	\$ 00
TRAVEL			
CONTRACTUAL			
Contractual (Recordkeeping, Auditing, Consulting)	7500	7500	7500
Communication (Telephone, Postage)	90	90	90
Mainframe Computer Time	53	53	53
Software Maintenance	18		
Training/Risk Management	<u>21</u>	<u>21</u>	<u>21</u>
Total Contractual	7682	7664	7664
SUPPLIES			
Office Supplies, Calculators, software	72	18	18
EQUIPMENT			
Computer Workstations	240	00	00
File Cabinets (6)	24	00	00
Office Chairs (6)	36	00	00
Office Workstations	300	00	00
Computer Network Upgrades	100	00	00
Telephone Unit (6)	<u>42</u>	<u>00</u>	<u>00</u>
Total Equipment	742	00	00
TOTAL OPERATIONS COST	\$1,158.0*	\$1,077.4*	\$1,077.4*

*Participants in the DCRP will pay the administrative costs of the program.

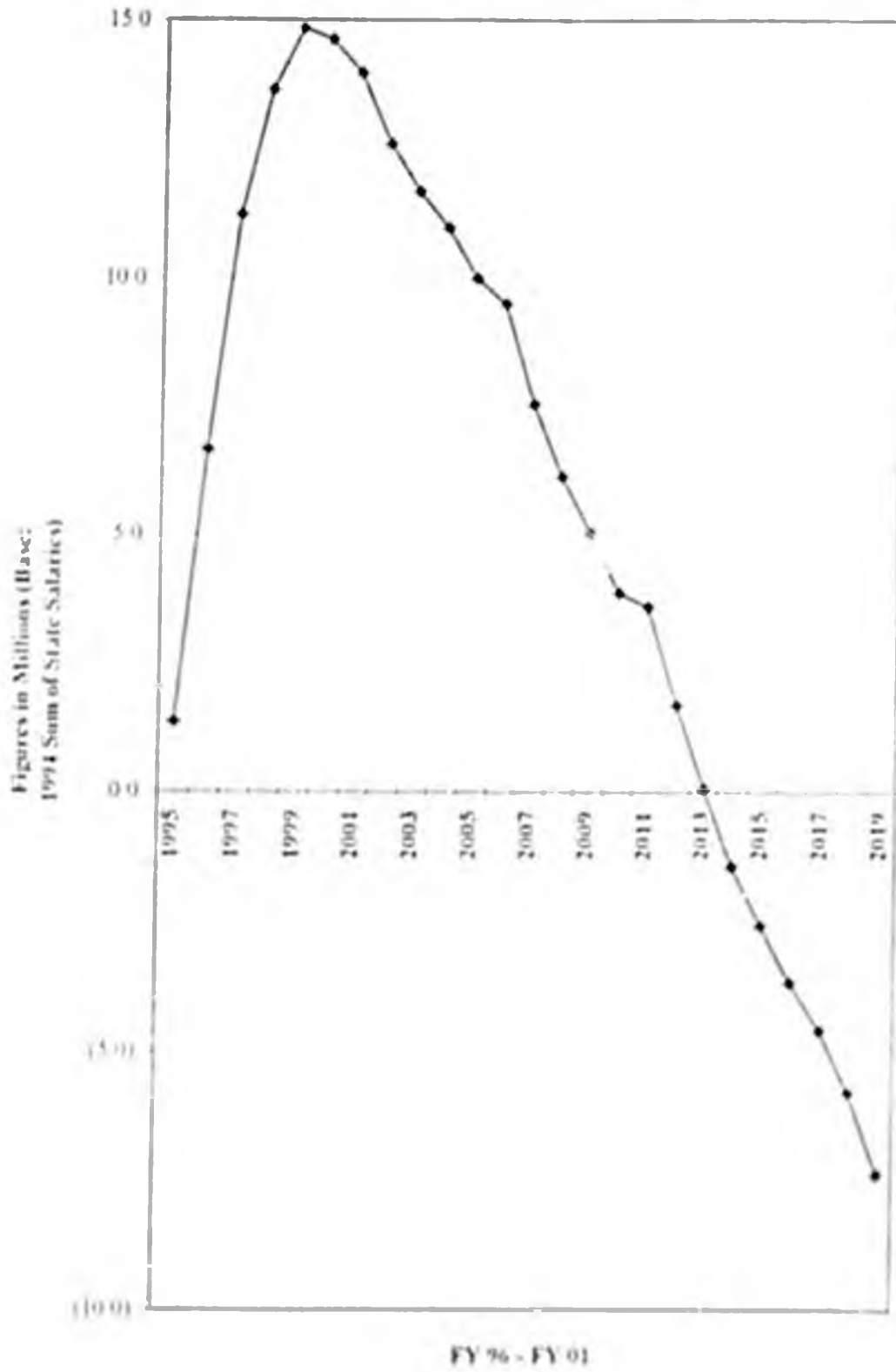
Establishing a new retirement system will have an impact on the future employer contribution rates of the PERS and TRS. The effect of losing the PERS to new entrants will be an increase in the PERS contribution rate over the short term as PERS salaries decline. The overall state contributions in the long term, however, will decrease as the number of participants in the DCRP increases.

The graph on page 4 shows the anticipated amount of employer contributions to the PERS over the next 25 years (assuming no changes to the retirement systems) compared to the anticipated amount of contributions to both the PERS and the DCRP. The graph on page 5 shows the net difference in contribution. In the early years, the total contributions to the PERS and DCRP will be more than continuing the PERS only. The state will begin to see a savings in total contributions in 18 years. The chart on page 6 displays the data used to create the graphs on pages 4 and 5.

**SB 148 - Defined Contribution Plan
 25-Year Projection: New Plan + Closing PERS vs. Current PERS Only
 State of Alaska Employees Only**



**SB 148 - Defined Contribution Plan
 25-Year Projection: Additional Cost/Year
 State of Alaska Employees Only**



SB 148 - Defined Contribution Plan
 ADDITIONAL COST OVER CURRENT PERS

YEAR	Employer Rate (Defined Contribution Plan & PERS)		Employer Rate (PERS)		Additional Cost (\$ mil.)
	Cost (\$ mil.)		Cost (\$ mil.)		
1995	13.07%	\$71.3	12.82%	\$70.0	\$1.4
1996	13.36%	\$72.9	12.14%	\$66.3	\$6.7
1997	13.82%	\$75.4	11.76%	\$64.2	\$11.2
1998	13.99%	\$76.4	11.49%	\$62.7	\$13.6
1999	13.98%	\$76.3	11.26%	\$61.5	\$14.8
2000	13.75%	\$75.0	11.07%	\$61.4	\$13.6
2001	13.49%	\$73.6	10.93%	\$59.7	\$14.0
2002	13.12%	\$71.6	10.81%	\$59.0	\$12.6
2003	12.83%	\$70.0	10.69%	\$58.3	\$11.7
2004	12.59%	\$68.7	10.58%	\$57.7	\$11.0
2005	12.32%	\$67.2	10.49%	\$57.3	\$10.0
2006	12.09%	\$66.0	10.35%	\$56.5	\$9.5
2007	11.69%	\$63.8	10.31%	\$56.3	\$7.5
2008	11.39%	\$62.2	10.27%	\$56.0	\$6.1
2009	11.16%	\$60.9	10.24%	\$55.9	\$5.0
2010	10.92%	\$59.6	10.21%	\$55.7	\$3.9
2011	10.79%	\$58.9	10.13%	\$55.3	\$3.6
2012	10.52%	\$57.4	10.21%	\$55.7	\$1.7
2013	10.28%	\$56.1	10.27%	\$56.0	\$0.1
2014	10.07%	\$55.0	10.33%	\$56.4	(\$1.4)
2015	9.91%	\$54.1	10.38%	\$56.7	(\$2.6)
2016	9.67%	\$52.9	10.36%	\$56.5	(\$3.7)
2017	9.63%	\$52.6	10.47%	\$57.1	(\$4.6)
2018	9.48%	\$51.7	10.54%	\$57.5	(\$5.8)
2019	9.31%	\$50.8	10.66%	\$58.2	(\$7.2)

May 1, 1995

TO: T. Cramer

FROM: Norma Strickland
Senate Finance Committee Sec'y
Ext. 4935

SUBJECT: CSSB 148 "U" Version

The following Amendments are needed for the final:

- 1) March 1 changed to March 31 throughout document and on page 19, line 8.
- 2) Page 18, line 4, after the word "employees" insert:
"as part of a permanent reduction in the personal services costs in that section."
- 3) Page 24, Line 8, after the word "research" insert:
"and does not entitle the individual to receive retirement, health, or leave benefits, except social security replacement if required by IRS code."

If you have any questions, please feel free to contact me. The CS is required as soon as possible. (I had to add that -- yuk)

Thank you,

Norma

Rieger Amendment:

- ① Pg 19-Line 8. Change
March 1 to March 31.
- ② Change March 1 to
March 31 & Thrust
Bill.
- ③ Phillips (Tech. Amend to
Amend #1)
Adopted
- ④ Darby Amend. Pg 24
Adopted - see Kuen
- ⑤ Halburd

#4 to line 8 ~~is~~ Adopted

, except Social Security
replacement if
required by IRS code

Adopted 5/1/95

SENATE FINANCE
COMMITTEE
Amendment Number: *Am-1*
Bill Number: *SB 148*
Sponsor: *R. Phillips* Date: *5/1/95*
Logged In By: *[Signature]*

Amendment

TO: CS SB148 (FIN)

By R. Phillips

Page ¹⁸ 19, Line ⁶ 6, after the word "employees" insert:

as part of a permanent reduction in the total ~~number of employees in that~~
~~agency~~ *within section*
organizational unit

Personal services costs
~~Permanent~~
~~Permanent~~ *that*

This amendment ties the retirement incentive program to permanent reductions in employees as well as cost savings.

Adopted

*1) 5/1/95
-TM*

WORK DRAFT

WORK DRAFT

WORK DRAFT

*Rieger Amend. March 1 chg to March 31
Three out - also pg 19, line 8*

9-LS09411U
Cramer
4/30/95

SENATE FINANCE
COMMITTEE

Amendment Number: *CS-2*
Bill Number: *SB149*
Sponsor: *Rieger* Date: *5/1/95*
Logged In By: *[Signature]*

*Adopted PR
5/1/95*

Phillips Tech Amend #1
CS FOR SENATE BILL NO. 148()
IN THE LEGISLATURE OF THE STATE OF ALASKA

Donley Amend #3 - pg 24 - line 8
NINETEENTH LEGISLATURE - FIRST SESSION

BY *Harford Amend #4 pg 14, line 8*
Offered:
Referred:

Sponsors: SENATE FINANCE COMMITTEE.

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to contributions and benefits in the teachers' retirement system
2 and in the public employees' retirement system; relating to the supplemental
3 benefits system; relating to retirement incentive programs for the public
4 employees' retirement system, the judicial retirement system, and the teachers'
5 retirement system; relating to separation incentives for certain state employees;
6 repealing a provision permitting the National Education Association to participate
7 in the teachers' retirement system; and providing for an effective date."

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

9 • Section 1. AS 14.25.040(a) is amended to read:

10 (a) Unless a teacher or member has elected to participate in the optional
11 university retirement program under AS 14.40.661 - 14.40.799, a teacher or member
12 contracting for service with a participating employer is subject to this chapter. A
13 school board shall, by resolution, elect whether to participate in the reduction in

1 contributions and benefits enacted by this Act and shall inform the administrator
2 of its decision. For school boards in existence on January 31, 1996, the board
3 shall inform the administrator no later than February 1, 1996. A school board
4 that comes into existence after January 31, 1996, shall inform the administrator
5 whether it elects to be a participating or nonparticipating employer. A school
6 board that elects to participate in the reductions may not later revoke its
7 participation.

8 * Sec. 2. AS 14.25.050(a) is amended to read:

9 (a) Δ [BEGINNING JANUARY 1, 1991, EACH] teacher who is first hired
10 on or after March 1, 1996, by the Department of Education, the University of
11 Alaska, or a participating school district shall contribute to the system an amount
12 equal to 5.5 percent of the teacher's base salary accrued from July 1 to the
13 following June 30. A teacher who is first hired before March 1, 1996, or who was
14 hired by a nonparticipating school district on or after March 1, 1996, shall
15 contribute to the system an amount equal to 8.65 percent of the teacher's base salary
16 accrued from July 1 to the following June 30. The employer shall deduct the
17 contribution from the teacher's salary at the end of each payroll period. The
18 contributions shall be deducted from employee compensation before the computation
19 of applicable federal taxes and shall be treated as employer contributions under 26
20 U.S.C. 414(h)(2).

21 * Sec. 3. AS 14.25.070 is amended to read:

22 Sec. 14.25.070. CONTRIBUTIONS BY EMPLOYER. For employees first
23 hired before March 1, 1996, and for employees hired after that date by a
24 nonparticipating school district, an [AN] employer shall contribute to the system an
25 amount equal to the percentage, as certified by the administrator, of the sum total of
26 the base salaries of all those teachers that is required in addition to teacher
27 contributions to provide the benefits of this chapter for those teachers times the sum
28 total of the base salaries paid to those teachers by the employer. For teachers first
29 hired on or after March 1, 1996, by the Department of Education, the University
30 of Alaska, or a participating school district, the percentage that the employer shall
31 contribute shall be computed under this section with the data that applies to those

1 teachers.

2 • Sec. 4. AS 14.25.110(a) is amended to read:

3 (a) Subject to AS 14.25.167, a member is eligible for a normal retirement
4 benefit if the member was first hired

5 (1) ~~[WAS FIRST HIRED]~~ before July 1, 1975, has attained the age of
6 55 years, and has at least 15 years of credited service, the last five of which have been
7 membership service or is otherwise vested in the system;

8 (2) on or after July 1, 1975, and before March 1, 1996, or after
9 March 1, 1996, by a nonparticipating school district has attained the age of 60 years
10 and has at least eight years of membership service;

11 (3) before March 1, 1996, or on or after that date by a
12 nonparticipating school district has attained the age of 60 years, has at least five
13 years of membership service, and has at least three years of Alaska BIA service;

14 (4) on or after March 1, 1996, by the Department of Education, the
15 University of Alaska, or participating school district and

16 (A) has attained the age of 60 years and has at least five
17 years of membership service; or

18 (B) the sum of the member's age plus the member's years
19 of membership service equals or exceeds 85;

20 (5) before March 1, 1996, or on or after that date by a
21 nonparticipating school district and ((4)) has at least 25 years of credited service,
22 the last five of which have been membership service;

23 (6) before March 1, 1996, or on or after that date by a
24 nonparticipating school district and ((5)) has at least 20 years of membership
25 service;

26 (7) before March 1, 1996, or on or after that date by a
27 nonparticipating school district and ((6)) has at least 20 years of combined
28 membership service and Alaska BIA service, the last five of which have been
29 membership service; or

30 (8) before March 1, 1996, or on or after that date by a
31 nonparticipating school district and ((7)) has, for each of 20 school years,

1 (A) at least one-half year of membership service as a part-time
2 teacher;

3 (B) one full year of membership service as a full-time teacher;

4 or

5 (C) any combination of service qualified under this paragraph.

6 • Sec. 5. AS 14.25.110(d) is amended to read:

7 (d) The monthly amount of a retirement benefit for a member who has paid
8 the full amount of any indebtedness is one-twelfth of the member's average base salary
9 during any three school years of membership service multiplied for members first
10 hired

11 (1) before March 1, 1996, or on or after that date by a
12 nonparticipating school district by

13 (A) [(1)] two percent of the years of credited service earned
14 before June 30, 1990, including credited fractional years, and the years of
15 credited service through a total of 20 years; plus

16 (B) [(2)] two and one-half percent of the years of credited
17 service earned after June 30, 1990, that are more than 20 years of total credited
18 service; or

19 (2) on or after March 1, 1996, by the Department of Education, the
20 University of Alaska, or a participating school district by one and one-half percent
21 of the years of credited service.

22 • Sec. 6. AS 14.25.110(j) is amended to read:

23 (j) For teachers first hired before March 1, 1996, or on or after that date
24 by a nonparticipating school district, an (AN) actuarial adjustment must be made
25 to benefits payable under (d) of this section for early retirement. For teachers first
26 hired on or after March 1, 1996, by the Department of Education, the University
27 of Alaska, or a nonparticipating school district, the monthly amount of a
28 retirement benefit that would be due under (d) of this section shall be reduced by
29 multiplying one-half of one percent times the number of months, to the nearest
30 month, by which the retirement date of the teacher falls short of the date on
31 which the teacher reaches 60 years of age.

1 * Sec. 7. AS 14.25.143(a) is amended to read:

2 (a) Once each year, the administrator shall increase benefit payments to

3 (1) eligible disabled members;

4 (2) [, TO] persons age 60 or older receiving benefits under this system
5 in the preceding calendar year;

6 (3) members who were first hired before March 1, 1996, or on or
7 after that date by a nonparticipating school district [, AND TO PERSONS] who
8 have received benefits under this system for at least eight years and who are not
9 otherwise eligible for an increase under this section; and

10 (4) survivors of members described in (3) of this subsection when
11 the member and the survivor have together received benefits under this system
12 for at least eight years.

13 * Sec. 8. AS 14.25.143(b) is amended to read:

14 (b) The increase in benefit payments applies to total benefit payments except
15 for the cost-of-living allowance under AS 14.25.142. For members first hired on or
16 after March 1, 1996, by the Department of Education, the University of Alaska,
17 or a participating school district, the amount of the increase is the lesser of 50
18 percent of the increase in the cost-of-living in the preceding calendar year or six
19 percent. For members first hired before March 1, 1996, or on or after that date
20 by a nonparticipating school district, the [THE] amount of the increase is a
21 percentage of the current benefit equal to

22 (1) the lesser of 75 percent of the increase in the cost of living in the
23 preceding calendar year or nine percent, for recipients who on July 1 are at least 65
24 years old and for members receiving disability benefits; and

25 (2) the lesser of 50 percent of the increase in the cost of living in the
26 preceding calendar year or six percent, for recipients who on July 1 are at least 60 but
27 less than 65 years old or for recipients who on July 1 are less than 60 years old but
28 who have received benefits from the system for at least eight years.

29 * Sec. 9. AS 14.25.167(a) is amended to read:

30 (a) Benefits payable under this section are in place of benefits payable under
31 AS 14.25.110, 14.25.125, 14.25.155, 14.25.157, 14.25.160, 14.25.162, or 14.25.164.

1 Upon filing an application for retirement with the administrator, or when a disabled
2 member becomes eligible for normal retirement under AS 14.25.130(e), the member
3 shall designate the person who is the member's spouse at the time of appointment to
4 retirement as the contingent beneficiary. However, if the designation of the spouse is
5 revoked under (c) of this section, the member may designate a dependent approved by
6 the administrator as the contingent beneficiary or may take normal or early retirement
7 under AS 14.25.110 or 14.25.125. The administrator shall pay benefits under the
8 option elected by the member. The member may elect an option that provides that

9 (1) the member is entitled to receive a reduced benefit payable for life,
10 and, after the member's death, the contingent beneficiary is entitled to receive
11 payments in the amount of 75 percent of the reduced benefit for life;

12 (2) the member is entitled to receive a reduced benefit payable for life,
13 and, after the member's death, the contingent beneficiary is entitled to receive
14 payments in the amount of 50 percent of the reduced benefit for life; or

15 (3) for members first hired before March 1, 1996, or on or after
16 that date by a nonparticipating school district, the member is entitled to receive a
17 reduced benefit payable during the joint lifetime of the member and the contingent
18 beneficiary, and, after the death of either the member or the contingent beneficiary, the
19 survivor is entitled to receive payments in the amount of 66-2/3 percent of the reduced
20 benefit for life.

21 * Sec. 10. AS 14.25.168(d) is amended to read:

22 (d) A benefit recipient may elect major medical insurance coverage in
23 accordance with regulations and under the following conditions:

24 (1) a person who is younger than 60 years of age must pay an amount
25 equal to the full monthly group premium for retiree major medical insurance coverage;

26 (2) a person who is at least 60 years of age but is younger than 65
27 years of age must pay an amount equal to one-half of the full monthly group premium
28 for retiree major medical insurance coverage;

29 (3) a disabled member or a person 65 years of age or older is not
30 required to make premium payments;

31 (4) a benefit recipient who was first hired on or after March 1,

1 1996, by the Department of Education, University of Alaska, or a participating
 2 school district who is electing major medical insurance coverage for dependents
 3 eligible under (a)(2) or (3) of this section shall pay the full cost of that insurance.

4 • Sec. 11. AS 14.25.220(42) is amended to read:

5 (42) "vested member" or "vested teacher" means an active member who
 6 has completed either

7 (A) 15 years of service, the last five of which have been
 8 membership service, for a member first hired before July 1, 1975;

9 (B) eight years of membership service if the member was first
 10 hired before March 1, 1996, or on or after that date by a nonparticipating
 11 school district;

12 (C) five years of membership and three years of BLA service if
 13 the member was first hired before March 1, 1996, or on or after that date
 14 by a nonparticipating school district; (OR)

15 (D) 12 school years of part-time membership service or 12
 16 school years in each of which the member earned either part-time or full-time
 17 membership service; or

18 (E) five years of membership service if the member was first
 19 hired on or after March 1, 1996, by the Department of Education,
 20 University of Alaska, or a participating school district;

21 • Sec. 12. AS 14.25.220 is amended by adding new paragraphs to read:

22 (44) "nonparticipating school district" means a school district that has
 23 chosen under AS 14.25.040(a) not to participate in the amendments to this chapter and
 24 AS 39.35 that reduce retirement contribution rates and benefits;

25 (45) "participating school district" means a school district that has
 26 chosen under AS 14.25.040(a) to participate in the amendments to this chapter and
 27 AS 39.35 that reduce retirement contribution rates and benefits.

28 • Sec. 13. AS 39.30.150(a) is amended to read:

29 (a) In place of contributions to the federal social security system that would
 30 have been required on behalf of an employee had the participating employer belonged
 31 to the social security system, the participating employer shall pay [CONTRIBUTE] an

1 amount equal to 6.13 percent of the wages of the employee up to the taxable wage
2 base then in effect in the social security system as the employee contribution. This
3 contribution shall (MUST) be paid into an individual employee annuity account in the
4 Department of Administration under the terms of the State of Alaska Supplemental
5 Annuity Plan. For employees who first become members under AS 39.35 (public
6 employees' retirement system) before March 1, 1996, and for employees of
7 nonparticipating employers, the employer (THE DEPARTMENT) shall pay 6.13
8 percent of the wages of the employee up to the taxable wage base then in effect in the
9 social security system into the individual employee annuity account established under
10 this subsection as the employer contribution. For employees who first become
11 members under AS 39.35 on or after March 1, 1996, except for employees of
12 nonparticipating employers, the percentage that the employer contributes as the
13 employer contribution is the percentage that results from subtracting the
14 percentage of the employer contribution for the employee under AS 39.35.250
15 from 12.5 percent. This wage reduction shall (MUST) be treated as an employer
16 contribution under 26 U.S.C. 414(h)(2). All costs of establishing and administering
17 the programs established under AS 39.30.150 - 39.30.180 shall (MUST) be paid from
18 the amounts available in (CONTRIBUTIONS MADE TO) the individual employee
19 annuity accounts under this section. In this subsection, "nonparticipating
20 employer" has the meaning given in AS 39.35.680.

21 • Sec. 14. AS 39.35.160(a) is amended to read:

22 (a) Δ (BEGINNING JANUARY 1, 1987, EACH) peace officer or fire fighter
23 who is first hired on or after March 1, 1996, other than an employee of a
24 nonparticipating employer, shall contribute to the system an amount equal to six
25 percent of the peace officer's or fire fighter's compensation. A peace officer or
26 fire fighter who is first hired before March 1, 1996, or who is an employee of a
27 nonparticipating employer, shall contribute to the system an amount equal to seven
28 and one-half percent of the peace officer's or fire fighter's compensation. Except for
29 employees of nonparticipating employers, each (BEGINNING JANUARY 1, 1987,
30 EACH) other employee who is first hired on or after March 1, 1996, shall
31 contribute to the system an amount equal to five and one-half percent of the

1 employee's compensation. Each other employee who is first hired before
 2 March 1, 1996, or on or after that date by a nonparticipating employer shall
 3 contribute to the system an amount equal to six and three-quarters percent of the
 4 employee's compensation. The contributions shall be deducted by the employer at the
 5 end of each payroll period. The contributions shall be deducted from employee
 6 compensation before computation of applicable federal taxes, and the contributions
 7 shall be treated as employer contributions under 26 U.S.C. 414(h)(2).

8 * Sec. 15. AS 39.35.250 is amended to read:

9 Sec. 39.35.250. CALCULATION OF EMPLOYER'S CONTRIBUTION RATE.

10 (a) An employer shall make contributions to the system in amounts determined in
 11 accordance with this section. For the purposes of this section, the past service date for
 12 each employer for employees first hired before March 1, 1996, and for employees
 13 hired on or after that date by nonparticipating employers is the entry date of the
 14 employer or December 31, 1972, whichever is later. The past service date for
 15 employees first hired on or after March 1, 1996, other than employees of
 16 nonparticipating employers, is the entry date of the employer or March 1, 1996,
 17 whichever is later. After December 31, 1972, if amendments to this chapter are
 18 enacted that substantially affect benefits accrued before the effective date of the
 19 amendment, the past service date will be changed to December 31 of the year
 20 immediately preceding that in which the amendment is enacted. The contribution rate
 21 for employees first hired before March 1, 1996, and for employees hired on or
 22 after that date by nonparticipating employers is the sum of the consolidated
 23 employer rate for those employees and the past service rate that applies to those
 24 employees. The contribution rate for employees first hired on or after March 1,
 25 1996, other than employees of nonparticipating employers, is the sum of the
 26 consolidated employer rate for those employees and the past service rate that
 27 applies to those employees.

28 (b) In (a) of this section, "consolidated employer rate" for employees first
 29 hired before March 1, 1996, and for employees hired on or after that date by
 30 nonparticipating employers means the percentage of compensation of all those active
 31 employees in the system which, if paid over the period of their credited service after

1 the (THEIR) past service date of those employees and when combined with all
 2 employee contributions from those employees, is sufficient to provide the benefits
 3 earned after such past service dates. This percentage is uniformly determined for all
 4 employers for employees first hired before March 1, 1996, and for employees hired
 5 on or after that date by nonparticipating employers and is applicable to each
 6 employer. The consolidated employer rate for employees first hired on or after
 7 March 1, 1996, other than employees of nonparticipating employers, shall be
 8 separately determined under this subsection with the data that applies to those
 9 employees.

10 (c) In (a) of this section, "past service rate" for employees first hired before
 11 March 1, 1996, and for employees hired on or after that date by nonparticipating
 12 employers means the percentage of compensation of all those active employees in the
 13 system necessary to provide the annual amount required to amortize the unfunded
 14 obligations of the employer for benefits earned by those employees before the
 15 employer's past service date over a period not to exceed 40 years. The period of
 16 amortization begins at the past service date of each employer. The percentage is
 17 separately determined for each employer. The past service rate for employees first
 18 hired on or after March 1, 1996, and employees hired on or after that date by
 19 nonparticipating employers shall be separately determined under this subsection
 20 with the data that applies to those employees.

21 * Sec. 16. AS 39.35.370(a) is amended to read:

22 (a) Subject to AS 39.35.450, a terminated employee is eligible for a normal
 23 retirement benefit

24 (1) at age 60 with at least five years credited service; [.] or

25 (2) with at least 20 years of credited service as a peace officer or fire
 26 fighter for peace officers or fire fighters first hired before March 1, 1996, or hired
 27 on or after that date by a nonparticipating employer; [.] OR

28 (3) with at least 25 years of credited service as a peace officer or
 29 fire fighter for peace officers and fire fighters first hired on or after March 1,
 30 1996, other than employees of nonparticipating employers;

31 (4) with at least 30 years of credited service for all other employees if

1 the employee was first hired before March 1, 1996, or if the employee was hired
2 on or after that date by a nonparticipating employer; or

3 (5) with a combination of age and years of credited service equal
4 to or greater than 85.

5 * Sec. 17. AS 39.35.370(b) is amended to read:

6 (b) Subject to AS 39.35.450, a terminated employee is eligible for an early
7 retirement benefit at age 55 with at least five years credited service. For employees
8 first hired before March 1, 1996, and for employees hired on or after that date
9 by nonparticipating employers, an [AN] actuarial adjustment must be made to
10 retirement benefits paid under this section for an early retirement benefit. For
11 employees first hired on or after March 1, 1996, other than employees of
12 nonparticipating employers, the monthly amount of a retirement benefit that
13 would be due under (c) of this section shall be reduced by multiplying one-half
14 of one percent times the number of months, to the nearest month, by which the
15 retirement date of the employee falls short of the date that the employee reaches
16 age 60.

17 * Sec. 18. AS 39.35.370(c) is amended to read:

18 (c) For employees first hired on or after March 1, 1996, other than for
19 employees of nonparticipating employers, the monthly amount of a retirement
20 benefit is one and one-half percent of the average monthly compensation times the
21 years of credited service. The monthly amount of a retirement benefit for a peace
22 officer or fire fighter first hired before March 1, 1996, and for a peace officer or
23 fire fighter hired on or after that date by a nonparticipating employer, is two
24 percent of the average monthly compensation times the years of credited service
25 through 10 years, plus two and one-half percent of the average monthly compensation
26 times the years of service over 10 years. For all other employees first hired before
27 March 1, 1996, and for other employees of nonparticipating employers first hired
28 on or after that date, it is

29 (1) two percent of the average monthly compensation times all years
30 of service before July 1, 1986, and for years of service through a total of 10 years;
31 plus

1 (2) two and one-quarter percent of the average monthly compensation
2 times all years of service after June 30, 1986, over 10 years of total service through
3 20 years; plus

4 (3) two and one-half percent of the average monthly compensation
5 times all years of service after June 30, 1986, over 20 years of total service.

6 * Sec. 19. AS 39.35.450(a) is amended to read:

7 (a) Benefits payable under this section are in place of benefits payable under
8 AS 39.35.370, 39.35.385, and 39.35.460. Upon filing an application with the
9 administrator or when a disabled employee first attains eligibility for normal retirement
10 under AS 39.35.400(f) or 39.35.410(h), the employee shall designate the person who
11 is the employee's spouse at the time of appointment to retirement as the contingent
12 beneficiary. However, if the designation of the spouse is revoked under (c) of this
13 section, the employee may designate a dependent approved by the administrator as the
14 contingent beneficiary or may take normal or early retirement under AS 39.35.370 or
15 39.35.385 or a level income option under AS 39.35.460. The administrator shall pay
16 benefits under the option elected by the employee. The employee may elect an option
17 that provides that

18 (1) the employee is entitled to receive a reduced benefit payable for
19 life, and, after the employee's death, the contingent beneficiary is entitled to payments
20 in the amount of 75 percent of the reduced benefit payable for life;

21 (2) the employee is entitled to receive a reduced benefit payable for
22 life, and, after the employee's death, the contingent beneficiary is entitled to receive
23 payments in the amount of 50 percent of the reduced benefit payable for life;

24 (3) for employees first hired before March 1, 1996, or hired on or
25 after that date by a nonparticipating employer, the employee is entitled to receive
26 a reduced benefit payable during the joint lifetime of the employee and the contingent
27 beneficiary, and, after the death of either the employee or the contingent beneficiary,
28 the survivor is entitled to receive payments in the amount of 66 2/3 percent of the
29 reduced benefit payable for life.

30 * Sec. 20. AS 39.35.460 is amended to read:

31 Sec. 39.35.460. LEVEL INCOME OPTION. For an employee first hired

1 before March 1, 1996, or hired on or after that date by a nonparticipating
2 employer, if (IF) the payment of a retirement pension begins before age 65, the
3 amount of pension payable before and after that age may be adjusted so that an
4 increased amount will be paid before the time that full social security benefits become
5 available and a reduced amount after that time, so that the employee may receive a
6 more level income for life. The aggregate value of all adjusted payments may not
7 exceed the actuarial equivalent of the value of the pension otherwise payable to the
8 employee.

9 • Sec. 21. AS 39.35.475(a) is amended to read:

10 (a) Once each year the administrator shall increase benefit payments to

11 (1) eligible disabled members;

12 (2) [. TO] persons age 60 or older receiving benefits under this system
13 in the preceding calendar year;

14 (3) members who were first hired before March 1, 1996, or who
15 were hired on or after that date by a nonparticipating employer, [AND TO
16 PERSONS] who have received benefits under this system for at least five years and
17 who are not otherwise eligible for an increase under this section; and

18 (4) survivors of members described in (3) of this subsection when
19 the member and the survivor have together received benefits under this system
20 for at least five years.

21 • Sec. 22. AS 39.35.475(b) is amended to read:

22 (b) The increase in benefit payments applies to total benefit payments except
23 for the cost-of-living allowance under AS 39.35.480. For members first hired on or
24 after March 1, 1996, other than employees of a nonparticipating employer, the
25 amount of the increase is a percentage of the current benefit equal to the lesser
26 of 50 percent of the increase in the cost of living in the preceding calendar year
27 or six percent. For members first hired before March 1, 1996, or hired on or
28 after that date by a nonparticipating employer, the [THE] amount of the increase
29 is a percentage of the current benefit equal to

30 (1) the lesser of 75 percent of the increase in the cost of living in the
31 preceding calendar year or nine percent, for recipients who on July 1 are at least 65

1 years old and for members receiving disability benefits: and

2 (2) the lesser of 50 percent of the increase in the cost of living in the
3 preceding calendar year or six percent, for recipients who on July 1 are at least 60 but
4 less than 65 years old or for recipients who are less than 60 years old on July 1 but
5 who have received benefits from the system for at least five years.

6 * Sec. 23. AS 39.35.535(c) is amended to read:

7 (c) A benefit recipient may elect major medical insurance coverage in
8 accordance with regulations and under the following conditions:

9 (1) a person who is younger than 60 years of age must pay an amount
10 equal to the full monthly group premium for retiree major medical insurance coverage;

11 (2) a person who is at least 60 years of age but is younger than 65
12 years of age must pay an amount equal to one-half of the full monthly group premium
13 for retiree major medical insurance coverage;

14 (3) a disabled member or a person 65 years of age or older is not
15 required to make premium payments;

16 (4) a benefit recipient who is first hired on or after March 1, 1996,
17 other than a recipient receiving benefits through a nonparticipating employer,
18 who is electing major medical insurance coverage for dependents eligible under
19 (a)(2) and (3) of this section shall pay the full cost of that insurance.

20 * Sec. 24. AS 39.35 is amended by adding a new section to read:

21 Sec. 39.35.565. PARTICIPATION IN REDUCED CONTRIBUTIONS AND
22 BENEFITS. A political subdivision or public organization participating in the system
23 on January 31, 1996, shall, by resolution, elect whether to participate in the reduction
24 in contributions and benefits enacted by this Act and shall inform the administrator of
25 its decision no later than February 1, 1996. A political subdivision or public
26 organization that becomes an employer in the system on or after February 1, 1996,
27 shall inform the administrator whether it has elected to be a nonparticipating employer.
28 A political subdivision or public organization that is an employer in the system that
29 elects to participate in the reductions may not later decide to participate in the system
30 as it existed before amendment by this Act.

31 * Sec. 25. AS 39.35.680 is amended by adding a new paragraph to read:

1 (41) "nonparticipating employer" means a political subdivision or public
2 organization that is an employer under this system that has chosen under AS 39.35.565
3 not to participate in the amendments to this chapter enacted in this Act.

4 * Sec. 26. FINDINGS AND PURPOSE AS TO SECS. 26 - 40. The State of Alaska and
5 many local governments and school districts are facing the need to restructure their operations
6 and their work forces in order to reduce expenditures and balance budgets. Retirement and
7 separation incentives are management tools that have been used extensively by the private
8 sector, the federal government, and other state and local governments across the country. The
9 purpose of secs. 26 - 40 of this Act is to make these management tools temporarily available
10 to the state and to the municipalities and school districts of the state. Sections 26 - 40 of this
11 Act will enable these entities to be more efficient and cost-effective by eliminating certain
12 nonessential positions, and producing a net reduction in personnel costs.

13 * Sec. 27. RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a
14 retirement incentive plan under secs. 28 - 31 of this Act, as appropriate, and designate
15 categories of employees eligible to participate in that plan. An employer need not extend the
16 incentive plan to all employees who would otherwise be eligible, but may choose to extend
17 the plan only to employees

18 (1) in specific budget or administrative components of the employer;

19 (2) in specific job classifications;

20 (3) in specific geographic locations; or

21 (4) on the basis of any combination of factors under (1) - (3) of this
22 subsection.

23 (b) An employee is eligible to participate in a retirement incentive plan under secs.
24 26 - 40 of this Act only if the

25 (1) employee is a vested member of the public employees' retirement system
26 or the teachers' retirement system;

27 (2) employee will be qualified to retire under AS 14.25.110 or AS 39.35.370
28 after receipt of the credit described in (f) of this section;

29 (3) savings to the employer in personal services costs for the employee's
30 position will exceed the costs to the employer for that position within three years after the
31 employee is appointed to retirement.

1 (c) An employer shall file its proposed retirement incentive plan with the
2 commissioner of administration. The commissioner shall approve the plan if the plan meets
3 the requirements of secs. 26 - 40 of this Act, except that the commissioner may approve a
4 state agency's retirement incentive plan only if the office of management and budget approves
5 the calculation of savings under (b)(3) of this section. A proposed plan filed under this
6 section must

7 (1) identify job classifications of employees, and specific budget or
8 administrative components, eligible to participate in the plan;

9 (2) include a reimbursement agreement that

10 (A) requires the employer, for each employee who retires under the
11 plan, to reimburse the appropriate retirement system, within three years after the end
12 of the fiscal year in which the employee is appointed to retirement, in an amount equal
13 to

14 (i) the actuarial equivalent of the difference between the benefits
15 the participant receives after the addition of the credit under (f) of this section
16 and the amount the participant would have received without the credit, less the
17 amount the participant has paid on the indebtedness determined under (d) or (e)
18 of this section; and

19 (ii) an appropriate share of the administrative costs of the
20 program; and

21 (B) provides that contributions from the employer under this section
22 take priority over other obligations of the employer to the maximum extent permitted
23 by law.

24 (d) A member of the teachers' retirement system who participates in an approved
25 retirement incentive plan under secs. 26 - 40 of this Act is indebted to that system for an
26 amount calculated under this subsection. The indebtedness is 25.95 percent of the member's
27 actual compensation for the school year in which the member terminates employment, or the
28 calculated school year compensation for a member who works less than the entire school year.
29 An outstanding indebtedness at the time a member is appointed to retirement under an
30 approved retirement incentive plan requires an actuarial adjustment to the benefits payable to
31 that member.

1 (e) A member of the public employees' retirement system who participates in an
2 approved retirement incentive plan under secs. 26 - 40 of this Act is indebted to that system
3 for an amount calculated under this subsection. The indebtedness is 22-1/2 percent for a
4 peace officer or fire fighter, and 20-1/4 percent for other members, of the member's actual
5 annual compensation for the year in which the member terminates employment, or the
6 calculated annual compensation for a member who works fewer than 12 months. An
7 outstanding indebtedness at the time a member is appointed to retirement under an approved
8 retirement incentive plan requires an actuarial adjustment to the benefits payable to that
9 member.

10 (f) An employee who participates in an approved retirement incentive plan under secs.
11 26 - 40 of this Act receives a credit of three years. The three years must be applied in the
12 following order until exhausted:

13 (1) to meet the age or service required for eligibility for normal retirement
14 under AS 14.25.110 or AS 39.35.370, as appropriate;

15 (2) to meet the age required for early retirement under AS 14.25.110 or
16 AS 39.35.370, as appropriate;

17 (3) to reduce the actuarial adjustment required for early retirement under
18 AS 14.25.110 or AS 39.35.370, as appropriate;

19 (4) as years of credited service for calculating retirement benefits.

20 (g) In this section,

21 (1) "department" means

22 (A) a principal department of the executive branch of state government;
23 an independent state entity that is attached to a principal department of the executive
24 branch for administrative purposes but that is not a public organization as defined in
25 AS 39.35.680 is part of that department for purposes of this paragraph; and

26 (B) the Office of the Governor;

27 (2) "employer"

28 (A) for purposes of a retirement incentive plan under AS 14.25, means
29 the Board of Regents of the University, the Department of Education, or the Regional
30 Resource Center; and

31 (B) for purposes of a retirement incentive plan under AS 39.35, has the

1 meaning given in AS 39.35.680 and includes a department.

2 * Sec. 28. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE.

3 (a) A state agency may adopt, and file with the commissioner of administration for approval,
4 a proposed retirement incentive plan for its employees.

5 (b) Upon the request of a state agency, the commissioner of administration shall
6 establish one or more periods during which the employees of that state agency who are
7 eligible under sec. 27(b) of this Act to participate in a retirement incentive plan may apply to
8 the commissioner of administration to participate in the state agency's approved plan. The
9 periods shall begin no earlier than June 30, 1995, and end no later than June 30, 1998. The
10 periods shall be no less than 30 days and no more than 60 days in duration, and may not
11 begin less than 30 days after their establishment. A state agency is not required to request an
12 application period, and may request more than one application period.

13 (c) A proposed retirement incentive plan adopted under this section may not permit
14 an employee who is the governor, the lieutenant governor, or a commissioner, deputy
15 commissioner, or assistant commissioner of a principal department of the executive branch to
16 participate in the plan.

17 (d) A proposed retirement incentive plan adopted under this section may permit
18 participation only by an employee who is eligible to participate under sec. 27(b) of this Act
19 and who

20 (1) has been continuously employed by the state for at least one year before
21 the employee applies to participate in the state agency's approved plan;

22 (2) is a permanent seasonal employee who has been continuously employed
23 by the state in a permanent seasonal position during all of the time in the one year before the
24 employee's application to participate in which the position normally is filled;

25 (3) has a job sharing agreement with a state agency in which two or more
26 employees share a single position identified by a single position control number and in which
27 the employee who applies to participate in the plan was continuously employed by the agency
28 during the portion of the one year before the employee's application in which the employee
29 normally worked under the job sharing agreement; or

30 (4) meets a combination of the requirements of this subsection.

31 (e) The commissioner of administration may not accept the application of an employee

1 to participate in an approved retirement incentive plan adopted under this section unless the
2 employee will be appointed to retirement not later than the first day of the month that is six
3 months after the last day of the application period established by the commissioner under (b)
4 of this section. A state agency, in a plan adopted under this section, may set an earlier date
5 by which an employee must be appointed to retirement in order to participate in the plan.

6 (f) A state agency that has adopted a retirement incentive plan for its employees may
7 not appoint a person to fill a vacant position in a category of position that was included in the
8 plan until after March ³¹ 1996, unless

9 (1) the governor submits a notice to the Legislative Budget and Audit
10 Committee of the intended appointment to the position for the committee's review;

11 (2) 45 days elapse before the appointment to the vacancy is made unless the
12 committee earlier recommends that the agency appoint a person to fill the position; and

13 (3) if, within the 45 days, the committee recommends that the vacancy not be
14 filled, the governor reviews the request to fill the position and determines to authorize the
15 hiring, in which case the governor shall provide the committee with a statement of the reasons
16 for the authorization before the appointment to the position is made.

17 (g) In this section, "committee" means the Legislative Budget and Audit Committee.

18 * Sec. 29. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF
19 THE UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of Alaska
20 may adopt, and file with the commissioner of administration for approval, a proposed
21 retirement incentive plan for university employees.

22 (b) Upon the request of the Board of Regents, the commissioner of administration
23 shall establish one or more periods during which the employees of the university who are
24 eligible under sec. 27(b) of this Act to participate in a retirement incentive plan may apply to
25 the commissioner of administration to participate in the university's approved plan. The
26 periods shall begin no earlier than June 30, 1995, and end no later than June 30, 1998. The
27 periods shall be no less than 30 days and no more than 60 days in duration, and may not
28 begin less than 30 days after their establishment. The Board of Regents is not required to
29 request an application period, and may request more than one application period.

30 (c) The commissioner of administration may not accept the application of an employee
31 to participate in an approved retirement incentive plan adopted under this section unless the

1 employee will be appointed to retirement not later than the first day of the month that is six
2 months after the last day of the application period established by the commissioner under (b)
3 of this section. The Board of Regents, in a plan adopted under this section, may set an earlier
4 date by which an employee of the University of Alaska must be appointed to retirement in
5 order to participate in the plan.

6 (d) A participant in the optional university retirement program under AS 14.40.661 -
7 14.40.799 who is vested in the public employees' retirement system or the teachers' retirement
8 system may participate in a retirement incentive plan for that system if the participant meets
9 the other qualifications of secs. 26 - 40 of this Act. If a provision of this subsection is
10 inconsistent with another provision of law, the provision of this subsection governs.

11 * Sec. 30. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER
12 EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The
13 governing body of a political subdivision of the state or public organization that has elected
14 to participate in the public employees' retirement system under AS 39.35.550 - 39.35.650 may
15 adopt, and file with the commissioner of administration for approval, a proposed retirement
16 incentive plan for its employees. Upon the request of the governing body, the commissioner
17 of administration shall establish one or more periods during which the employees of a political
18 subdivision or public organization who are eligible to participate in a retirement incentive plan
19 may apply to the commissioner of administration to participate in the approved plan. The
20 periods shall begin no earlier than October 31, 1995, and end no later than October 31, 1998.
21 The periods shall be no less than 30 days and no more than 60 days in duration, and may not
22 begin less than 60 days after their establishment. The governing body is not required to
23 request an application period, and may request more than one application period.

24 (b) The commissioner of administration may not accept the application of an employee
25 to participate in an approved retirement incentive plan adopted under this section unless the
26 employee will be appointed to retirement not later than the first day of the month that is six
27 months after the last day of the application period established by the commissioner under (a)
28 of this section. The governing body of the political subdivision or public organization, in a
29 plan adopted under this section, may set an earlier date by which an employee must be
30 appointed to retirement in order to participate in the plan.

31 * Sec. 31. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF

1 REGIONAL RESOURCE CENTERS IN THE TEACHERS' RETIREMENT SYSTEM. (a)
2 A regional resource center that has employees who are members of the teachers' retirement
3 system may adopt, and file with the commissioner of administration for approval, a proposed
4 retirement incentive plan for its employees. A plan adopted under this section must provide
5 that the application period for participation in the retirement incentive plan is June 30, 1995,
6 through December 31, 1995.

7 (b) The commissioner of administration may not accept the application of an employee
8 to participate in an approved retirement incentive plan adopted under this section unless the
9 employee will be appointed to retirement on or before August 1, 1996. The regional resource
10 center, in a plan adopted under this section, may set an earlier date by which an employee
11 must be appointed to retirement in order to participate in the plan.

12 * Sec. 32. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.

13 For purposes of determining the years of service requirements for retirement under
14 AS 14.25.110 or AS 39.35.370, as appropriate, a vested member who is a state employee and
15 who applies to participate in a retirement incentive plan approved under secs. 26 - 40 of this
16 Act may receive credit for employment with a political subdivision or public organization
17 before the political subdivision or organization became an employer under the public
18 employees' retirement system. The member may not receive credit for those years under this
19 subsection for purposes of determining benefits. If a provision of this section is inconsistent
20 with any other provision of law, the provision of this section governs.

21 * Sec. 33. RECOVERY OF EMPLOYER DELINQUENCIES. To recover a delinquency
22 owed by an employer other than the state under an agreement entered into under sec. 27(c)(2)
23 of this Act, the Department of Administration may

24 (1) direct that the amount of the delinquency or a lesser amount be withheld
25 from any money payable to the employer by a state department or agency and that the amount
26 withheld be credited to the delinquency; and

27 (2) bring an action against the employer.

28 * Sec. 34. PROVISION AND AUTHORIZATION FOR ADMINISTRATIVE DIRECTOR
29 OF COURT. (a) The chief justice of the state supreme court may adopt a retirement
30 incentive plan for an administrative director of the Alaska Court System who is a member of
31 the judicial retirement system under AS 22.25.012 if participation in the plan will result in

1 savings to the court system in personal services costs within three years after the
2 commencement of the plan. The administrative director may participate only if the
3 administrative director is vested in the judicial retirement system and will be qualified to retire
4 under AS 22.25.010 after receipt of the retirement incentive. To participate, the administrative
5 director shall apply to the commissioner of administration to participate in the approved court
6 system plan.

7 (b) The court system shall include in the retirement incentive plan a reimbursement
8 agreement that requires the court system, for each administrative director of the Alaska Court
9 System who is retired under the plan, to reimburse the judicial retirement system within three
10 years after the end of the fiscal year in which the administrative director is appointed to
11 retirement in an amount equal to

12 (1) the actuarial equivalent of the difference between the benefits the
13 administrative director receives after the addition of the credit under (c) of this section and
14 the amount the participant would have received without the credit, less the total of the amount
15 the participant has paid on the indebtedness determined under (d) of this section; and

16 (2) an appropriate share of the administrative costs of the program.

17 (c) A retirement incentive plan adopted under this section must provide that
18 contributions from the court system under (b) of this section take priority over other
19 obligations of the court system to the maximum extent permitted by law.

20 (d) An administrative director of the Alaska Court System who participates in an
21 approved retirement incentive plan is indebted to the system. The amount of indebtedness is
22 equal to 21 percent of the director's actual annual compensation for the year in which the
23 director terminates employment to participate in the program, or the calculated annual
24 compensation for an administrative director who works fewer than 12 months. An outstanding
25 indebtedness at the time the administrative director is appointed to retirement under an
26 approved retirement incentive plan will require an actuarial adjustment to the benefits payable
27 to the director.

28 (e) An administrative director of the Alaska Court System who participates in an
29 approved retirement incentive plan receives a credit of three years that may only be used to
30 meet the age requirements for normal or early retirement under AS 22.25.010(d).

31 (f) The chief justice of the Alaska Court System may adopt, and file with the

1 commissioner of administration for approval, a proposed retirement incentive plan for the
2 administrative director of the court system who is a member of the judicial retirement system.
3 Upon the request of the chief justice, the commissioner of administration shall establish a
4 period during which an administrative director eligible to participate in the retirement incentive
5 plan of the court system may apply to the commissioner of administration to participate in the
6 court system's approved plan. The period shall begin no earlier than June 30, 1995, and end
7 no later than June 30, 1998. The period shall be no less than 30 days and no more than 60
8 days in duration and may not begin less than 30 days after establishment. The chief justice
9 is not required to request an application period.

10 (g) The commissioner of administration may not accept the application of an
11 administrative director of the court system to participate in an approved retirement incentive
12 plan adopted under this section unless the administrative director will be appointed to
13 retirement not later than the first day of the month that is six months after the last day of the
14 application period established by the commissioner under (f) of this section. The chief justice,
15 in a plan adopted under this section, may set an earlier date by which an administrative
16 director must be appointed to retirement in order to participate in the plan.

17 * Sec. 35. REEMPLOYMENT INDEBTEDNESS; PROHIBITION ON REEMPLOYMENT.

18 (a) If an individual is reemployed as a member of the public employees' retirement system
19 under AS 39.35, the teachers' retirement system under AS 14.25, the judicial retirement system
20 under AS 22.25, or the optional university retirement program under AS 14.40.661 - 14.40.799
21 after appointment to retirement under secs. 26 - 40 of this Act, that individual forfeits the
22 incentive credit received under sec. 27(f) or 34(e) of this Act and is indebted to the system
23 under which the individual took retirement. The indebtedness is 110 percent of the amount
24 the individual received as a result of participation in a retirement incentive plan under secs.
25 26 - 40 of this Act and to which the individual would not otherwise have been entitled,
26 including the cost of health insurance. The amount that the individual has paid under sec.
27 27(d) or (e) or sec. 34(d) of this Act will be applied as a credit toward the reemployment
28 indebtedness. Interest on the reemployment indebtedness accrues from the date of
29 reemployment until the date that the individual either is appointed to retirement and accepts
30 an actuarial adjustment to the individual's future benefits or repays the indebtedness in full.
31 The rate of interest is that established by regulation for the public employees' retirement

1 system by the public employees' retirement board and for the teachers' retirement system by
2 the teachers' retirement board.

3 (b) An individual who was appointed to retirement under secs. 26 - 40 of this Act may
4 not be employed by, or enter into a contract for personal services with, a state agency or the
5 University of Alaska within the three years after the date of appointment to retirement, except
6 that

7 (1) the University of Alaska may enter into a personal services contract with
8 the individual for teaching or research; ^{Research} and *add*

9 (2) the individual may accept employment with the legislature during a
10 legislative session if the employment is on an hourly basis and does not entitle the individual
11 to receive retirement, health, or leave benefits. *Salary & Social Security*

12 (c) Notwithstanding the prohibition in (b) of this section, a state agency or the *Code*
13 University of Alaska may enter into a personal services contract with an individual who was
14 appointed to retirement under secs. 26 - 40 of this Act if the Board of Regents, for the
15 University of Alaska, or the commissioner of administration, for a state agency, determines
16 that there is a compelling reason to do so because of the individual's specialized or extensive
17 experience that relates to a particular program or project of the state agency or university.
18 However, a state agency may not enter into a contract with an individual under this subsection
19 if the individual was employed by that state agency at the time of the individual's appointment
20 to retirement.

21 • Sec. 36. SEPARATION INCENTIVE PROGRAM. (a) A state agency may, with the
22 approval of the director of the office of management and budget, establish a separation
23 incentive program for its employees. The program may be offered in combination with an
24 approved retirement incentive plan adopted under sec. 28 of this Act, or may be offered
25 separately from such a plan. A state agency need not extend an incentive program under this
26 section to all employees who would otherwise be eligible to participate, but may choose to
27 extend the program only to employees

28 (1) in specific budget or administrative components of the state agency;

29 (2) in specific job classifications;

30 (3) on the basis of any combination of factors under (1) and (2) of this

31 subsection.

1 (b) A separation incentive payment under this section shall be paid in a lump sum
2 after the employee's separation from state service, and shall be equal to the lesser of an
3 amount equaling six months of the employee's base salary, or \$25,000. However, a state
4 agency or the office of management and budget may set a lower separation incentive payment
5 in the state agency's separation incentive program.

6 (c) Upon the request of a state agency, the commissioner of administration shall
7 establish one or more periods during which the employees of that state agency may apply to
8 the commissioner of administration to participate in the state agency's approved separation
9 incentive program. The periods shall begin no earlier than June 30, 1995, and end no later
10 than June 30, 1998. The periods shall be no less than 30 days and no more than 60 days in
11 duration, and may not begin less than 30 days after their establishment. A state agency is not
12 required to request an application period, and may request more than one application period.
13 If the commissioner of administration has established one or more application periods for a
14 state agency under sec. 28(b) of this Act, the application period or periods established under
15 this subsection must coincide with the period or periods established under sec. 28(b) of this
16 Act.

17 (d) A separation incentive program established under this section must provide that
18 a separation incentive payment to an employee may be made only if

19 (1) the employee is a permanent full-time or permanent full-time seasonal
20 employee with at least five years of service with the state; and

21 (2) the savings to the state agency in personal services costs for the position
22 occupied by that employee would exceed, in the three years after the employee separates, the
23 amount of the separation incentive payment.

24 (e) If an individual who received a separation incentive payment under this section
25 subsequently is reemployed by a state agency or the University of Alaska within the three
26 years after the date that the individual received the separation incentive payment, the
27 individual is liable to the state in an amount equal to 110 percent of the amount of the
28 separation incentive payment, plus interest at the rate prescribed by AS 45.45.010,
29 commencing on the date that the individual received the separation incentive payment.

30 (f) If an employee is eligible to participate in an approved retirement incentive plan
31 adopted under sec. 28 of this Act.

1 (1) a separation incentive payment to that employee may not exceed the
2 amount that the state agency would be obligated to pay to the appropriate retirement system,
3 notwithstanding (b) of this section; and

4 (2) the employee may participate in either the separation incentive program
5 under this section or the retirement incentive plan adopted under sec. 28 of this Act, but not
6 both.

7 (g) In this section, "base salary" means the monthly salary paid to an employee under
8 the applicable collective bargaining agreement, AS 39.27.011, or another applicable pay
9 schedule, and includes geographic differential; if an employee is paid on an hourly basis, the
10 employee's base salary is the employee's hourly rate, including geographic differential,
11 multiplied by the number of hours in the employee's regular work week, multiplied by 4.35.

12 * Sec. 37. OFFICE OF MANAGEMENT AND BUDGET. (a) When designating an
13 employee category for participation in a retirement incentive plan or a separation incentive
14 program under secs. 26 - 40 of this Act, the executive head of the relevant state agency shall
15 describe in detail the expected effect of the plan or program on the agency's personal services
16 cost and operation. This financial report must be approved by the director of the office of
17 management and budget before the commissioner of administration may approve the proposed
18 plan or program. The state agency shall report each year to the office of management and
19 budget on the cost of each employee's participation and the effect on the agency's personal
20 services cost and operation.

21 (b) The office of management and budget shall submit to the legislature annual reports
22 on the retirement incentive and separation incentive programs under secs. 26 - 40 of this Act
23 beginning January 15, 1997, and continuing through January 15, 1999, and shall submit a final
24 report January 15, 2000. Each report must provide the information necessary for the
25 legislature to evaluate the effectiveness of the programs in achieving their objectives. The
26 report must include information on the designated employee categories under the incentive
27 programs, including the cost of each incentive program per participant, the cost to the state,
28 the cost to the employee, the annual budgeted amount, by state agency, for the incentives, the
29 number of positions deleted or left vacant, and the projected or actual net savings over the
30 three-year period.

31 * Sec. 38. PROGRAM CHANGES. (a) An individual employee does not have a vested

1 or contractual right to a benefit under secs. 26 - 40 of this Act until an agreement is executed
2 with the administrator that specifically authorizes that employee to participate in the retirement
3 incentive program under secs. 26 - 40 of this Act or until an agreement is executed with the
4 commissioner of administration to participate in the separation incentive program under secs.
5 26 - 40 of this Act. The legislature reserves the right to change any aspect of either incentive
6 program as it relates to employees for whom participation agreements have not yet been
7 executed with the administrator or with the commissioner of administration.

8 (b) In this section, "administrator" means the administrator of the public employees'
9 retirement system for employees who are members of that system, and the administrator of
10 the teachers' retirement system for employees who are members of that system.

11 * Sec. 39. REGULATIONS. The commissioner of the Department of Administration may
12 adopt regulations under AS 44.62 (Administrative Procedure Act) to implement and interpret
13 secs. 26 - 40 of this Act.

14 * Sec. 40. DEFINITIONS. (a) Unless provided otherwise in secs. 26 - 40 of this Act, the
15 definitions set out in AS 14.25.220 apply to provisions in secs. 27 - 35 of this Act that relate
16 to the teachers' retirement system and members of the teachers' retirement system except that
17 "employer" does not include a school district.

18 (b) Unless provided otherwise in secs. 26 - 40 of this Act, the definitions set out in
19 AS 39.35.680 apply to provisions in secs. 27 - 35 of this Act that relate to the public
20 employees' retirement system and members of the public employees' retirement system.

21 (c) Unless provided otherwise in this Act, the definition set out in AS 22.25.900
22 applies to provisions in secs. 34 and 35 that relate to the judicial retirement system and
23 members of the judicial retirement system.

24 (d) In secs. 26 - 40 of this Act,

25 (1) "judicial retirement system" means the retirement system established for
26 judges and justices in AS 22.25;

27 (2) "office of management and budget" means the office of management and
28 budget in the Office of the Governor;

29 (3) "public employees' retirement system" means the Public Employees'
30 Retirement System of Alaska (AS 39.35);

31 (4) "state agency"