

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990

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SENATE STATE AFFAIRS

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ALASKA STATE LEGISLATURE



Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling

P.O. Box V
Juneau, AK 99811

907-465-3712

Senate State Affairs Committee

March 8, 1989

Alan C. Havens
P. O. Box 2383
Palmer, Alaska 99645

Dear Alan:

Thank you for contacting me in regard to SB 73, which would establish a retirement incentive for members of the public employees' retirement system and the teachers' retirement system.

I am happy to report that the Senate State Affairs Committee, which I chair, approved SB 73 earlier this week. I am convinced that the program can not only save the state money, but will ease the hardship of any layoffs that may need to occur as budgets continue to tighten.

Regarding your specific concern, it is my understanding that the law was amended last year to allow temporary state employment to be claimed at any time towards retirement. To claim it you would need to notify the State Division of Retirement and pay into the system your share of the retirement costs for the period during which you were temporarily employed. This improves the old law, which required that employees claim their temporary service within a year of becoming vested in the system.

The Division of Retirement can be reached by writing to P.O. Box CR, Juneau 99811 or by phoning 465-4460.

Alan, I hope you find this information useful. Thanks again for sharing your concerns with me.

Sincerely,

Senator Pat Pourchot
Chairman

PP/ss

Alan C. Havens
P.O. Box 2383
Palmer, Alaska 99645
(907) 745-2223
February 25, 1989

Senator Pat Pourchot, Chairman
Senate State Affairs Committee
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Senator Pourchot,

Attached is a proposed amendment to Senator Jim Duncan's early retirement legislation, Senate Bill No. 73, that would save the state additional money. This amendment would credit specified State of Alaska temporary employment toward normal or early retirement.

I respectfully request that you and your committee favorably consider this amendment and I encourage you to support Senate Bill No. 73.

Sincerely,



cc: (letter and attachment):

Senator Jim Duncan
Senator Jay Kerrtula
Senator Paul Fischer
Senator John Binkley
Senator Rick Uehling
Governor Steve Cowper
Alaska State Employees Association
Alaska Public Employees Association

Roxanne? 4766

used to be after 1 yr of vested

pay cost had been paying all along.

last yr am Gov bill allows people to claim temp service at any time - if do now, will go on books

ck 106
SUA 88

Contact DN Retirement

IN THE SENATE

BY DUNCAN

SENATE BILL NO. 73
IN THE LEGISLATURE OF THE STATE OF ALASKA
SIXTEENTH LEGISLATURE - FIRST SESSION
A BILL

For an Act entitled: "An Act relating to retirement incentive programs for the public employees' retirement system and the teachers' retirement system; and providing for an effective date."

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

* Sec. 3. AS 39.35 is amended by adding a new section to read:

Sec. 39.35.375. RETIREMENT INCENTIVE PROGRAM. (g) Notwithstanding other provision of law, a vested member who is a state employee and is participating in the retirement incentive program may receive credit for

(1) temporary full-time state employment between January 1, 1961 and January 1, 1980 for purposes of determining eligibility for retirement under AS 39.35.370; and

(2) municipal employment before the municipality became an employer under the system for purposes of determining eligibility for retirement under AS 39.35.370. The member may not receive credit for those years under [THIS] subsection (g)(2) for purposes of determining benefits. In order for an employee to receive credit under [THIS] subsection (g)(2), the employee's participation in the program must contribute to the overall cost savings of the agency.

INTENT OF PROPOSED LEGISLATION:

To permit persons employed in full-time temporary positions by the State of Alaska, between January 1, 1961 and January 1, 1980 to claim those periods of employment as retirement credited service toward normal and early retirement under this retirement incentive program.

WHY PROPOSED LEGISLATION SHOULD BE INTRODUCED AND PASSED:

- 1) Allowing earlier retirement for eligible employees would save the state money; and
- 2) The passage and enactment of this legislation would eliminate an iniquity in the State of Alaska retirement system, i.e., on January 1, 1980 a bill passed by the Legislature converted most temporary positions to seasonal positions allowing employees to become eligible for benefits. The benefits for these seasonal positions included entitlement to credited service toward vesting and normal and early retirement for periods of employment. Prior to enactment of that legislation, for example, temporary employees filling full-time peace officer positions with the State of Alaska performed the same functions, had the same responsibilities, and took the same risks as permanent peace officer employee positions but without health benefits, retirement benefits and, in many cases, without compensation for overtime. Currently that temporary time (a) cannot be claimed as credited service toward retirement, and (b) is not even considered as employment service to the State of Alaska when giving awards for time served, i.e., 5-year pin, etc.

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ALASKA STATE LEGISLATURE

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V
Juneau, AK 99811

907-465-3712

Senate State Affairs Committee

March 20, 1989

Nathaniel and Cheryl Good
Box 33
Point Hope, Alaska 99766

Dear Nathaniel and Cheryl:

Thank you for writing to express your support for SB 73, which would provide a retirement incentive for members of the public employees' retirement system and the teachers' retirement system. I am happy to report that on March 6 the Senate State Affairs Committee, which I chair, gave its approval to the bill.

School districts, political subdivisions, and state agencies would be allowed to participate in the retirement incentive program, the only criteria being that the program result in personnel cost savings over a three-year period. Employees would be allowed to participate if they are within three years of retirement, either by age or years of service, and if their retirement would contribute to the cost savings of the school district, political subdivision, or state agency. The State Affairs Committee broadened the application period for both school teachers and state employees (July 1, 1989 through December 31, 1989 for teachers; October 1, 1989 through March 31, 1990 for state employees) in an effort to maximize program participation and savings.

SB 73 is now under review by the Senate Committee on Health, Education and Social Services. I am hopeful that it will receive their quick approval and reach final passage this session. I am convinced that the program can save the state money and ease the hardship of any layoffs that may need to occur as budgets continue to tighten.

Sincerely,

Senator Pat Pourchot
Chairman

March 9, 1989

RECEIVED MAR 16 1989

Box 33

Point Hope, AK 99766

Senator Pat Pourchot
P.O. Box 0
State Capitol
Juneau, AK 99811

Senator Pourchot,

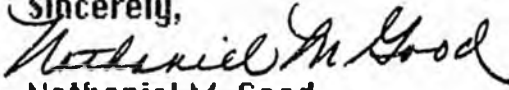
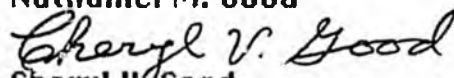
Please consider this a letter of support for SB 73, the Retirement Incentive Plan.

Enclosed is a summary of the Division of Retirement and Benefits results of the last R.I.P. , based on a survey. This report was released on January 30, 1989. The enclosure I have made up shows the 'bottom line', the saving actually realized by the sum total of the entities.

It can readily be seen that the last Retirement Incentive Program saved the reporting political subdivisions almost eighteen million dollars. I believe this figure would be even larger if all the results were available.

The Retirement Incentive Plan is an excellent answer to decreasing revenues. It removes the most expensive employees from the system, and makes it possible to bring in less costly replacements. It will also make it possible to avoid the problems caused by declining revenues. This bill makes possible a reduction in force which would not be accompanied by layoffs. Replacement of retiring individuals might not be necessary in all cases. The benefits to school districts are substantial and irrefutable!

Thank you for your consideration!

Sincerely,

Nathaniel M. Good

Cheryl V. Good

RETIREMENT INCENTIVE PROGRAM

COPPER RIVER SCHOOL DISTRICT	670500
YUKON KOYUKUK SCHOOL DISTRICT	414600
ALASKA GATEWAY SCHOOL DISTRICT	129700
CITY OF WRANGELL	186500
KODIAK ISLAND SCHOOL DISTRICT	527800
LOWER KUSKOKWIM SCHOOL DISTRICT	2220800
NORTH SLOPE SCHOOL DISTRICT	1315500
DILLINGHAM CITY SCHOOLS	773900
CITY OF KETCHIKAN	1214900
VALDEZ CITY SCHOOLS	1630300
FAIRBANKS SCHOOL DISTRICT	2579100
HAINES SCHOOL DISTRICT	1013500
KENAI PENINSULA BOROUGH	639400
JUNEAU SCHOOL DISTRICT	1290400
MUNIC OF JUNEAU	1140400
CITY OF SOLDOTNA	222300
WRANGELL PUBLIC SCHOOLS	81200
ADAK REGION SCHOOL DISTRICT	94100
CORDOVA PUBLIC SCHOOLS	53600
LAKE & PEN S.D.	21400
S.E. RESOURCE CENTER	717000
UNALASKA	122600
COPPER RIVER	670500
GALENA	6600
PETERSBURG	43800
BRISTOL BAY S.D.	36800
DELTA/GREELY S.D.	-39600
CITY OF PALMER	207800
TOTAL SAVINGS TO POLITICAL SUBDIVISIONS BASED ON SURVEY (DIV. OF RETIREMENT, JAN 30, 1989) (based on reports submitted)	\$17,985,400

ALASKA STATE LEGISLATURE



Sen. Pat Pourchot, Chairman
Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling

P.O. Box V
Juneau, AK 99811
907-465-3712

Senate State Affairs Committee

March 20, 1989

Jerry Hanson
107 Paula Street
Kenai, Alaska 99611

Dear Jerry:

Thank you for writing to express your support for SB 73, which would provide a retirement incentive for members of the public employees' retirement system and the teachers' retirement system. I am happy to report that on March 6 the Senate State Affairs Committee, which I chair, gave its approval to the bill.

School districts, political subdivisions, and state agencies would be allowed to participate in the retirement incentive program, the only criteria being that the program result in personnel cost savings over a three-year period. Employees would be allowed to participate if they are within three years of retirement, either by age or years of service, and if their retirement would contribute to the cost savings of the school district, political subdivision, or state agency. The State Affairs Committee broadened the application period for both school teachers and state employees (July 1, 1989 through December 31, 1989 for teachers; October 1, 1989 through March 31, 1990 for state employees) in an effort to maximize program participation and savings.

SB 73 is now under review by the Senate Committee on Health, Education and Social Services. I am hopeful that it will receive their quick approval and reach final passage this session. I am convinced that the program can save the state money and ease the hardship of any layoffs that may need to occur as budgets continue to tighten.

Sincerely,

A handwritten signature in cursive script, appearing to read "Pat", written over a large, stylized flourish.

Senator Pat Pourchot
Chairman

March 11, 1989

RECEIVED MAR 16 1989

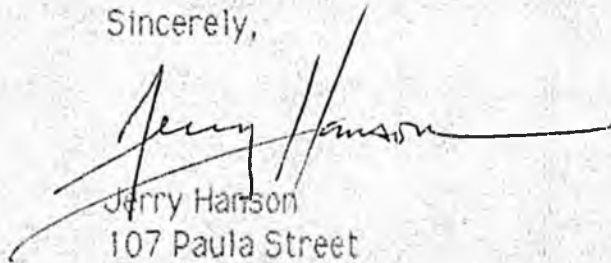
Senator Pat Pourchot
Box V
Juneau, AK 98111

Dear Senator Pourchot:

I would like to ask for your support of SB 73, the teacher early retirement incentive program. This seems to be a win-win situation for everyone interested in public education. Eligible teachers retain the choice of continuing to teach or accepting the offer. School districts, where around 80% of the budget pays for employee costs, will hire younger and cheaper teachers. Many new jobs will open up for recent Alaskan graduates of teaching schools. The public, I believe, wins also. They lose experienced teachers but gain teachers with new enthusiasm and fresh ideas.

I've heard that consideration has been given to opening this program for 12 months starting this summer. I would like to see this wider opening rather than the originally proposed 3 month opening in 1990. Dale Sandahl, personnel director for the Kenai Peninsula School District, thought that there might be 60-70 additional vacancies to fill in this district alone if this program becomes law. With a wider open-period school districts across the state would have a smoother transition and less competition in finding the best replacements. Also it is becoming clear that the need for cutting expenses is now. Our school board has held an unusual number of public hearings this past month getting input into the impending budget crises.

Sincerely,

A handwritten signature in cursive script that reads "Jerry Hanson". The signature is written in dark ink and is positioned above the typed name and address.

Jerry Hanson
107 Paula Street
Kenai, Alaska 99611

ALASKA STATE LEGISLATURE

73end.txt

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V
Juneau, AK 99811

907-465-3712

Senate State Affairs Committee

May 11, 1989

Violeta Zygmung
1626 Sanya
Anchorage, Alaska 99508

Dear Violeta:

Recalling your interest in SB 73, which would create a retirement incentive program for members of the public employees and teachers retirement systems, I am writing to let you know that the bill received final legislative approval and is now awaiting the Governor's signature into law.

In its final form, SB 73 allows school districts, political subdivisions, and state agencies to participate in the program, the only criteria being that the program result in personnel cost savings over a three-year period. Employees can participate if they are within three years of retirement, either by age or years of service, and if their retirement will contribute to the cost savings of the school district, political subdivision, or state agency. In addition, state employees must have been employed since November 1, 1988.

The application periods for the program are from September 30, 1989 through March 31, 1990 for state employees and employees of political subdivisions; and from June 30, 1989 through December 31, 1989 for University employees and other teachers. If you are interested in participating, you first need authorization from your employer who must certify that your retirement will in fact reduce personnel costs. You would then apply directly to the State Division of Retirement and Benefits.

Thanks again for sharing your views with me. As a supporter of the Retirement Incentive Program, I am happy to be able to report that it will soon be in place.

Sincerely,

A handwritten signature in cursive script that reads "Pat".

Senator Pat Pourchot
Chairman

ALASKA STATE LEGISLATURE

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V
Juneau, AK 99811

907-465-3712

Senate State Affairs Committee

May 11, 1989

David Schwantes
8148 East 4th Avenue
Anchorage, Alaska 99504

Dear David:

Recalling your interest in SB 73, which would create a retirement incentive program for members of the public employees and teachers retirement systems, I am writing to let you know that the bill received final legislative approval and is now awaiting the Governor's signature into law.

In its final form, SB 73 allows school districts, political subdivisions, and state agencies to participate in the program, the only criteria being that the program result in personnel cost savings over a three-year period. Employees can participate if they are within three years of retirement, either by age or years of service, and if their retirement will contribute to the cost savings of the school district, political subdivision, or state agency. In addition, state employees must have been employed since November 1, 1988.

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Sincerely,

A handwritten signature in cursive script that reads "Pat".

Senator Pat Pourchot
Chairman

ALASKA STATE LEGISLATURE

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V
Juneau, AK 99811

907-465-3712

Senate State Affairs Committee

May 11, 1989

John Murphy
1743 Morningtide Court
Anchorage, Alaska 99501

Dear John:

Recalling your interest in SB 73, which would create a retirement incentive program for members of the public employees and teachers retirement systems, I am writing to let you know that the bill received final legislative approval and is now awaiting the Governor's signature into law.

In its final form, SB 73 allows school districts, political subdivisions, and state agencies to participate in the program, the only criteria being that the program result in personnel cost savings over a three-year period. Employees can participate if they are within three years of retirement, either by age or years of service, and if their retirement will contribute to the cost savings of the school district, political subdivision, or state agency. In addition, state employees must have been employed since November 1, 1988.

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Thanks again for sharing your views with me. As a supporter of the Retirement Incentive Program, I am happy to be able to report that it will soon be in place.

Sincerely,

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Senator Pat Pourchot
Chairman

ALASKA STATE LEGISLATURE



Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling

P.O. Box V
Juneau, AK 99811

907-465-3712

Senate State Affairs Committee

May 11, 1989

Jolaine McClure
1625 Dolina
Anchorage, Alaska 99508

Dear Jolaine:

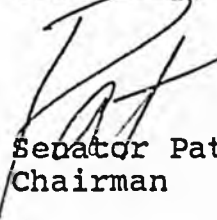
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Thanks again for sharing your views with me. As a supporter of the Retirement Incentive Program, I am happy to be able to report that it will soon be in place.

Sincerely,


Senator Pat Pourchot
Chairman

ALASKA STATE LEGISLATURE

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V
Juneau, AK 99811

907-465-3712

Senate State Affairs Committee

May 11, 1989

Barbara Huff
P. O. Box 100392
Anchorage, Alaska 99508

Dear Barbara:

Recalling your interest in SB 73, which would create a retirement incentive program for members of the public employees and teachers retirement systems, I am writing to let you know that the bill received final legislative approval and is now awaiting the Governor's signature into law.

In its final form, SB 73 allows school districts, political subdivisions, and state agencies to participate in the program, the only criteria being that the program result in personnel cost savings over a three-year period. Employees can participate if they are within three years of retirement, either by age or years of service, and if their retirement will contribute to the cost savings of the school district, political subdivision, or state agency. In addition, state employees must have been employed since November 1, 1988.

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Thanks again for sharing your views with me. As a supporter of the Retirement Incentive Program, I am happy to be able to report that it will soon be in place.

Sincerely,

A handwritten signature in cursive script, appearing to read "Pat".

Senator Pat Pourchot
Chairman

ALASKA STATE LEGISLATURE

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
Juneau, AK 99811

907-465-3712

Senate State Affairs Committee

May 11, 1989

Kathy D. Herrnsteen
3106 Pleasant Drive
Anchorage, Alaska 99502

Dear Kathy:

Recalling your interest in SB 73, which would create a retirement incentive program for members of the public employees and teachers retirement systems, I am writing to let you know that the bill received final legislative approval and is now awaiting the Governor's signature into law.

In its final form, SB 73 allows school districts, political subdivisions, and state agencies to participate in the program, the only criteria being that the program result in personnel cost savings over a three-year period. Employees can participate if they are within three years of retirement, either by age or years of service, and if their retirement will contribute to the cost savings of the school district, political subdivision, or state agency. In addition, state employees must have been employed since November 1, 1988.

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Thanks again for sharing your views with me. As a supporter of the Retirement Incentive Program, I am happy to be able to report that it will soon be in place.

Sincerely,

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Senator Pat Pourchot
Chairman

ALASKA STATE LEGISLATURE

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V
Juneau, AK 99811

907-465-3712

Senate State Affairs Committee

May 11, 1989

Dennis Haanpaa
1857 N. Salem Drive
Anchorage, Alaska 99508

Dear Dennis:

Recalling your interest in SB 73, which would create a retirement incentive program for members of the public employees and teachers retirement systems, I am writing to let you know that the bill received final legislative approval and is now awaiting the Governor's signature into law.

In its final form, SB 73 allows school districts, political subdivisions, and state agencies to participate in the program, the only criteria being that the program result in personnel cost savings over a three-year period. Employees can participate if they are within three years of retirement, either by age or years of service, and if their retirement will contribute to the cost savings of the school district, political subdivision, or state agency. In addition, state employees must have been employed since November 1, 1988.

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Thanks again for sharing your views with me. As a supporter of the Retirement Incentive Program, I am happy to be able to report that it will soon be in place.

Sincerely,

A handwritten signature in black ink, appearing to read "Pat", with a long horizontal flourish extending to the right.

Senator Pat Pourchot
Chairman

ALASKA STATE LEGISLATURE

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V
Juneau, AK 99811

907-465-3712

Senate State Affairs Committee

May 11, 1989

Timothy Doebler
P. O. Box 104698
Anchorage, Alaska 99510

Dear Timothy:

Recalling your interest in SB 73, which would create a retirement incentive program for members of the public employees and teachers retirement systems, I am writing to let you know that the bill received final legislative approval and is now awaiting the Governor's signature into law.

In its final form, SB 73 allows school districts, political subdivisions, and state agencies to participate in the program, the only criteria being that the program result in personnel cost savings over a three-year period. Employees can participate if they are within three years of retirement, either by age or years of service, and if their retirement will contribute to the cost savings of the school district, political subdivision, or state agency. In addition, state employees must have been employed since November 1, 1988.

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Sincerely,

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Senator Pat Pourchot
Chairman

ALASKA STATE LEGISLATURE

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V
Juneau, AK 99811

907-465-3712

Senate State Affairs Committee

May 11, 1989

John Corven
3125 East 17th Avenue
Anchorage, Alaska 99508

Dear John:

Recalling your interest in SB 73, which would create a retirement incentive program for members of the public employees and teachers retirement systems, I am writing to let you know that the bill received final legislative approval and is now awaiting the Governor's signature into law.

In its final form, SB 73 allows school districts, political subdivisions, and state agencies to participate in the program, the only criteria being that the program result in personnel cost savings over a three-year period. Employees can participate if they are within three years of retirement, either by age or years of service, and if their retirement will contribute to the cost savings of the school district, political subdivision, or state agency. In addition, state employees must have been employed since November 1, 1988.

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Thanks again for sharing your views with me. As a supporter of the Retirement Incentive Program, I am happy to be able to report that it will soon be in place.

Sincerely,

A handwritten signature in dark ink, appearing to be "Pat", written over a light-colored background.

Senator Pat Pourchot
Chairman



Official Business

Alaska State Legislature

73 end. tx
9 letters

P.O. Box V
State Capitol
Juneau, Alaska 99811

January 23, 1989

✓ John Corven
3125 East 17th Avenue
Anchorage, Alaska 99508

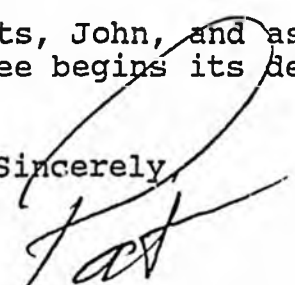
Dear John:

Thank you for contacting me to express your support for Senate Bill 73, which would create a retirement incentive program for members of the public employees and teachers retirement systems. As you may know, this bill has been referred to the Senate State Affairs Committee, which I chair. No hearings have yet been scheduled on the bill but I am beginning to hear from people like yourself who are interested in it.

However, there is general concern over the fiscal implications of the bill. While the program is intended to result in a net reduction in personal services costs to the state or other employers, there is not clear evidence that this was the case when a similar program was in effect a couple of years ago. With our revenue situation as bleak as it is, I feel strongly that the program must be fashioned to ensure that there is no net cost to the state.

I do appreciate your comments, John, and assure you I will keep them in mind as the committee begins its deliberations on SB 73.

Sincerely,


Senator Pat Pourchot
Chairman

PP/ss

ALASKA STATE LEGISLATURE

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
Juneau, AK 99811

907-465-3712

Senate State Affairs Committee

March 20, 1989

✓ Timothy Doebler
P. O. Box 104698
Anchorage, Alaska 99510

Dear Timothy:

Thank you for writing to express your support for SB 73, which would provide a retirement incentive for members of the public employees' retirement system and the teachers' retirement system. I am happy to report that on March 6 the Senate State Affairs Committee, which I chair, gave its approval to the bill.

School districts, political subdivisions, and state agencies would be allowed to participate in the retirement incentive program, the only criteria being that the program result in personnel cost savings over a three-year period. Employees would be allowed to participate if they are within three years of retirement, either by age or years of service, and if their retirement would contribute to the cost savings of the school district, political subdivision, or state agency. The State Affairs Committee broadened the application period for both school teachers and state employees (July 1, 1989 through December 31, 1989 for teachers; October 1, 1989 through March 31, 1990 for state employees) in an effort to maximize program participation and savings.

SB 73 is now under review by the Senate Committee on Health, Education and Social Services. I am hopeful that it will receive their quick approval and reach final passage this session. I am convinced that the program can save the state money and ease the hardship of any layoffs that may need to occur as budgets continue to tighten.

Sincerely,

Senator Pat Pourchot
Chairman

73HAANITXT

ALASKA STATE LEGISLATURE

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
Juneau, AK 99811

907-465-3712

Senate State Affairs Committee

March 8, 1989

Dennis G. Haanpaa
✓ 1857 North Salem Drive
Anchorage, Alaska 99508

Dear Dennis:

I am writing to follow up on your concern over the retirement dates for state employees under SB 73, the retirement incentive proposal.

Earlier this week the Senate State Affairs Committee, which I chair, approved a revised version of SB 73. The application period for state employees was changed from January-March 1990 to October 1989-March 1990. The retirement date was changed from May 1, 1990 to October 31, 1990. This means that an eligible employee could apply for retirement from October through March, and could actually retire any time before November 1990.

To be eligible, the employee must be a member of an organizational unit approved by the Office of Management and Budget. To receive OMB approval, the organizational unit must demonstrate that the retirement of specific employees will result in reduced personal services costs.

Thank you, Dennis, for bringing your concern to my attention. I hope you find our solution satisfactory. SB 73 is now under consideration by the Senate Finance Committee. I am convinced that the retirement incentive program can save money and reduce the hardship of any layoffs that may have to occur as budgets continue to tighten. I am therefore hoping the bill will reach final passage this session.

Sincerely,

A handwritten signature in dark ink, appearing to read "Pat", written over a large, light-colored scribble or mark.

Senator Pat Pourchot
Chairman

PP/ss

file SB 73

RECEIVED FEB 19 1989

February 17, 1989

Representative, Pat Pourchot
P.O. Box V
Juneau, AK 99811

Dear Mr. Pourchot:

I am writing you as a follow-up to my phone call to your office on February 15. I have some concerns regarding Senate Bill No. 73 that I would like to pass on to you.

First, I am an employee of the Department of Fish and Game, Division of Commercial Fisheries. I have only 12 years with the State thus my concerns are not personal. What I passed on to your office is the problem of a May 1, 1990 termination date. Our major field season starts April 1 and continues through October 15 in most areas of the State. Our responsibilities involve the management and research of the worlds largest salmon fisheries and some major herring fisheries. The point that I would like to make is:

If the Bill were to pass, with the May 1 termination date, we would lose some very important management and research position at the beginning of the fishing season. The way the system works it would be difficult, if not impossible, to refill these positions prior to August or September. To avoid a loss of position prior to the field season I would encourage you, if you feel the Bill will save the State some money, to move the termination date forward to sometime in the fall or at the end of the calendar year.

A later date will give us the opportunity to conduct an uninterrupted field season an still provide adequate time for us to recruit new biologist to fill these vacant position. I feel that other divisions within our Department would have similar concerns. Your consideration of this matter would be greatly appreciated.

Sincerely,

Dennis G. Haanpaa

Dennis G. Haanpaa
1857 N. Salem Dr.
Anchorage, AK 99508

10/1/89 3/31/90

11/1/90

*Study
file
to*

SB73HERR.TXT

ALASKA STATE LEGISLATURE

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V
Juneau, AK 99811

907-465-3712

Senate State Affairs Committee

February 13, 1989

Kathy D. Herrnsteen
✓ 3106 Pleasant Drive
Anchorage, Alaska 99502

Dear Kathy:

Thank you for contacting me to express your support for SB 73, which would create a retirement incentive program for members of the public employees and teachers retirement systems. As you know, this bill has been referred to the Senate State Affairs Committee, which I chair. No hearings have yet been scheduled on the bill, as I am waiting for additional information on its fiscal implications.

One of the goals of the retirement incentive program is a net reduction in personal services costs to the state or other employers. However, there is not clear evidence that this was the case when a similar program was in effect a couple of years ago. With our revenue situation as bleak as it is, I feel strongly that the program must be fashioned to ensure that there is no net cost to the state.

I do appreciate your comments, Kathy, and assure you I will keep them in mind as the committee begins its deliberations on SB 73.

Sincerely,

A handwritten signature in cursive script, appearing to read "Pat".

Senator Pat Pourchot
Chairman

PP/ss

RECEIVED FEB 10 1989

February 7, 1989

Senator Pat Pourchot
P.O. Box V
Juneau, AK 99811

Dear Senator Pourchot,

Re: State Affairs Committee
Senate Bill 73, Early Retirement

I am writing in support of SB 73 which will allow for early retirement for many government employees. I am a teacher with the Anchorage School District and will be 2 years short of normal retirement at the end of the current school year.

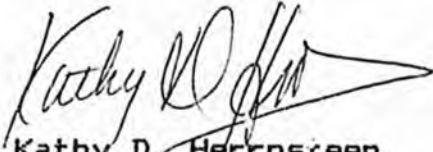
While I support the bill as written, I would like to suggest that the bill be modified to allow, possibly with local school district approval, a retirement option at July 1, 1989.

My arguments for this are twofold. First, the Anchorage School District is facing a possible reduction in the total secondary level teachers hired due to decreasing enrollment. The attached memo from my principal indicates the realities of this situation. Allowing early retirement with an open period from July 1, 1989 to July 1, 1990 would help eliminate the problem of staff reduction and the heavy loss of experience that could occur if there was only one period for retirement.

Additionally, the bill is not an incentive for teachers that are currently eligible for retirement. Many of them may continue teaching (at the high end of the salary scale) for one more year. This would not provide for the cost savings associated with retirement. In some cases, it may encourage the retention of teachers that are less than fully motivated or burned out.

As a supporter of this program, I would also like to offer one additional thought in support of it. Many of my fellow teachers that have retired have remained in Alaska rather than moving outside and taking their money with them. I plan on staying in Alaska when I retire. Yet the older a person is when he retires, the more inclined he may be to leave Alaska. This results in a major loss for the Alaskan economy.

Thank you for your consideration of this matter.



Kathy D. Herrnsceen
3106 Pleasant Drive
Anchorage, AK 99502
907-243-5828

BARTLETT HIGH SCHOOL

MEMORANDUM

January 15, 1989

TO: BARTLETT TEACHERS
FROM: *Bob* BOB HAHN

SUBJECT: PLANS FOR 1989-90 SCHOOL YEAR

Our projected student enrollment for next year will decrease our staffing by three and one-half to five staff members. I had a meeting this morning and was asked to provide names of individuals and subject areas. I reviewed the situation with the Department Chairmen last night.

I need information from the staff regarding your plans for the 1989-90 school year.

If you plan to retire, request a transfer or a part-time teaching assignment, or desire some sort of leave for 1989-90, please let me know - or turn plans in to Mrs. Hill - as soon as possible. Any information will be helpful, so we can make adjustments as the situation changes.

It is not a decision I enjoy making.

ALASKA STATE LEGISLATURE

Sen. Pat Pourchot, Chairman
Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
Juneau, AK 99811
907-465-3712

Senate State Affairs Committee

March 7, 1989

Barbara Huff
Anchorage Municipal Employees
Association
✓ P.O. Box 100392
Anchorage, Alaska 99508

Dear Barbara:

I am happy to report that yesterday the Senate State Affairs Committee, which I chair, approved SB 73. The bill would provide a retirement incentive for members of the public employees' retirement system and the teachers' retirement system.

School districts, political subdivisions, and state agencies would be allowed to participate, the only criteria being that the program result in personnel cost saving over a three-year period. Employees would be allowed to participate if they are within three years of retirement, either by age or years of service, and if their retirement would contribute to the cost savings of the school district, political subdivision, or state agency. The State Affairs Committee broadened the application period for both school teachers and state employees in an effort to maximize program participation and savings.

The bill now goes to the Senate Finance Committee for their review. I am hopeful that the bill will receive their quick approval and reach final passage this session. I am convinced that not only will the program save the state money, but it will ease the hardship of any layoffs that may need to occur as budgets continue to tighten.

Sincerely,

A handwritten signature in cursive script, appearing to read "Pat".

Senator Pat Pourchot
Chairman

*Hope all
is going well
Pat*

PP/ss

73robo.txt

ALASKA STATE LEGISLATURE

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V
Juneau, AK 99811

907-465-3712

Senate State Affairs Committee

March 28, 1989

Jolaine McClure
1625 Dolina
Anchorage, Alaska 99508

Dear Jolaine:

Thank you for writing to express your support for SB 73, which would provide a retirement incentive for members of the public employees' retirement system and the teachers' retirement system. I am happy to report that on March 6 the Senate State Affairs Committee, which I chair, gave its approval to the bill.

School districts, political subdivisions, and state agencies would be allowed to participate in the retirement incentive program, the only criteria being that the program result in personnel cost savings over a three-year period. Employees would be allowed to participate if they are within three years of retirement, either by age or years of service, and if their retirement would contribute to the cost savings of the school district, political subdivision, or state agency. The State Affairs Committee broadened the application period for both school teachers and state employees (July 1, 1989 through December 31, 1989 for teachers; October 1, 1989 through March 31, 1990 for state employees) in an effort to maximize program participation and savings.

SB 73 is now under review by the Senate Finance Committee. I am hopeful that it will receive their quick approval and reach final passage this session. I am convinced that the program can save the state money and ease the hardship of any layoffs that may need to occur as budgets continue to tighten.

Sincerely,

A handwritten signature in cursive script, appearing to read "Pat".

Senator Pat Pourchot
Chairman

PP/ss



Official Business

Alaska State Legislature

Senate

P.O. BOX V
State Capitol
Juneau, Alaska 99811

January 12, 1989

John Murphy
✓ 1743 Morningtide Court
Anchorage, Alaska 99501

Dear John:

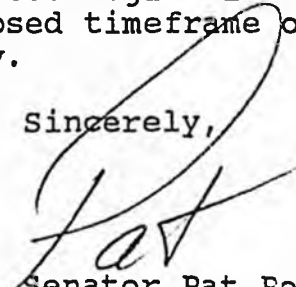
Thank you for contacting me in regard to SB 73, which would create a retirement incentive program for members of the public employees and teachers retirement systems.

As you may know, this bill has been referred to the Senate State Affairs Committee, which I chair. No hearings have yet been scheduled on the bill but I am starting to hear from people who are interested in it. Not surprisingly, there is a lot of concern over both the effective date and the eligibility dates, with people generally promoting those dates that will allow them personally to participate in the retirement incentive program.

There is also concern over the fiscal implications of the bill. While the program is intended to result in a net reduction in personal services costs to the state or other employers, there is not clear evidence that this was the case when a similar program was in effect a couple of years ago. With our revenue situation as bleak as it is, I feel strongly that the program must be fashioned to ensure that there is no net cost to the state.

I do appreciate your comments, John, and assure you I will keep them in mind as the committee begins its deliberations on SB 73. I'm certain that the proposed timeframe of the program will be something we look at closely.

Sincerely,



Senator Pat Fourchot
Chairman

District

1743 Morningtide Ct.
Anchorage, AK 99501
January 9, 1989

Senator Pat Pourchot
PO Box V
Juneau, AK 99811

RECEIVED JAN 9 1989

Dear Senator Pourchot:

I am writing in reference to SB 73, introduced by Senator Duncan.

The purpose of this bill is to save money for the state and school districts. It will do this by permitting the long time, higher paid employees to retire and allow districts to replace them with newer personnel at a lower salary. This bill will also reduce the financial and emotional trauma and hardship associated with staff layoffs.

The effective date of this bill is January 1, 1990.

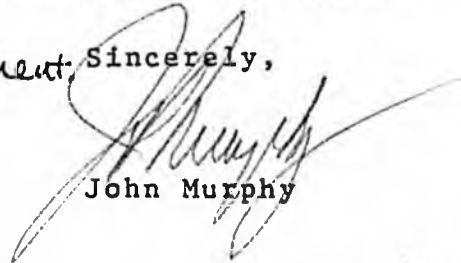
With state revenues being uncertain, why wait until next year to enact this bill? I would encourage you amend SB 73 to provide a local option for school districts this year. This amendment would give districts and employees a two year transition into the program so those districts facing layoffs could offer the retirement opportunity to their employees this year and those employees eligible to retire this year could do so, but those who are uncertain would have another year to decide. The two or three month application time frame could be kept as recommended in the bill. The suggested amendment would just allow employees to choose it this year or next. This bill would then resemble a successful, similiar bill introduced by Mr. Duncan three years ago. Providing the option this year would seem to have no detrimental effect on the bill. Indeed, it would seem to provide the expected savings one year earlier than planned.

Any assistance you can provide in this effort will be appreciated.

DIV. Retirement reluctant to support.

Roxanne (Duncan) 4766

Allow DIV Retirement time to implement; Sincerely,
Allow time to work on - 2 sessions.



John Murphy

Lots of calls wanting changes
Bday comes certain month

Consider during committee process

3 months to apply
must retire 1 mo. later
Intended to space work

73robo.txt

ALASKA STATE LEGISLATURE

Sen. Pat Pourchot, Chairman
Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
Juneau, AK 99811
907-465-3712

Senate State Affairs Committee

March 13, 1989

✓ David F. Schwantes
8148 East 4th Avenue
Anchorage, Alaska 99504

Dear David:

Thank you for writing to express your support for SB 73, which would provide a retirement incentive for members of the public employees' retirement system and the teachers' retirement system. I am happy to report that on March 6 the Senate State Affairs Committee, which I chair, gave its approval to the bill.

School districts, political subdivisions, and state agencies would be allowed to participate in the retirement incentive program, the only criteria being that the program result in personnel cost savings over a three-year period. Employees would be allowed to participate if they are within three years of retirement, either by age or years of service, and if their retirement would contribute to the cost savings of the school district, political subdivision, or state agency. The State Affairs Committee broadened the application period for both school teachers and state employees in an effort to maximize program participation and savings.

The bill now goes to the Senate Finance Committee for their review. I am hopeful that the bill will receive their quick approval and reach final passage this session. I am convinced that the program can save the state money and ease the hardship of any layoffs that may need to occur as budgets continue to tighten.

Sincerely,

A handwritten signature in dark ink, appearing to be "Pat", written over a large, faint circular stamp or watermark.

Senator Pat Pourchot
Chairman

PP/ss

73 robbott

8148 E. 4th Ave.
Anchorage, Ak. 99504
March 5, 1989

RECEIVED MAR 9 1989

Dear Senator Pouchot,

I am writing to urge your support for SB 73 which establishes an early retirement incentive program. I believe the program two years ago helped save the school districts money when the amount they received from the state was cut. I believe that the same thing can happen again.

Sincerely,

David F. Schwantes
Schwantes

P.S. I would also appreciate any help you can give on SB 15 on binding orb. We really do need it passed this year.



Alaska State Legislature

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

January 24, 1989

✓ Violeta Zygmung
1626 Sanya
Anchorage, Alaska 99508

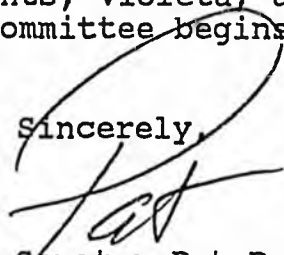
Dear Violeta:

Thank you for contacting me to express your support for Senate Bill 73, which would create a retirement incentive program for members of the public employees and teachers retirement systems. As you may know, this bill has been referred to the Senate State Affairs Committee, which I chair. No hearings have yet been scheduled on the bill but I am beginning to hear from people like yourself who are interested in it.

However, there is general concern over the fiscal implications of the bill. While the program is intended to result in a net reduction in personal services costs to the state or other employers, there is not clear evidence that this was the case when a similar program was in effect a couple of years ago. With our revenue situation as bleak as it is, I feel strongly that the program must be fashioned to ensure that there is no net cost to the state.

I do appreciate your comments, Violeta, and assure you I will keep them in mind as the committee begins its deliberations on SB 73.

Sincerely,


Senator Pat Pourchot
Chairman

PP/ss

Alaska State Legislature



SENATOR JIM DUNCAN

P. O. Box V JUNEAU, ALASKA 99811-3100

(907) 465-4766

COMMITTEES:
FINANCE
VICE CHAIR -
HEALTH EDUCATION
& SOCIAL SERVICES
BUDGET & AUDIT
BANKING &
ECONOMIC
DEVELOPMENT

October 4, 1989

RECEIVED OCT 6 1989

Senator Pat Pourchot
3111 C Street, Suite 545
Anchorage, AK 99503

Dear Senator Pourchot:

In the months since passage of the Retirement Incentive legislation, I have received calls and letters from state employees throughout Alaska who were excluded from participation in the program because of the OMB guidelines on how a savings could be calculated. I am aware that you may also have been contacted by state employees on this issue. As the result of the concerns expressed by these employees, I offered numerous suggestions on ways to change the State's guidelines so a greater number of employees could participate. These suggestions were, for the most part, rejected by OMB.

I recently met with Garrey Peska, the Governor's Chief of Staff, and Bob Evans, the Governor's Legislative Liaison to discuss my concern that a great number of employees for which the Retirement Incentive Program was expressly intended have not qualified under the OMB guidelines. At that meeting, Mr. Peska agreed that the Administration would actively support passage of the following statutory changes to the Retirement Incentive Program in the upcoming legislative session and in response I have had the enclosed bill drafted to do the following:

1. Increasing the period within which a savings must be shown from three years to five years;
2. allowing employees to pay part of the employer's share of the Retirement Incentive cost in order to show a savings;
3. or electing to take an actuarial reduction in benefit in order to reduce the employer's cost and result in a savings.

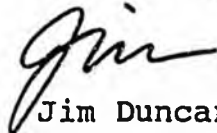
With the knowledge that these changes are likely to result in a substantially higher number of employees qualifying for the program, and that the application period for state employees ends

Retirement Incentive Program
October 4, 1989
Page 2

on March 31, 1990, I have also recommended that OMB and the Division of Retirement and Benefits begin accepting applications from all potential participants as soon as possible.

I believe these changes will enable the State of Alaska to realize the vast savings which the Retirement Incentive Program was designed to create. If you desire further information or would like to discuss the issue, please give me a call at 465-4766. Please let me know if you wish to be listed as a co-sponsor on the bill as soon as possible.

Sincerely,



Jim Duncan
Senator

Enclosure

2 SENATE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the retirement incentive program;
7 and providing for an effective date."

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

9 * Section 1. Section 2(b), ch. 89, SLA 1989, is amended to read:

10 (b) The organizational units of a plan must be selected so that
11 implementation of the plan results in maximum savings to the employer
12 in personal services costs within five [THREE] years after the com-
13 mencement of the plan. A plan that results in savings in personal
14 services costs in any amount that is in excess of all costs to the
15 employer qualifies under this section. The designation may include
16 only representatives from job classifications whose inclusion contrib-
17 utes to the overall cost savings.

18 * Sec. 2. Section 2(d), ch. 89, SLA 1989, is amended to read:

19 (d) A participating employer shall prepare and file the re-
20 tirement incentive plan with the administrator. For state employees
21 other than university employees, the administrator may approve a
22 designated organizational unit only if the office of management and
23 budget certifies that the unit's participation in the plan meets the
24 requirements of (b) of this section. The administrator shall approve
25 the plan if it meets the requirements of this section. The plan must

26 (1) identify organizational units and employees eligible to
27 participate in the program;

28 (2) include a reimbursement agreement that

29 (A) requires the employer, for each employee who is

1 retired under the plan, to reimburse the system within three
2 years after the end of the fiscal year in which the employee is
3 appointed to retirement in an amount equal to

4 (i) the actuarial equivalent of the difference
5 between the benefits the participant receives after the
6 addition of the retirement incentive under this section and
7 the amount the participant would have received without the
8 incentive, less the total of the amount the participant has
9 paid on the indebtedness determined under (e) or (f) of this
10 section and the amount paid under (i) of this section, if
11 any; and

12 (ii) an appropriate share of the administrative costs
13 of the program; and

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

17 * Sec. 3. Section 2, ch. 89, SLA 1989, is amended by adding a new
18 subsection to read:

19 (i) In order to establish eligibility for participation under
20 (b) of this section, and in addition to the employee indebtedness
21 required under (e) or (f) of this section, an employee may elect to
22 assume a portion of the employer liability calculated under (d) of
23 this section. An outstanding indebtedness at the time the employee is
24 appointed to retirement will require an actuarial adjustment to the
25 benefits.

26 * Sec. 4. Section 9(a), ch. 89, SLA 1989, is amended to read:

27 (a) If a participant in the retirement incentive program is
28 reemployed as a member of the public employees' retirement system
29 under AS 39.35 or the teachers' retirement system under AS 14.25 after

1 appointment to retirement under the program, the participant loses the
2 incentive credit received under sec. 2(g) of this Act and is indebted
3 to the system. The amount of the indebtedness is equal to 110 percent
4 of the amount the participant received as a result of participation in
5 the program to which the participant was not otherwise entitled, in-
6 cluding the cost of health insurance. The participant is entitled to
7 a credit to be applied against the reemployment indebtedness in the
8 amount the participant has paid under sec. 2(e), [OR] (f), and ~~3~~ of
9 this Act. Interest accrues on the indebtedness at the rate estab-
10 lished by regulation from the date of reemployment until the member is
11 appointed to retirement and accepts an actuarial adjustment to the
12 member's future benefits or until the amount is paid in full.

13 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).
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§ 39.26.020

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§ 39.27.010

PUBLIC OFFICERS AND EMPLOYEES

§ 39.27.011

Sec. 39.27.010. Basic salary schedule. [Repealed, § 12 ch 80 SLA 1978. For current law covering the subject matter, see AS 39.27.011.]

Sec. 39.27.011. Salary schedule. (a) The following monthly basic salary schedule is approved as the pay plan for classified and partially exempt employees in the executive branch of the state government who are not members of a collective bargaining unit established under the authority of the Public Employment Relations Act and employees of the legislature under AS 24.10 and AS 24.20:

Range No.	Step A	Step B	Step C	Step D	Step E	Step F
05	1,397	1,425	1,467	1,507	1,552	1,593
06	1,467	1,507	1,552	1,593	1,639	1,687
07	1,552	1,593	1,639	1,687	1,740	1,793
08	1,639	1,687	1,740	1,793	1,845	1,903
09	1,740	1,793	1,845	1,903	1,965	2,020
10	1,845	1,903	1,965	2,020	2,082	2,145
11	1,965	2,020	2,082	2,145	2,217	2,286
12	2,082	2,145	2,217	2,286	2,365	2,445
13	2,217	2,286	2,365	2,445	2,531	2,623
14	2,365	2,445	2,531	2,623	2,715	2,818
15	2,531	2,623	2,715	2,818	2,910	3,020
16	2,715	2,818	2,910	3,020	3,129	3,242
17	2,910	3,020	3,129	3,242	3,353	3,468
18	3,129	3,242	3,353	3,468	3,582	3,717
19	3,353	3,468	3,582	3,717	3,831	3,974
20	3,582	3,717	3,831	3,974	4,095	4,246
21	3,831	3,974	4,095	4,246	4,379	4,537
22	4,095	4,246	4,379	4,537	4,687	4,859
23	4,379	4,537	4,687	4,859	5,021	5,209
24	4,687	4,859	5,021	5,209	5,385	5,568
25	5,021	5,209	5,385	5,568	5,773	5,990
26	5,209	5,385	5,568	5,773	5,990	6,206
27	5,385	5,568	5,773	5,990	6,206	6,442
28	5,568	5,773	5,990	6,206	6,442	6,666
29	5,773	5,990	6,206	6,442	6,666	6,901
30	5,990	6,206	6,442	6,666	6,901	7,144

(b) *[Repealed, § 38 ch 3 SLA 1980.]*

(c) If a state officer or employee is appointed a deputy department head or a division director and, at the time of appointment, the officer or employee is receiving a salary higher than that set for the position to which appointment has been made, the officer or employee is entitled to continue receiving the higher salary. This subsection does not apply to the salary of a person appointed to a position other than a deputy department head or a division director. (§ 12 ch 148 SLA 1976; am § 1 ch 92 SLA 1977; am §§ 1, 10 ch 80 SLA 1978; am §§ 1, 16, 30,

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Article 6. Benefits.

Section

- 370. Retirement benefits
- 385. Conditional service retirement benefits
- 395. Voluntary contribution benefit
- 400. Nonoccupational disability benefits
- 410. Occupational disability benefits
- 415. Reemployment of disabled employees
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- 450. Joint and survivor option
- 451. Spouse survivor benefits under Public Employees Retirement Act of 1949
- 455. Rights under qualified domestic relations order
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- 485. Minimum benefit
- 490. Designation of beneficiary
- 495. Time limit for application
- 500. Safeguard of employee funds held by the system
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NOTES TO DECISIONS

Vested benefits. — Benefits under Public Employees' Retirement System are in the nature of deferred compensation and the right to such benefits vests immediately upon an employee's enrollment in that system. *Hammond v. Hoffbeck*, Sup. Ct. Op. No. 2345 (File No. 4742), 627 P.2d 1052 (1981).

The vested benefits protected by Alaska Const., art. XII, § 7, necessarily include not only the dollar amount of the benefits payable, but the requirements for eligibility as well. *Hammond v. Hoffbeck*, Sup.

Ct. Op. No. 2345 (File No. 4742), 627 P.2d 1052 (1981).

The fact that rights in Public Employees' Retirement System vest on employment does not preclude modifications of the system; that fact does, however, require that any changes in the system that operate to a given employee's disadvantage must be offset by comparable new advantages to that employee. *Hammond v. Hoffbeck*, Sup. Ct. Op. No. 2345 (File No. 4742), 627 P.2d 1052 (1981).

Sec. 39.35.370. Retirement benefits. (a) Subject to AS 39.35.450, a terminated employee is eligible for a normal retirement benefit

(1) at age 60 with at least five years credited service, or

(2) with at least 20 years of credited service as a peace officer or fireman, or

(3) with at least 30 years of credited service for all other employees.

(b) Subject to AS 39.35.450, a terminated employee is eligible for an early retirement benefit at age 55 with at least five years credited service. An actuarial adjustment must be made to retirement benefits paid under this section for an early retirement benefit.

(c) The monthly amount of a retirement benefit for a peace officer or fireman is two percent of the average monthly compensation times the years of credited service through 10 years, plus two and one-half

percent of the average monthly compensation times the years of service over 10 years. For all other employees it is

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

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

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

(d) The monthly amount of a retirement benefit for a deferred vested member shall be determined in accordance with (c) of this section as it was in effect on the date of the employee's termination of employment.

(e) Benefits payable under this section accrue from the first day of the month after which all of the following requirements are met: (1) the member meets the eligibility requirements of this section; (2) the member terminates employment; and (3) the member applies for retirement. The benefits are payable the last day of the month. If payment is delayed, a retroactive payment shall be made to cover the period of deferment. The last payment shall be made for the month in which a benefit is payable under this section.

(f) A member who is vested in the system as a peace officer or fireman at the time the member incurs a permanent disability of at least 33 $\frac{1}{3}$ per cent under workers' compensation and who (1) undergoes retraining because of the disability; and (2) is subsequently employed with the state or other employer in a position other than peace officer or fireman, is eligible for a normal retirement benefit as a peace officer or fireman under (a) and (c) of this section upon completing 20 years of credited service. (§ 18 ch 143 SLA 1960; am § 2 ch 102 SLA 1963; am § 7 ch 155 SLA 1966; am § 5 ch 235 SLA 1968; am § 6 ch 109 SLA 1970; am §§ 6, 7 ch 159 SLA 1972; am § 15 ch 47 SLA 1974; am § 34 ch 128 SLA 1977; am § 33 ch 146 SLA 1980; am §§ 22 — 24 ch 82 SLA 1986; am §§ 34, 35 ch 117 SLA 1986)

Cross references. — For 1980 adjustment to pensions of retirees who were disabled at the time of retirement, see § 49, ch. 146, SLA 1980 in the Temporary and Special Acts and Resolves; for 1986 increase in retirement benefits for certain employees of the Territory of Alaska, see § 54, ch. 82, SLA 1986 in the Temporary and Special Acts and Resolves.

Effect of amendments. — The first 1986 amendment substituted "60" for "55"

in paragraph (1) of subsection (a), substituted "55" for "50" in the first sentence and added the second sentence in subsection (b), and, in subsection (c), added the paragraph designations, added "before July 1, 1986, and for years of service through a total of 10 years; plus" in paragraph (1), added the provisions of paragraphs (2) and (3), deleted the former last sentence which read "An actuarial adjustment must be made for an early retire-

Article 8. General Provisions.

Section
680. Definitions

Sec. 39.35.680. Definitions. In this chapter, unless the context otherwise requires,

(1) "active member" means an employee who is employed by an employer, is receiving compensation for seasonal, permanent full-time, or permanent part-time services, and is making contributions to the system;

(2) "actuarial adjustment" means equality in value of the aggregate expected payments under two different forms of pension payments, considering expected mortality and interest earnings on the basis of tables adopted from time to time by the board;

(3) "administrator" means the person appointed by the commissioner of administration under AS 39.35.050;

(4) "average monthly compensation" means the result obtained by dividing the compensation earned by an employee during a considered period by the number of months, including fractional months, for which compensation was earned; the considered period consists of the three consecutive payroll years during the period of credited service that yields the highest average, or if the employee does not have three consecutive payroll years, the employee's period of credited service; an employee must have at least 115 days of credited service in the last payroll year in order for that year to be used as part of the three consecutive payroll years;

(5) "beneficiary" means a person designated by an employee to receive benefits that may be due from the system upon the employee's death;

(6) "board" means the Public Employees Retirement Board;

(7) "calendar year" means the period beginning on January 1 and ending on December 31;

(8) "compensation" means the total remuneration earned by an employee for personal services rendered to an employer, including employee contributions under AS 39.35.160, cost-of-living differentials only as provided in AS 39.35.675, payments for leave that is actually used by the employee, the amount by which the employee's wages are reduced under AS 39.30.150(c), and any amount deferred under an employer-sponsored deferred compensation plan, but does not include retirement benefits, severance pay or other separation bonuses, welfare benefits, per diem, expense allowances, workers' compensation payments or payments for leave not used by the employee whether those leave payments are scheduled payments, lump-sum payments, donations, or cash-ins;

(9) "credited service" means the number of years, including fractional years, recognized for computing benefits that may be due from the system;

(10) "deferred vested member" means an inactive member who meets the five-year credited service requirement to qualify for a retirement benefit;

(11) "dependent child" means an unmarried child of an employee, including one adopted, who is dependent upon the employee for support and who is either (A) under 19 years old or (B) under 23 years old and registered at and attending on a full-time basis an accredited educational or technical institution recognized by the Department of Education; age restrictions set out in this paragraph do not apply to a child who is totally and permanently disabled;

(12) "disabled member" means an employee who is terminated, who has not received a refund from the system and is receiving a disability benefit from the system;

(13) "early retirement" means retirement for a member who is not eligible for normal retirement and who is at least 55 years old and is eligible to receive benefits under AS 39.35.370(b) or under AS 39.35.385(b) or (f);

(14) "elected official" means a person whose compensation results from personal services rendered to an employer as an elected representative;

(15) "employee contribution account" means the total maintained by the system of the employee's mandatory contributions, voluntary contributions, indebtedness principal, and interest contributions, interest credited to each of those accounts, and adjustments to the accounts in accordance with AS 39.35.100;

(16) "employee savings account" means the account maintained by the system to record the voluntary contributions of each employee, including interest and adjustments to the account in accordance with AS 39.35.100;

(17) "employer" means the State of Alaska or a political subdivision or public organization of the state that participates in the system;

(18) "fiscal year" means the period beginning on July 1 and ending on June 30 of the following calendar year;

(19) "former member" means an employee who is terminated and who has received a total refund of the balance of the employee contribution account, or who has requested in writing a refund of the balance in the employee contribution account, or who is eligible for a refund under AS 39.35.200(b);

(20) "inactive member" means an employee who is terminated and who has not received a refund from the system or an employee on leave-without-pay status or layoff status;

(21) "member" or "employee"

151 SLA 1966; am § 5 ch 138 SLA 1970; am § 5 ch 66 SLA 1973; am § 22 ch 91 SLA 1987; am § 11 ch 106 SLA 1988)

Effect of amendments. — The 1988 amendment, effective June 5, 1989, substituted "system" for "retirement fund."

TRS

Sec. 14.25.110. Retirement benefits. (a) Subject to AS 14.25.167, a member is eligible for a normal retirement benefit if the member

(1) was first hired before July 1, 1975, has attained the age of 55 years, and has at least 15 years of credited service, the last five of which have been membership service;

(2) has attained the age of 55 years and has at least eight years of membership service;

(3) has attained the age of 55 years, has at least five years of membership service, and has at least three years of Alaska BIA service;

(4) has at least 25 years of credited service, the last five of which have been membership service;

(5) has at least 20 years of membership service;

(6) has at least 20 years of combined membership service and Alaska BIA service, the last five of which have been membership service; or

(7) has at least one-half year of membership service as a part-time teacher for each of 20 school years.

(b) Subject to AS 14.25.167, a member is eligible for an early retirement benefit upon completing any one of the service requirements in (a)(1), (2), or (3) of this section and attaining the age of 50 years.

(c) The burden is on the applicant to prove eligibility for retirement benefits to the full satisfaction of the administrator.

(d) The monthly amount of a retirement benefit for a member who has paid the full amount of any indebtedness is two percent of the member's average base salary during any three school years of membership service times the years of credited service, including credited fractional years, divided by 12. An actuarial adjustment must be made for early retirement.

(e) The monthly amount of a retirement benefit must be determined in accordance with (d) of this section as it is in effect on the date of termination of the retiring member's last segment of employment.

(f) The annual amount of retirement benefits for a retiring member who was a member of the retirement system established by the Retirement Act of 1945 may not be less than \$975 plus 10 percent of the total contribution made by the member to the retirement fund of 1945.

(g) A member who is eligible for a service retirement salary under this chapter or under the Retirement Act of 1945 is entitled to a benefit of at least \$25 per month for each year of credited service, excluding adjustments made under AS 14.25.142 or 14.25.143. If the

member elected option two under former AS 14.25.063(b)(2) for payment of any indebtedness when the member initially applied for a retirement benefit, or if the member elected to receive an early retirement benefit under (b) of this section, the resulting benefit reduction continues in effect.

(h) The monthly retirement benefit for a member who was receiving a retirement benefit on July 1, 1955, is \$50 a month if the member was at least 55 years of age on July 1, 1955.

(i) Benefits payable under this section accrue from the first day of the month after which all of the following requirements are met: (1) the member meets the eligibility requirements of this section; (2) the member terminates employment; and (3) the member applies for retirement. Benefits are not payable under this section during a school year in which credit for a full year of service is granted. The benefits are payable the last day of the month. If payment is delayed, a retroactive payment must be made for the month in which a benefit is payable under this section. The last payment shall be for the month in which the member dies or is no longer eligible for a benefit under this section. (§ 12 ch 145 SLA 1955; am § 4 ch 142 SLA 1957; am § 9 ch 89 SLA 1960; am § 4 ch 86 SLA 1963; am § 6 ch 151 SLA 1966; am § 2 ch 85 SLA 1971; am § 8 ch 66 SLA 1973; am § 1 ch 77 SLA 1973; am § 2 ch 57 SLA 1974; am §§ 1 — 3 ch 173 SLA 1975; am § 5 ch 169 SLA 1976; am § 14 ch 13 SLA 1980; am § 2 ch 146 SLA 1980; am § 9 ch 137 SLA 1982; am § 1 ch 81 SLA 1986; am §§ 1, 2 ch 117 SLA 1986; am § 22 ch 85 SLA 1988)

Effect of amendments. — The 1988 amendment, effective June 2, 1988, inserted "former" in the second sentence in subsection (g).

Sec. 14.25.143. Post retirement pension adjustment. (a) When the administrator determines that the cost of living has increased and that the financial condition of the system permits, the administrator shall increase benefit payments to persons receiving benefits under this system.

(b) The amount of the increase in benefit payments may not exceed the lesser of

(1) the increase in the cost of living since the date of retirement; or

(2) four percent of the retirement benefit compounded for each year of retirement.

(c) The administrator shall implement this section by regulation.

(d) A person receiving benefits under this chapter shall be granted a 10 per cent increase in the current base benefit if the person was receiving benefits on July 1, 1976. The increase shall be effective July 1, 1977.

(e) If at the time of first receiving a retirement benefit a member was receiving a disability benefit, the administrator shall include the

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Sec. 14.25.200. Exemption from taxation and process.

(a) Member contributions and other amounts held in the system on behalf of a member or other person who is or may become eligible for benefits under the system are exempt from Alaska state and municipal taxes and are not subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge of any kind, either voluntary or involuntary, before they are received by the person entitled to the amount under the terms of the system, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of any right to amounts accrued in the system is void. However, a member's right to receive benefits may be assigned under a qualified domestic relations order.

(b) Member contributions and other amounts held in the system and benefits payable under this chapter are exempt from garnishment, execution, or levy as provided in AS 09.38 (exemptions). (§ 22 ch 145 SLA 1955; am § 17 ch 89 SLA 1960; am § 13 ch 84 SLA 1969; am § 22 ch 13 SLA 1980; am § 3 ch 62 SLA 1982; am § 3 ch 82 SLA 1986; am § 18 ch 117 SLA 1986; am § 17 ch 106 SLA 1988)

Effect of amendments. — The 1988 amendment, effective June 5, 1988, substituted "in the system" for "in the retirement fund" twice in the first sentence in subsection (a) and in subsection (b), and made a minor punctuation change in subsection (b).

Sec. 14.25.220. Definitions. In this chapter, unless the context requires otherwise,

(1) "active member" means a member who is employed by an employer, is receiving compensation on a full-time or part-time basis and is making contributions to the system, or a member making contributions under AS 14.20.330 or 14.20.345;

(2) "actuarial adjustment" means equality in value of the aggregate expected payments under two different forms of pension payments, considering expected mortality and interest earnings on the basis of tables adopted from time to time by the board;

(3) "administrator" means the person appointed by the commissioner of administration under AS 14.25.015;

(4) "annuitant" means a retired member or a disabled member who is receiving a benefit under this system;

(5) "average base salary" means the result obtained by dividing the sum of the member's three highest years' base salary by three, or if a member does not have three years base salary, then by dividing the sum of all base salaries by the number of years of base salary; the base salary for a year in which credit is granted for disability totaling more than one-third of a year may not be used in the computation of the average base salary; the base salary in a school year for which the member receives compensation for less than two-thirds of a year may not be used in the computation of the average base salary; if compen-



sation is received for more than two-thirds of a year, the full base salary for that school year shall be used in the computation of the average base salary;

(6) "base salary"

(A) means the total remuneration payable under contract for a full year of membership service, including addenda to the contract;

(B) has the same meaning as "compensation" under AS 39.35.680(8) when applied to a state legislator who elects membership under AS 14.25.040(b);

(7) "beneficiary" means a person designated by a member to receive benefits that may be due from the system upon the member's death;

(8) "BIA service" means service, including partial years, as a teacher, a certificated person employed in a full-time position requiring a teaching certificate as a condition of employment, or a Bureau of Indian Affairs professional educator in a school or school system operated by the Bureau of Indian Affairs in Alaska;

(9) "board" means the Alaska Teachers' Retirement Board established under AS 14.25.035.

(10) "compensation" means the total remuneration paid under contract to a member for services rendered during a school year, including cost-of-living differentials, payments for leave that is actually used by the member, the amount by which the member's wages are reduced under AS 39.30.150(c), and the amount deferred under an employer-sponsored deferred compensation plan or the tax shelter annuity plan approved by the Department of Education, but does not include retirement benefits, welfare benefits, per diem, expense allowances, workers' compensation payments, or payments for leave not used by the member, whether those leave payments are scheduled payments, lump-sum payments, donations, or cash-ins; for purposes of AS 14.25.050, compensation paid includes any payment made after June 30 of a school year for services rendered before the end of the school year;

(11) "credited service" means

(A) all membership service as defined in this section, territorial employment as defined in this section, plus outside, military, and Alaska BIA service, with outside and military service limited to 10 years except under the conditions set out in AS 14.25.100;

(B) for purposes of eligibility for benefits under this chapter, service for which no indebtedness is owed;

(12) "deferred vested member" means an inactive member who meets the service requirements of a vested member.

(13) "dependent child" means an unmarried child of a member, including an adopted child, who is dependent upon the member for support and who is either (A) less than 19 years old, or (B) less than 23 years old and registered at and attending on a full-time basis an accredited educational or technical institution recognized by the De-

partment of Education; the age limits set out in this paragraph do not apply to a child who is totally and permanently disabled;

(14) "disabled member" means a member who is terminated, who has not received a refund from the system, and who is receiving a disability benefit from the system;

(15) "early retirement" means retirement under AS 14.25.110(b);

(16) "employer" means a public school district, the Board of Regents of the University of Alaska, the Department of Education, the National Education Association of Alaska, the Regional Resource Centers or the state legislature with respect to a state legislator who elects membership under AS 14.25.040(b);

(17) "former member" means a member who is terminated and who received a total refund of the balance of the mandatory contribution account, or who has requested in writing a refund of the balance of the mandatory contribution account;

(18) "full-time teacher" means a teacher occupying a position requiring teaching on a regular basis for the normal work period per day or week at a teaching assignment, excluding teaching as an assistant or graduate assistant or teaching on a substitute, temporary, or per diem basis;

(19) "inactive teacher or member" means a member who is terminated and who has not received a refund from the system or a member who is on leave of absence and who is not making contributions under AS 14.20.345;

(20) "member contribution account" means the total maintained by the system of the member's mandatory contributions, indebtedness principal and interest contributions, interest credited to each of those accounts, and adjustments to the account in accordance with AS 14.25.170;

(21) "membership service" means

(A) full or part-time service as a teacher in a public school in the Territory or State of Alaska, or both, under the supervision and control of the Territorial Board of Education or the Department of Education or the school board of a city, regional educational attendance area, or borough school district;

(B) full-time or part-time teaching at the University of Alaska or a full-time administrative position at the University of Alaska which requires academic standing and which has been approved for inclusion in the system by the administrator;

(C) any period during which the teacher receives a disability benefit under this system or is on an approved sabbatical leave granted in accordance with AS 14.20.310;

(D) continuous service as a state legislator when performed by a state legislator who elects membership under AS 14.25.040(b), subject to the requirements of AS 14.25.040(c);

3/6/89

SENATOR JIM DUNCAN

CURRENT WINDOW PERIODS IN SB 73 - THE RETIREMENT INCENTIVE

<u>Employee Type</u>	<u>Application Period</u>	<u>Employee must Retire on or before</u>
State	January-March, 1990	May 1, 1990
Teachers	March-May, 1990	July 1, 1990
University	May-July, 1990	September 1, 1990
Municipal	July-September, 1990	November 1, 1990

SENATOR DUNCAN'S PROPOSED WINDOWS 3/1/89

<u>Employee Type</u>	<u>Application Period</u>	<u>Employee must Retire on or before</u>
Teachers	July 1, 1989-June 30, 1990	August 1, 1990
University	" "	" "
State	Oct. 1, 1989-Sept. 30, 1990	Nov. 1, 1990
Municipal	" "	" "

STATE AFFAIRS CS PROPOSED WINDOWS 3/6/89

<u>Employee Type</u>	<u>Application Period</u>	<u>Employee must Retire on or before</u>
Teachers	July 1, 1989-Dec. 31, 1989	August 1 ^{July 31} , 1990
University	" "	" "
State	Oct. 1, 1989-March 31, 1990	Nov 1 ^{Oct 31} , 1990
Municipal	" "	" "

Finance CS (HESS CS)

Teachers } Univ	6/30/89 - 12/31/89	8/1/90
State } Muni	9/30/89 - 3/31/90	11/1/90

Per Bob Stalnaker
x4460 3-7-89

SB 73

Application of RIP to TRS

Under TRS, benefit =
yrs. of service x average salary

↑
av. of 3 high yrs.
over entire period
of teaching

RIP's 3 yrs. can be used to reach age 55
or 20 yrs.

EX: 19 yrs. age 45 } 1 yr. RIP used to satisfy 20 yrs.
2 addl. yrs. RIP add to the 19, so benefit based on

17 yrs. age 45 } use 3 RIP yrs. to satisfy 20 yrs, so benefit based on 17 yrs.

22 yrs. age 50 } need no RIP yrs. to satisfy 20 yrs, so benefit based on 25 yrs.

15 yrs. age 54 } 1 yr. added to age, apply other 2 RIP yrs. to yrs. of service, so calculate benefit based on 17 yrs.

2-24-89

A REPORT ON THE
DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT INCENTIVE PROGRAM

May 16, 1986 - October 1, 1987

Audit Control Number

02-1327-89-S

Commissioner, Department of
Administration

John M. Andrews

Deputy Commissioners, Department
of Administration

Charles E. Taylor
James J. Fox

STATE OF ALASKA

THE LEGISLATURE
BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
P.O. BOX W
JUNEAU, ALASKA 99811-3300

February 8, 1989

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

A REPORT ON THE
DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT INCENTIVE PROGRAM

May 16, 1986 - October 1, 1987

Audit Control Number

02-1327-89-S

As stated in the Report Objectives, Scope, and Methodology Section, the Audit primarily involved determining the estimated cost savings to the State of Alaska as a result of state employees enrolled in the Public Employees' Retirement System and participating in the Retirement Incentive Program as enacted by Chapter 26, SLA 1986. This audit was conducted in accordance with generally accepted governmental performance auditing standards.



Randy S. Welker, CPA
Legislative Auditor
Division of Legislative Audit

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REPORT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with the provisions of Title 24 of the Alaska Statutes, a review was conducted to determine the estimated cost savings resulting from State of Alaska employees participating in the Retirement Incentive Program (RIP). The objectives, scope, and methodology of our review were as follows:

Objectives

Chapter 26, SLA 1986 created a retirement incentive program for members of the Public Employees' Retirement System and Teachers' Retirement System. The stated purpose of this legislation, effective May 16, 1986 was:

Since it is necessary for state agencies and may be necessary for other employers who participate in the state retirement systems to reduce their personal services costs because of declining state revenue, a program encouraging employees to retire voluntarily may reduce the hardship of layoffs. This program is intended to realize sufficient economies to offset the cost of administration and benefits to the state agencies and other employers resulting from the award of retirement credits and to result in a net reduction in personal services costs to the state or other employer during a period of declining revenue.

The objective of our review was to determine the amount of cost savings as a result of state employees participating in RIP. The scope of our review and methodology used to meet this objective follows.

Scope and Methodology

All executive branch employees (excluding the University of Alaska) enrolled in the Public Employees' Retirement System, participating in RIP between May 16, 1986 to October 1, 1987, and having position control numbers (PCNs) were reviewed.

In order to calculate the estimated cost savings in personal service costs as a result of employees participating in RIP, we obtained a listing of retirees from the Department of Administration, Division of Retirement and Benefits. The listing, dated November 9, 1987 provided us with the retiring employee's name, social security number, and employer's RIP cost by department.

A computer match of social security numbers with the State's payroll history file was done in order to identify the PCN from which the employee retired. The match also provided us with the monthly salary or hourly rate the employee was paid. To derive at an annual salary, monthly employees' salaries were multiplied by 12 months, if budgeted for 12 months, and hourly employees' salaries were multiplied by 1,950 hours, if budgeted for 12 months. The match of social security number to PCN showed that some employees did not have a PCN such as retirees from the Permanent Fund Corporation and marine employees. These were excluded from our analysis.

The new listing of PCNs generated above was matched with the State's payroll history file for the period August 1988 through December 1988. If a match occurred, we determined the annual salary of the current occupant based on the monthly/hourly rate. In addition, we matched the PCN with the FY 89 PACS (Position Accounting Control System) file that is maintained by the Office of the Governor, Office of Management and Budget. This match provided us with the number of months a position was budgeted.

In order to show a more accurate comparison of annual salary savings, we adjusted the annual salary for the retired employee and the current employee if the number of months budgeted was less than twelve. The salary of employees retiring from PCNs that remain vacant or was unbudgeted in the FY 89 PACS file is considered as a savings because there are no current costs associated with the vacated PCN. Furthermore, our review did not indicate that employees retired from positions currently vacant had been replaced with a new position which is currently filled.

Next, we compared the retired employees' salaries to the current occupants' salaries by position to determine if the participation in RIP resulted in a "savings" or "loss." "Savings" is defined as the current occupant's salary being less than the retired employee's salary. "Loss" is defined as the current occupant's salary being greater than the retired employee's salary.

In the final analysis, total savings/loss by department was multiplied by three years because the State had three years to pay for the employer's share of the RIP cost, although the benefit could affect more than three years. The employer's net cost of RIP by department which excludes the cost for positions not included in the comparison was compared with the department's three-year savings/loss in order to arrive at a net savings/loss.

Limitations

In addition to the methodology used to determine the cost savings of the RIP program, the following are some limitations we identified.

1. Our computation of savings only shows the savings in the position that retired. It doesn't take into account the savings from other positions affected within the State if the position was filled by another state employee.
2. Some positions were reclassified after the employee was retired. Consequently, the cost savings/loss comparison may be skewed for these positions.
3. Our comparison excludes employees in which the PCN had more than one employee participate in RIP. In those instances, only the first employee to participate in RIP and the current occupant were presented on the schedule.
4. The calculation of savings/loss was only determined for annual salaries; employee benefits are not included. In addition, the effect of employee merit increases during the year was excluded. *would have applied to either*
5. The net cost of RIP represents the employer's cost excluding administrative charges for those positions we analyzed.
6. Some executive branch employees took mandatory and voluntary pay cuts prior to retiring while the current occupant's salary in that position reflects the reinstated salary. We did not adjust our schedule for these differences.

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ORGANIZATION AND FUNCTION

Chapter 26, SLA 1986 became effective on May 16, 1986 and created a retirement incentive program for members of the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). The program provided for vested members of each retirement system, who were eligible to retire within three years, a credit of three years. The aim of the program was to reduce personal service costs and to minimize the number of involuntary layoffs.

The Office of the Governor, Office of Management and Budget (OMB), Division of Budget Review issued detailed guidelines on June 11, 1986 to state agencies to follow in implementing the Retirement Incentive Program (RIP). Employees wishing to participate in the program had to meet three requirement levels in order to qualify for RIP.

1. Personal Eligibility - Basic requirements of age, length of service, and status with regard to PERS or TRS had to be met.
2. Designated Organizational Units - The individual had to be employed in a position falling within an agency assigned job classification, and authorized in and paid from a designated organizational unit. Savings then had to be shown to occur within job classifications within designated organizational units before any individual could retire under the program. Agencies were given complete freedom to select job classifications and organization units of the greatest or least detail.
3. Certification of Savings - Agencies were required to forward evidence of cost savings to OMB based on the job classifications and organizational units participating in RIP. Once OMB certified the savings, funds could be encumbered to pay for the cost of RIP.

In calculating the savings, OMB required agencies to include all those individuals meeting personal eligibility requirements and who wished to participate in the program. Within a job classification and designated organizational unit either all those individuals must have been able to participate or none could. In other words, an organizational unit could not be designated unless all those who met basic requirements and wanted to participate were included in the calculation of savings.

7.11 Savings could be achieved in one of four ways. A position held by a person retiring under the program could be filled by someone at a lower step or range within its existing job class; the position could be reclassified downward; or the position could be held vacant. In addition, agencies could consider a savings for a position held vacant even though it was not last filled by someone retiring under the program.

Because payment of the participant costs to the Division of Retirement and Benefits must have been made within three years of the end of the fiscal year in which he or she retired, agencies could calculate savings stemming from lower range, lower step, and vacancy over four full years rather than three, beginning with the fiscal year in which the retirement took place. According to OMB, the generous rounding was due to the fact that the State would benefit financially long after the three year payment period ended.

AUDITOR'S CONCLUSIONS

Comparing the salaries of employees participating in the Retirement Incentive Program (RIP) with the salaries of replacement employees and positions remaining vacant shows the State benefited in a reduction of personal service costs. Taking into consideration the employer's cost to credit the retired employees with three years of service produces an estimated net savings of \$14,449,000 over three years. (See Schedule of RIP Cost Savings/(Loss) on page 9 of this report.)

Except for the Department of Corrections and the Department of Community and Regional Affairs, all executive branch agencies we reviewed showed a net savings to the State. For the most part this exception was due to OMB allowing agencies to calculate their savings over a four-year time period whereas our calculations were based over a three-year period. (See Report Objectives, Scope, and Methodology section of this report.) In addition, provisions were made by OMB that agencies could demonstrate savings by keeping open a vacated position even though the employee did not retire through the RIP program. We did not identify these positions or follow that methodology for calculating savings.

Net cost savings by state agency were mainly generated by the replacement of employees whose salary was based on longevity with employees paid at lower rates, the reclassification of positions to lower pay ranges, and leaving positions vacant. Positions employees retired from and currently occupied by an employee resulted in lower annual salaries for all agencies, except for the Office of the Governor. Current salaries in the Governor's Office were greater by \$1,000 in those positions where employees retired. We believe this variance is due to the retiring employee's salary reflecting a 10 percent pay cut while the current occupant's salary is after the pay cuts were restored.

Review of some individual significant variances in pay between the retired employee's salary and the current employee's salary indicated the variances were mainly caused by position reclassifications. We did not determine the justification for these position reclassifications.

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STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT INCENTIVE PROGRAM (RIP)
SCHEDULE OF RIP COST SAVINGS/(LOSS)
May 16, 1986 to October 1, 1987

Description	Number of Positions	Salary of RIP Retiree	Current Occupant's Salary of Position Vacated	Difference - Savings (Loss)	Savings (Loss) Over Three-Year Period	Net Cost of RIP	Three-Year Net RIP Savings (Loss)
Office of the Governor							
Positions Matched with FY 89 Payroll File	3	\$ 121,368	\$ 122,412	\$ (1,044)	\$	\$	\$
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	2	83,568	-0-	83,568			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	2	83,568	-0-	83,568			
Total Office of the Governor	5	204,936	122,412	82,524	247,572	106,746	140,826
Department of Administration							
Positions Matched with FY 89 Payroll File	78	2,757,338	2,426,751	330,587			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	17	757,569	-0-	757,569			
Budgeted in PACS File but Currently Unfilled	3	63,028	-0-	63,028			
Budgeted in PACS File with Zero Months Budgeted	1	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	21	820,597	-0-	820,597			
Total Department of Administration	99	3,577,935	2,426,751	1,151,184	3,453,552	2,194,937	1,258,615
Department of Law							
Positions Matched with FY 89 Payroll File	9	359,364	347,508	11,856			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	2	109,224	-0-	109,224			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	2	109,224	-0-	109,224			
Total Department of Law	11	468,588	347,508	121,080	363,240	277,016	86,224
Department of Revenue							
Positions Matched with FY 89 Payroll File	14	504,180	438,504	65,676			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	2	84,168	-0-	84,168			
Budgeted in PACS File but Currently Unfilled	5	147,648	-0-	147,648			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	7	231,816	-0-	231,816			
Total Department of Revenue	21	735,996	438,504	297,492	892,476	431,635	460,841
Department of Education							
Positions Matched with FY 89 Payroll File	16	716,604	592,860	123,744			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	12	382,971	-0-	382,971			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	12	382,971	-0-	382,971			
Total Department of Education	28	1,099,575	592,860	506,715	1,520,145	558,184	961,961
Department of Health and Social Services							
Positions Matched with FY 89 Payroll File	133	5,153,660	4,493,323	660,337			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	9	377,954	-0-	377,954			
Budgeted in PACS File but Currently Unfilled	8	314,086	-0-	314,086			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	17	692,040	-0-	692,040			
Total Department of Health and Social Services	150	5,845,700	4,493,323	1,352,377	4,057,131	3,198,795	858,336

STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT INCENTIVE PROGRAM (RIP)
SCHEDULE OF RIP COST SAVINGS/(LOSS)
May 16, 1986 to October 1, 1987

Description	Number of Positions	Salary of RIP Retiree	Current Occupant's Salary of Position Vacated	Difference - Savings (Loss)	Savings (Loss) Over Three-Year Period	Net Cost of RIP	Three-Year Net RIP Savings (Loss)
<u>Department of Labor</u>							
Positions Matched with FY 89 Payroll File	42	\$ 1,771,523	\$1,597,985	\$ 173,538	\$	\$	\$
<u>Positions Not Matched with FY 89 Payroll File:</u>							
Not Budgeted in FY 89 PACS File	2	66,678	-0-	66,678			
Budgeted in PACS File but Currently Unfilled	9	326,116	-0-	326,116			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
<u>Total Positions Not Matched with FY 89 Payroll File</u>	<u>11</u>	<u>392,794</u>	<u>-0-</u>	<u>392,794</u>			
<u>Total Department of Labor</u>	<u>53</u>	<u>2,164,317</u>	<u>1,597,985</u>	<u>566,332</u>	<u>1,698,996</u>	<u>1,116,175</u>	<u>582,821</u>
<u>Department of Commerce and Economic Development</u>							
Positions Matched with FY 89 Payroll File	19	851,652	724,308	127,344			
<u>Positions Not Matched with FY 89 Payroll File:</u>							
Not Budgeted in FY 89 PACS File	9	410,784	-0-	410,784			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
<u>Total Positions Not Matched with FY 89 Payroll File</u>	<u>9</u>	<u>410,784</u>	<u>-0-</u>	<u>410,784</u>			
<u>Total Department of Commerce and Economic Development</u>	<u>28</u>	<u>1,262,436</u>	<u>724,308</u>	<u>538,128</u>	<u>1,614,384</u>	<u>646,136</u>	<u>968,248</u>
<u>Department of Military and Veterans' Affairs</u>							
Positions Matched with FY 89 Payroll File	3	176,016	162,372	13,644			
<u>Positions Not Matched with FY 89 Payroll File:</u>							
Not Budgeted in FY 89 PACS File	1	77,268	-0-	77,268			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
<u>Total Positions Not Matched with FY 89 Payroll File</u>	<u>1</u>	<u>77,268</u>	<u>-0-</u>	<u>77,268</u>			
<u>Total Department of Military and Veterans' Affairs</u>	<u>4</u>	<u>253,284</u>	<u>162,372</u>	<u>90,912</u>	<u>272,736</u>	<u>230,541</u>	<u>42,195</u>
<u>Department of Natural Resources</u>							
Positions Matched with FY 89 Payroll File	37	1,338,597	1,241,732	96,865			
<u>Positions Not Matched with FY 89 Payroll File:</u>							
Not Budgeted in FY 89 PACS File	20	908,676	-0-	908,676			
Budgeted in PACS File but Currently Unfilled	7	222,802	-0-	222,802			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
<u>Total Positions Not Matched with FY 89 Payroll File</u>	<u>27</u>	<u>1,131,478</u>	<u>-0-</u>	<u>1,131,478</u>			
<u>Total Department of Natural Resources</u>	<u>64</u>	<u>2,470,075</u>	<u>1,241,732</u>	<u>1,228,343</u>	<u>3,685,029</u>	<u>1,400,476</u>	<u>2,284,553</u>
<u>Department of Fish and Game</u>							
Positions Matched with FY 89 Payroll File	47	2,107,741	1,780,873	326,868			
<u>Positions Not Matched with FY 89 Payroll File:</u>							
Not Budgeted in FY 89 PACS File	14	710,953	-0-	710,953			
Budgeted in PACS File but Currently Unfilled	12	505,591	-0-	505,591			
Budgeted in PACS File with Zero Months Budgeted	4	-0-	-0-	-0-			
<u>Total Positions Not Matched with FY 89 Payroll File</u>	<u>30</u>	<u>1,216,544</u>	<u>-0-</u>	<u>1,216,544</u>			
<u>Total Department of Fish and Game</u>	<u>77</u>	<u>3,324,285</u>	<u>1,780,873</u>	<u>1,543,412</u>	<u>4,630,236</u>	<u>2,686,220</u>	<u>1,944,016</u>
<u>Department of Public Safety</u>							
Positions Matched with FY 89 Payroll File	64	3,022,535	2,745,096	277,439			
<u>Positions Not Matched with FY 89 Payroll File:</u>							
Not Budgeted in FY 89 PACS File	34	1,802,508	-0-	1,802,508			
Budgeted in PACS File but Currently Unfilled	3	126,427	-0-	126,427			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
<u>Total Positions Not Matched with FY 89 Payroll File</u>	<u>37</u>	<u>1,928,935</u>	<u>-0-</u>	<u>1,928,935</u>			
<u>Total Department of Public Safety</u>	<u>101</u>	<u>4,951,470</u>	<u>2,745,096</u>	<u>2,206,374</u>	<u>6,619,122</u>	<u>4,209,418</u>	<u>2,409,704</u>

STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT INCENTIVE PROGRAM (RIP)
SCHEDULE OF FIF CCST SAVINGS/(LOSS)
May 16, 1986 to October 1, 1987

Description	Number of Positions	Salary of RIP Retiree	Current Occupant's Salary of Position Vacated	Difference - Savings (Loss)	Savings (Loss) Over Three-Year Period	Net Cost of RIP	Three-Year Net RIP Savings (Loss)
Department of Environmental Conservation							
Positions Matched with FY 89 Payroll File	10	\$ 435,636	\$ 381,884	\$ 53,752	\$	\$	\$
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	1	38,712	-0-	38,712			
Budgeted in PACS File but Currently Unfilled	1	43,248	-0-	43,248			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	2	81,960	-0-	81,960			
Total Department of Environmental Conservation	12	517,596	381,884	135,712	407,136	241,087	166,049
Department of Corrections							
Positions Matched with FY 89 Payroll File	36	1,482,921	1,292,028	190,893			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	1	45,744	-0-	45,744			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	1	45,744	-0-	45,744			
Total Department of Corrections	37	1,528,665	1,292,028	236,637	709,911	988,194	(278,283)
Department of Community and Regional Affairs							
Positions Matched with FY 89 Payroll File	6	287,112	269,256	17,856			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	1	37,356	-0-	37,356			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	1	37,356	-0-	37,356			
Total Department of Community and Regional Affairs	7	324,468	269,256	55,212	165,636	174,106	(8,470)
Department of Transportation and Public Facilities							
Positions Matched with FY 89 Payroll File	214	9,061,536	8,230,545	830,991			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	31	1,484,571	-0-	1,484,571			
Budgeted in PACS File but Currently Unfilled	35	1,516,269	-0-	1,516,269			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	66	3,000,840	-0-	3,000,840			
Total Department of Transportation and Public Facilities	280	12,062,376	8,230,545	3,831,831	11,495,493	8,924,609	2,570,884
Total RIP Program	977	\$40,791,702	\$26,847,437	\$13,944,265	\$41,832,795	\$27,384,275	\$14,448,520

See the Report Objectives, Scope, and Methodology section of this report for the methodology used to prepare this schedule and the limitations of this schedule.

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OMB Instructions on R.I.P.

MEMORANDUM

State of Alaska

TO: ALL COMMISSIONERS

DATE: June 11, 1986

FILE NO: DGE38

TELEPHONE NO: 465-3568

FROM: Jay Hogan *David Gentry*
Associate Director
fw Division of Budget Review
Office of Management and Budget

SUBJECT: Retirement Incentive Program

Governor Sheffield has signed into law (Chapter 26 SLA 1986) HB 382 creating a retirement incentive program for members of the Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS). The program provides vested members of each retirement system, who are eligible to retire within three years, a credit of three years. The aim of the program is to reduce the cost of state employees (i.e. save money) and to minimize the number of involuntary layoffs.

The purpose of this memorandum is to provide detailed guidelines to state agencies (including the Legislature and Alaska Court System) regarding implementation of the program. The University of Alaska will receive separate guidelines.

Agencies should read the law carefully in conjunction with the guidelines. If questions arise that are not answered in these guidelines, please do not hesitate to call David Gentry in the Office of Management and Budget at 465-3568.

A. Eligibility, Job Classifications and Organizational Units

An individual cannot participate in the retirement incentive program until all requirements relating to personal eligibility, designated organizational units and certification of savings have been completed. Eligibility of a State employee to take part in the retirement incentive program is determined in two ways.

First, an individual must meet basic requirements of age, length of service to the State and status with regard to PERS or TRS. Any detailed questions regarding these requirements should be directed to the Division of Retirement and Benefits, Department of Administration.

Second, the individual also must be employed in a position falling within agency assigned job classification, and authorized in and paid from a designated organizational unit. Savings must be shown to occur within job classifications within designated organizational units before any individual can retire under the program.

For the purposes of this program, job classification is defined as any grouping of job class titles included in the State Classification Outline. There are three levels or hierarchies within the outline: the job class for a single position (four digit number); the occupational family (two digit number); and, the occupational group or greatest aggregation of position classification (one digit number). Agencies may choose any of these three levels to apply within a designated organizational unit in order to show savings. Only one job classification at a time can be the basis for a calculation of savings. In other words, if an agency chooses the four digit job class title, then the job classification will be only one job class. Agencies may not group two or more four digit job class titles to form a job classification except all those four digit job classes that form an occupational family. Attached is a complete copy of State Classification Outline.

Agencies may choose any generally recognized organizational unit within which cost savings must be shown to occur within the selected grouping of job classifications. For example, this would include section, division or agency. Also, agencies may use budget structure (i.e. component, BRU, agency) as organizational units. Agencies have complete freedom to select job classifications and organization units of the greatest detail (smallest or most restrictive) or least detail (largest or most encompassing).

Once individuals have stated to the agency head a desire to participate in the program, and agencies have decided on the appropriate job classifications and designated organizational units, evidence of cost savings must be forwarded to the Office of Management and Budget (see Section B below).

Certification of savings by OMB constitutes a financial obligation allowing an agency to encumber funds (see Section C below regarding use of FY 86 funds).

An individual may apply to participate in the program over the course of a full year. For an individual meeting basic personal requirements, and who falls within a job classification and designated organizational unit already certified by OMB, the agency should forward the application to the Division of Retirement and Benefits. The agency also must complete the PCN Detail form and a revised Summary form. If the individual does not fall within a job classification and organizational unit already designated and certified by OMB, then the agency may go through the certification process for that job classification and organizational unit at any time over the course of the year. In both instances agencies are encouraged to batch or group information and submit it to OMB only on a quarterly basis. This will minimize paperwork and allow greatest perspective over implementation of the incentive program.

Once established, agencies may not change job classifications or the designated organizational unit. A given PCN cannot be included in more than one job classification and organizational unit.

Eligibility for the program is not limited to employees paid for only by general funds. No state employee will be excluded because his or her salary and benefits is paid, for example, by federal funds or some source of funding other than general funds.

B. Calculation of Savings

Since the law was created partly as an effort to save the State money, it is incumbent on agencies to demonstrate that savings will occur due to individuals participating in the program. The law provides that agencies must pay the cost of an individual participating in the program within three years of the end of the fiscal year in which the person retires (Section 5 (a) (2) (A) of the law). OMB interprets the law to imply that agencies must save enough to pay the cost of the program within that same time period. However, savings to the state will accrue for some time following the three year period. Given this fact, OMB feels that showing savings is equivalent to identifying funds needed to pay the cost of the program.

Savings must be demonstrated to occur within a job classification within a designated organizational unit. The larger the job classification and organizational unit, or the greater number of positions included in the job classification and organizational unit, the greater the ability of the agency to average or spread excess savings in one position where an individual participates in the program to help cover the cost of another participating individual for whom sufficient savings cannot be identified.

Although signed waivers are not required, savings must be based on reasonable assumptions regarding the number of potentially eligible individuals that chose not to take part in the program.

When calculating savings, agencies must include all those individuals personally meeting age, length of service, vesting and other personal requirements and who wish to participate in the program. Within a job classification and designated organizational unit either all those individuals must be able to participate or none can. In other words, an organizational unit cannot be designated unless all those who meet basic requirements and want to participate are included in the calculation of savings.

Regardless of the current source of funds to pay salaries and benefits for a participant in the program, the agency must identify savings for the job classification and designated

organizational unit according to the PCN Detail and Summary forms.

Agencies must show savings stemming from a position authorized in the FY 87 budget. Only authorized positions include budgeted funding that can be used to pay the cost of the program.

Administrative cost paid to the Division of Retirement and Benefits need not be included in the costs of the program for which funding must be identified and savings calculated.

Savings are achieved in one of four ways. A position held by a person retiring under this program can be filled by someone at a lower step or range within its existing job class; the position can be reclassified downward; or the position can be held vacant. In addition, a position may be held vacant even though it was not last filled by someone retiring under the program.

If the position in which a participant retires is authorized in the FY 87 budget, the savings calculation may include savings resulting from the replacement employee being paid at a lower range or step, the position being reclassified downward to a lower range or step, or the position held vacant. In addition, agencies may hold vacant other positions, within the same job classification and designated organizational unit, positions that were not filled by participants in the incentive program.

If the position in which a participant retires is not authorized in the FY 87 budget or if a person retires who was laid off between January 1, 1986 and June 30, 1986, funds necessary to pay the cost of the program for that participant may come from holding other positions vacant. The other position held vacant must be within the same job classification and designated organizational unit as the participant benefiting from the available funding.

Because payment of the participant costs to the Division of Retirement and Benefits must be made within three years of the end of the fiscal year in which he or she retires, agencies may calculate savings stemming from lower range, lower step and vacancy over four full years rather than three, beginning with the fiscal year in which retirement takes place. This generous rounding is due to the fact that the state will benefit financially long after the three year payment period ends.

When calculating savings over the four year period, agencies may assume that annual merit increases and longevity steps will be conferred. If an agency assumes merit increases for the participant's position, the agency must do the same for the replacement's position in the calculation of savings. Agencies must not assume any salary increases.

The attached forms must be completed for PCNs included in job classifications within designated organizational units

participating in the program. In addition, the detailed form must be completed for PCNs not involving a participant but which are held vacant in order to fund participants in the program. The forms constitute a personal services plan to which the agency must be committed. The forms represent the means by which funds would be made available to pay the cost of the program if personal services lapse funds were not available.

The detailed forms may be completed by hand or typed. If handwritten, black or blue ink must be used. The summary form must be typewritten. In addition, agencies are encouraged to present dollar information in thousands, as in budgets.

The two forms on which to provide information to show savings, the PCN Detail and the Summary, are intended to be straightforward. Specific points, not already covered, to be kept in mind when completing the forms are given below.

Agencies may revise the calculation of savings as of December 1, 1986 and as of July 1 of each following year for which an agency is indebted to the retirement systems. The revision should show how funds are made available to match the remaining cost of the program (for those participants who have retired by October 1, 1986 and July 1, 1987) within the designated organizational unit and agency assigned job classification. Only the summary form need be revised. If a PCN formerly was to be held vacant but is no longer necessary to be held vacant, the agency should simply not show funds available in columns 3. Agencies include on the revised summary all PCNs that were part of the original certification of savings by OMB.

When revising the forms and plans for funding the program as of December 1, 1986, agencies must explain how they assume the payments already made are allocated in order to reduce the future cost or the indebtedness. For example, agencies may prorate the payments already made to reduce the future costs proportionately for all participants. Or an agency may indicate it has completely paid off its indebtedness for certain designated organization units and job classifications. In either case, the total future cost or indebtedness must be based on the latest estimate provided by the Division of Retirement and Benefits.

PCN DETAIL

1. No one knows the budget or number of authorized positions beyond FY 87. Agencies must assume that a position authorized in FY 87 will be authorized in FY 88 through FY 91.
2. Indicate the month and year up to which a position will be held vacant in order to make funds available for the

program. This will constitute an agency plan and commitment.

3. If a position is to be held vacant in order to generate funding for the program, do not complete lines 3 and 4 for the period in which the position is held vacant. In addition, for such positions agencies may not add merit increases or longevity steps in FY 88 or beyond.
4. If a position is not authorized in FY 87 and beyond, do not complete lines 1 (except for current range, step and cost column) through 5.
5. A negative number on line 5 or 7 indicates costs exceeding funding available for the individual PCN. Savings, or funding greater than costs, shows as a positive number.
6. For positions to be held vacant to generate funds for the program and which were not last filled by someone participating in the retirement program, do not show costs in line 6 and put N/A in the field for intended date of retirement.
7. The Retirement and Benefits estimate of cost savings appearing on line 6 should be the one provided by Retirement and Benefits over the next several months which assumes payment by June 30, 1987. However, agencies are not committed to that payment schedule.

SUMMARY

1. Totals for a Summary form or set of Summary forms should represent totals for job classification within a designated organizational unit.
2. Information showing in column 3, Funds Available to Pay Cost, should be the same for each PCN as line 5 of the PCN Detail form, column 4 the same as line 6, and column 5 the same as line 7.
3. PCNs showing on this form within one job classification and designated organizational unit, should be grouped by budget component and BRU.

When completing the Retirement Incentive Program agreement between the agency, Division of Retirement and Benefits and OMB, one agreement must be signed incorporating one designated organizational unit and one job classification. The purpose of the agreement is to demonstrate a commitment on the part of agencies to pay the cost of program participants from the agency, and for OMB to certify that savings will result from participation in the program.

C. Sources of Funds, Payment, Procedures and Amounts

Reimbursable Services Agreement, or RSAs, should be prepared between each agency and the Division of Retirement and Benefits to pay the cost of the program. Agencies must complete payment to the Division of Retirement and Benefits for participant costs within three years of the end of the fiscal year in which an individual retires under the program. It is to an agency's benefit to pay the Division earlier rather than later since the payments will be lower if there is more time for the funds to be invested.

The RSA must draw on funding that can legitimately be used to pay for this program. Agencies should be prepared to provide detailed documentation supporting the use of some other non-general fund source of funding is used. This is particularly true of CIP Receipts. If there is a reasonable alternative to the use of CIP Receipts, OMB will not accept the use of CIP Receipts to actually pay for the program.

Two RSAs for an entire agency may be prepared each fiscal year and may draw upon a number of allocations and appropriations. The first RSA is to pay administrative costs of the program. The Division of Retirement and Benefits incurs special one-time costs to administer the program. For the first year, the annual administrative costs are prorated among agencies on the basis of the proportion of potentially eligible individuals. This information will be provided by OMB to agencies shortly. For the second, third and possibly fourth year, the annual administrative costs will be prorated among agencies based on the number of actual participants in the program. Agencies may use FY 86 lapse personal services funds to pay the FY 87 administration costs. In order to do this, the RSA must be signed by OMB by June 30, 1986 (possibly without an AKSAS financial transaction because agencies may not know the lapse amount in different allocations and appropriations).

The second RSA is for the the amount designed to pay the actuarial cost of the retirement benefits. The Division of Retirement and Benefits shall annually notify each agency of their indebtedness to PERS and TRS under this program. The Division may determine, and notify each agency, of the date each year by which they will report the indebtedness.

FY 86 funds may be used to pay a portion or all (if possible) of an agency's financial obligations under this program. The cost of all participants in the program for which OMB has certified before July 1, 1986 that savings will result, and who will retire on or before October 1, 1986, may be covered through the use of lapsing personal services funds. Agencies may encumber lapsing funds in the 71000 account between July 25, 1986 and August 31, 1986 for this purpose. (The reason for the delay after July 1, is to allow the Department of Administration to adjust the lapse downward to fund the terminal leave account, as

authorized in HB 113.) Lapsing personal services funds may be encumbered in whatever component or BRU and in whatever amount available - in other words, lapsing personal services funds in component or BRU may be encumbered and spent for the cost of the retirement incentive program even though there were no participants in the program in that component or BRU. Please note that regardless of the source of dollars to pay the cost of the program, the agency must demonstrate and OMB must certify that savings will result from participation in the program.

On or before October 15, 1986 agencies must report to OMB the number of individuals actually retiring who intended to retire by October 1 under the retirement incentive program. The amount of FY 86 funds encumbered for the purpose of paying the cost of the program for the individuals who failed to retire by October 1 must be released in the accounting system and allowed to lapse. Agencies must provide an audit trail report to show encumbrances reduced to the proper amount.

DETAILED COST SAVINGS BY POSITION

PCN _____
 JOB CLASS TITLE _____
 JOB CLASS CODE _____

DESIGNATED ORGANIZATIONAL UNIT _____
 AGENCY ASSIGNED JOB CLASSIFICATION _____
 BUDGET BRU _____
 BUDGET COMPONENT _____
 POSITION TO BE HELD VACANT UNTIL (If Applicable) _____
 (month) (year)
 INTENDED DATE OF RETIREMENT _____

AUTHORIZED IN FY 87 Budget YES NO
 Does the Person Currently Filling This PCN Intend to Retire Under the Retirement Incentive Program YES NO

CALCULATION OF SAVINGS

	<u>Current (June 1986)</u>	<u>Authorized FY 87</u>	<u>Estimated FY 88</u>	<u>Estimated FY 89</u>	<u>Estimated FY 90</u>	<u>Estimated FY 91</u>	<u>Total</u>
1. Current Range and Step	_____	_____	_____	_____	_____	_____	_____
2. Salary and Benefit Cost	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
3. Replacement Range and Step	_____	_____	_____	_____	_____	_____	_____
4. Salary and Benefit Cost		\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
5. Funds Available (line 2 minus line 4)		\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
6. Retirement and Benefits estimate of cost to the State (not including the participants share of the cost) for this individual to take part in the retirement incentive program.							\$ _____
7. Savings for this PCN (line 5 minus line 6)							\$ _____

RETIREMENT INCENTIVE PROGRAM

SUMMARY OF SAVINGS

DESIGNATED ORGANIZATIONAL UNIT _____

JOB CLASSIFICATION _____

1. PCN

2. BRU/COMPONENT

3. FUNDS AVAILABLE

4. COST TO THE STATE

5. SAVINGS

original RIP

Chapter 26

200 ACT

Creating a retirement incentive program for members of the Public Employees' Retirement System and the Teachers' Retirement System and providing for an effective date.

* Section 1. PURPOSE. Since it is necessary for state agencies and may be necessary for other employers who participate in the state retirement systems to reduce their personal services costs because of declining state revenue, a program encouraging employees to retire voluntarily may reduce the hardship of layoffs. This program is intended to realize sufficient economies to offset the cost of administration and benefits to state agencies and other employers resulting from the award of retirement credits and to result in a net reduction in personal services costs to the state or other employer during a period of declining revenue.

* Sec. 2. STATE EMPLOYEES. (a) Before a state agency lays off employees, the executive head of the agency shall consider the potential savings in personal services costs from the agency's participation in the retirement incentive program. The agency head may designate organizational units composed of members of the Public Employees' Retirement System or the Teachers' Retirement System who are eligible to participate in the retirement incentive program. The administrator shall approve a designated organizational unit if the Office of Management and Budget certifies that participation in the program by the unit will result in a savings to the agency in personal services costs and that the designation only includes

PERS, TRS

retire:

Univ 1-1-88

state teachers 10-1-87

other PERS 4-1-88

apply

10/1/86-9/30/87

5/86-6/30/87

1/1/87-12/1/87

Chapter 26

representatives from job classifications whose inclusion contributes to the overall cost savings.

(b) A vested member who is a state employee in the Public Employees' Retirement System and who is in a designated organizational unit on the date the agency head designates the unit and who has been continuously employed by the state since January 1, 1986, is eligible to participate in the retirement incentive program. A vested member who is a state employee in the Teachers' Retirement System and who is in a designated organizational unit on the date the agency head designates the unit and who has been continuously employed by the state since January 1, 1986, is eligible to participate in the retirement incentive program.

(c) Notwithstanding (b) of this section and sec. 5(c) of this Act, a member who was laid off from state employment after December 31, 1985, and who meets the other requirements of this Act is eligible to participate in the program even if the member has not been continuously employed by the state since January 1, 1986.

* Sec. 3. OTHER EMPLOYERS IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. The governing body of a municipality, other political subdivision of the state, or public organization that has elected to participate in the Public Employees' Retirement System under AC 39.35.550 - 39.35.650 may adopt a resolution designating organizational units in the municipality, political subdivision, or organization and establishing requirements for employees who are eligible to participate in the retirement incentive program. The administrator shall approve the designation after receiving a certified copy of the resolution if the employer meets the requirements of this Act. A vested member of the Public Employees' Retirement System who meets the requirements established by the resolution is eligible to participate in the retirement incentive program.

* Sec. 4. OTHER EMPLOYERS IN THE TEACHERS' RETIREMENT SYSTEM. A school

Chapter 26

board or other employer under the Teachers' Retirement System may designate organizational units and establish requirements for employees who are eligible to participate in the retirement incentive program. The employer shall notify the administrator of the designation and the administrator shall approve it if the employer meets the requirements of this Act. A vested member of the Teachers' Retirement System who meets the requirements of the designation is eligible to participate in the retirement incentive program.

* Sec. 5. PROGRAM REQUIREMENTS. (a) The administrator shall accept the application of an eligible vested member if

(1) the member will be qualified to retire under AS 14.25.110 or AS 39.35.370 after receipt of the retirement incentive and will be appointed to retirement on or before

(A) October 1, 1987, if the member is an employee of the state other than the University of Alaska, or a member of the Teachers' Retirement System other than an employee of the University of Alaska;

(B) January 1, 1988, if the member is an employee of the University of Alaska;

(C) April 1, 1988, for all other members of the Public Employees' Retirement System; and

(2) the member's agency or the employer under AS 14.25 or AS 39.35.550 - 39.35.650 has signed a reimbursement agreement that

(A) requires the agency or employer to reimburse the system for each member who is retired within three years after the end of the fiscal year in which the member is appointed to retirement in an amount equal to

(1) the actuarial equivalent of the difference between the benefits the member receives after the addition of the

Chapter 26

retirement incentive under this section and the amount the member would have received without the incentive less the amount the participant has paid on the indebtedness determined under (c) of this section; and

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

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

(b) In determining whether a member will qualify to retire under (a) of this section, only service credit for employment rendered to an employer under AS 14.25 or AS 39.35 may be used except as provided in (f) of this section.

(c) A participant in the retirement incentive program receives a credit of three years. The three years must be applied in the following order

(1) to reduce the age or service required for eligibility for normal retirement or the age required for eligibility for early retirement under AS 14.25.110, AS 39.35.370, or 39.35.385;

(2) to reduce the actuarial adjustment required for early retirement;

(3) 10 years of credited service for calculating retirement benefits; the years shall be considered years of credited service earned before July 1, 1986, for calculating benefits under AS 14.25.110 or AS 39.35.370; or

(4) a combination of (1) - (3) of this subsection.

(d) A participant in the retirement incentive program is indebted to the system. For a member in the Public Employees' Retirement System, the amount of the indebtedness is 15 percent for a peace officer or fireman, or

lower than SB 73

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17 employee's participation in the program will contribute to the overall cost

18 savings of the agency.

19 To recover a delinquency owed by an employer other than the state

20 under an agreement entered under (1)(2) of this section, the department of

21 Ad-Interaction may

22 (1) bring an action against the employer or

23 direct that the amount of the delinquency or a lesser amount

24 be withheld from any money payable to the employer by a state department or

25 agency; and that the amount withheld be credited to the delinquency.

26 Sec. 6. OFFICE OF PAYMENT AND MINGLY. (a) When designating an

27 organizational unit for participation in the retirement incentive program,

28 the executive head of a state agency shall provide the office of Management

29 and Budget with information that describes with particularity the expected

30 effect of participation in the program on the agency's general services

31 cost and operation by employees in the unit.

32 (b) A state agency that is participating in the retirement incentive

33 program shall report as required by the Office of Management and Budget on

34 the cost of each member's participation and the effect on the agency's

35 general services cost and operation.

36 (c) The Office of Management and Budget shall report to the legisla-

37 ture in January 1987 and later on the effect of the retirement incentive

38 program on state operation and general services costs.

39 Sec. 7. RETIREMENT OR REEMPLOYMENT. If a participant in the re-

40 tirement Incentive program is reemployed as a member of the Public In-

41 teraction System under AS 39.15 or the Teachers' Retirement

42 System under AS 49.25 after a participant in retirement under (c) of

43 this act and is included in the system, the amount of the delinquency is

44 equal to 10 percent of the amount the participant received as a result of

45 the program.

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1 and three-quarters percent for other members, of the member's actual

2 salary, commencing on the calendar year in which the member who

3 would have been 12 months, for the calendar year in which the member

4 becomes a member of the government, for a member in the

5 Teachers' Retirement System, the amount of delinquency is 21 percent of

6 the member's actual compensation for the school year, or the entire school

7 year, for the school year in which the member becomes a member of the

8 Teachers' Retirement System, for the calendar year in which the member

9 participates in the program. An outstanding delinquency at the time a par-

10 ticipant is appointed to retirement shall nevertheless be an actual delin-

11 quency to the benefit payable.

12 (c) A member who wishes to participate shall apply on a form provided

13 by the administrator. A member may not apply for participation in the

14 retirement incentive program unless the member is employed in a position in

15 a designated organizational unit. A state employee other than an employee

16 of the University of Alaska, or a member of the Teachers' Retirement System

17 other than an employee of the University of Alaska, may apply for partici-

18 pation in the program until June 30, 1987. An employee of the Highway

19 of Alaska may apply for participation in the program between October 1,

20 1986, and December 31, 1987. Other members of the Public Employees'

21 Retirement System may apply for participation in the program between

22 January 1, 1987, and December 31, 1987.

23 (d) Notwithstanding other provision of law, a vested member who is a

24 participant in the system for purposes of determining the amount of delin-

25 quency shall not receive credit under this subsection for those years for

26 which the member was not a member of the system. The amount of the delin-

27 quency shall be determined under AS 39.15 or AS 49.25, whichever is applicable

28 for the member's participation in the system for purposes of determining

29 the amount of delinquency. In order for an employee to receive

30 credit under this subsection, the state agency must show that the

31 member was not a member of the system for purposes of determining the amount

32 of delinquency.

Chapter 26

1 participation in the program for which the participant was not otherwise
 2 entitled, including the cost of health insurance. The participant is
 3 entitled to a credit to be applied against the reemployment indebtedness in
 4 the amount the participant has paid under sec. 5 (d) of this Act. Interest
 5 accrues on the indebtedness at the rate established by regulation from the
 6 date of reemployment until the member is appointed to retirement and ac-
 7 cepts an actuarial adjustment to the member's future benefits or until the
 8 amount is paid in full.

9 * Sec. 8. DEFINITIONS. The definitions set out in AS 14.15.220 apply
 10 to this Act for members of the Teachers' Retirement System. The defini-
 11 tions set out in AS 19.35.680 apply to this Act for members of the Public
 12 Employees' Retirement System.

13 * Sec. 9. A member who is eligible under secs. 2 - 5 of this Act and
 14 who has submitted a timely application for participation in the retirement
 15 incentive program may be considered for participation in the program not-
 16 withstanding sec. 11 of this Act.

17 * Sec. 10. An employee does not have a vested or contractual right to
 18 any benefit under this Act until an agreement is executed with the adminis-
 19 trator that permits the benefits to be offered to an organizational unit of
 20 which the employee is a member. The legislature reserves the right to
 21 change any aspect of the incentive program as it relates to members of
 22 organizational units for which participation agreements are executed by the
 23 administrator after the effective date of the changes.

24 * Sec. 11. Sections 1 - 6 of this Act are repealed July 1, 1988.

25 * Sec. 12. This Act takes effect immediately in accordance with AS 01.-
 26 10.030(c).

EFF. 5/16/86

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Relating to arrest
 and service of process.

* Section 1. AS 12.25.01

(b) In addition to
 section, a peace officer
 the peace officer has re-
 committed a crime or
 or has violated an order
the elements of a crime
 when the victim is a spec-
 ized the crime; a parent
 person who committed the
 of those living together
 mitted the crime; or an-
 spouse of the person who
 in a spousal relationship.

* Sec. 2. AS 22.20.110 is:

Sec. 22.20.110. DISTRICT
 COURTS. THE SUPERIOR COURT
 supreme court, and except
 commissioner shall serve
 of appeals, the superior court

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AN ACT

Relating to territorial service and BIA service under the retirement incentive program; and providing for an effective date.

* Section 1. Section 3(b), ch. 26, SLA 1986, is repealed and reenacted to read:

(a) Except as provided in (f) of this section, in determining whether a member will qualify to retire under (a) of this section,

(1) for members of the Public Retirement System, only service credit for employment rendered to an employer under AS 39.35 may be used;

(2) for members of the Teachers' Retirement System, credited service may include service credit for employment rendered to an employer, territorial service under AS 14.25.105, and Alaska BIA service under AS 14.25.107.

* Sec. 2. Section 5(e), ch. 26, SLA 1986, is amended to read:

(a) A member who wishes to participate shall apply on a form provided by the administrator. A member may not apply for participation in the retirement incentive program unless the member is employed in a position in a designated organizational unit. Except as provided in (h) of this section, a [A] state employee other than an employee of the University of Alaska, or a member of the teachers' retirement system other than an employee of the University of Alaska, may apply for participation in the program until June 30, 1987. An employee of

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the University of Alaska may apply for participation in the program between October 1, 1986, and September 30, 1987. Other members of the Public Employees' Retirement System may apply for participation in the program between January 1, 1987, and December 31, 1987.

* Sec. 3. Section 5, ch. 26, SLA 1986, is amended by adding a new subsection to read:

(h) Notwithstanding (e) of this section, a member of the Teachers' Retirement System, including a member employed by the state, who is employed in a position in a designated unit and who becomes qualified to retire under the retirement incentive program only because of the amendment to (b) of this section enacted by sec. 1 of this Act, may apply for participation in the retirement incentive program until June 30, 1988. An application is not timely unless it is received by the division of retirement and benefits in the Department of Administration on or before June 30, 1988. If the member is not a member of a designated unit, the member may request the member's employer to designate the member's position as belonging to a designated unit. Notwithstanding (a) of this section, the administrator shall accept the application of a vested member who is eligible under this subsection if the member will be appointed to retirement on or before August 1, 1988.

* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

Eff. 5/29/88

RETIREMENT INCENTIVE PROGRAM

MAY 1986 - DECEMBER 1987

STATUS REPORT

**DIVISION OF RETIREMENT AND BENEFITS
DEPARTMENT OF ADMINISTRATION**

JANUARY 15, 1988

RETIREMENT INCENTIVE PROGRAM

STATUS REPORT

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- V. AGENCY PROJECTED SAVINGS
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- VII. RIP STATUTE

INTRODUCTION

This report on the Retirement Incentive Program (RIP) provides the most current information on the RIP which falls within the purview of the Department of Administration. This section gives a brief overview and explanation of the program; succeeding sections will give statistics on the number of individuals retired, provide figures on the amounts employers have paid into the program and the amounts they still owe, and finally will provide an example of a RIP agreement and show how the 196 state RIP agreements are distributed by department.

There seems to be general agreement that the principal valid reason for instituting a retirement incentive program (RIP) is to produce voluntary turnover and reduce the work force in certain areas with a minimum number of layoffs. There are three reasons frequently cited for avoiding layoffs through a RIP: (1) humanitarian reasons, lessen hardship to employees; (2) improve community economics by substituting retirees with money to spend for unemployed persons drawing on services; and (3) produce turnover among the more senior, higher paid, possibly less vigorous, employees who would not be laid off in any event.

A RIP also receives support from potentially eligible employees who feel that they might reap a substantial direct benefit from the program.

The most telling argument against a RIP is, of course, that it costs employers money to provide the incentive to employees. A distant second argument is that the sudden loss of a large number of senior employees constitutes a "brain drain" that impairs efficiency in some areas.

It has been generally acknowledged that, while it is possible to demonstrate savings in many cases under a RIP, more pure or immediate savings would almost certainly be realized through layoffs.

The Retirement Incentive Program (RIP) for the State of Alaska was established by law (Ch. 26, S.L.A. 1986, copy attached), effective May 16, 1986. The RIP was established because it might "... reduce the hardship of layoffs ..." and was intended "... to result in a net reduction in personal services costs to the state or other employer during a period of declining revenue."

An incentive credit of three years was made available to employees in the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) who were either eligible for retirement or within three years of being eligible if they were in a unit designated by their employer. The law further provides that an eligible employee who elects to retire under the RIP must contribute essentially three years worth of employee contributions and that the employer pay the remainder of the costs of the incentive for that employee. Employees were not required to pay cash, they could elect to satisfy their indebtedness entirely through actuarial reductions in their benefits. Employers are required to pay the administrative costs of the program and to pay their share of the costs over a period of three years or less.

The law provided "windows of opportunity," periods during which eligible employees could apply for retirement and retire under RIP. These window

periods were staggered to spread the expected flood of applications and were as follows:

<u>Group</u>	<u>Application Period</u>	<u>Must Retire By</u>
State Employees	May 10, 1986 - June 30, 1987	Oct. 1, 1987
Teachers - (Non U. of A.)	May 16, 1986 - June 30, 1987	Oct. 1, 1987
University of Alaska	Oct. 1, 1986 - Sep. 30, 1987	Jan. 1, 1988
Political Subdivisions	Jan. 1, 1987 - Dec. 31, 1987	Apr. 1, 1988

The second section of this report provides statistics on the number of individuals who were potentially eligible, were designated and who have retired under the program.

Finally the law provides that an employee who retired under the RIP would have to repay the amount of the RIP bonus he or she received, along with a 10 percent penalty upon return to employment covered by either the PERS or the TRS. Since one of the objectives of the program was to help reduce the hardship of layoffs, this provision encourages "true" retirement rather than merely switching jobs or taking a paid leave of absence and then returning to the work force and displacing another worker.

A question frequently asked is whether or not the RIP has "been a success?" We cannot give an unqualified answer to this question. We can say that the program has greatly increased voluntary employee turnover, particularly in state government. One thousand seventy-six State employees have retired since the inception of RIP. This is compared to less than 500 state retirements during a similar period before the RIP. We can also say that the total state cost for the incentives for these retirees will be about \$30 million. We cannot say what cost savings may have been achieved or what the overall impact on personal services costs may be; this information is called for in the Office of Management and Budget's report to the legislature. In terms of the "brain drain" effect, we can only report that, subjectively, such an effect was present; the State of Alaska lost a large number of experienced employees in a short time and this imposed a real burden on the remaining employees to take up the slack in knowledge and experience.

Under the current RIP, agency heads designated RIP units at their discretion; the fact that over 80 percent of the potentially eligible individuals were in designated units shows how widely this RIP was offered. If future RIP's are proposed, consideration might be given to specific targeting in the legislation so that the offering is restricted to those groups of employees where significant reductions in the work force are imminent.

Our experience supported the conclusion that a high percentage of those retiring under a RIP waited until near the end of the window period to retire. Shorter window periods could improve precision since feedback is available much more quickly and informed decisions about subsequent actions can be implemented.

Finally, we would suggest that any future RIP be tied to more specific objectives. Windows might be established by executive order for an agency only when certain conditions were met and documentation was complete. Cost savings requirements could be quantified and the method of computing those savings specified.

SECTION II

This section of the report provides current statistics on the number of people eligible, designated and retired under the Retirement Incentive Program (RIP).

Table 1 gives these figures for the state, by agency, and for the University of Alaska, School Districts (TRS) and for the political subdivisions (PERS). The "Applied" column shows the number who have applied for retirement but have not yet been appointed; for the school districts and the state where the windows have closed, the "Applied" numbers are fairly firm although a few of these individuals will fail to actually retire at the last possible moment.

The figures for the University of Alaska (including the Geophysical Institute) should be reasonably reliable even though the retirement deadline has not been reached. The figures for political subdivisions must be considered very preliminary.

These figures illustrate the tremendous impact of the program in terms of the number of individuals retired. With the total number of retirees under the program in its 18 months of existence approaching 2,300 and with over 450 non-RIP retirements during the same period, the Division of Retirement and Benefits has been very busy indeed. By comparison, a total of 629 individuals were retired in the PERS and TRS in FY 86 prior to RIP.

The voluminous workload in the Division of Retirement and Benefits has resulted in backlogs in some areas such as correspondence but, so far, retirement checks have been late for only two months, July and August. Even with 672 retirements effective in July 1987 (more retirements in one month than in all of FY 86), no retirement check has been over one month late when all necessary paperwork has been submitted by both the employee and employer. During the RIP, the retirement section has responded to and logged over 42,000 telephone inquiries -- more than 140 per working day. More than 9,200 individuals came into the two retirement offices in Anchorage and Juneau for counseling.

TABLE 1
RIP-INDIVIDUALS

EARLY RETIREMENT INCENTIVE PROGRAM
STATUS REPORT
December 15, 1987
(INDIVIDUALS)

<u>EMPLOYER</u>	<u>ELIGIBLE BY AGE/SVC</u>	<u>DESIGNATED BY DEPT</u>	<u>RETIRED AS 12/15/87</u>	<u>APPLIED, NOT YET APPOINTED</u>
Governor's Office	30	5	5	0
Administration	229	174	101	0
Law	41	18	11	0
Revenue	55	29	23	0
Education - PERS	72	71	28	0
Education - TRS	38	36	19	0
Health & Social Services	335	304	150	0
Labor	147	138	54	0
Commerce	88	55	28	0
Military Affairs	29	6	4	0
Natural Resources	160	139	65	0
Fish and Game	160	143	78	0
Public Safety	193	182	101	0
Environmental Conv.	36	34	12	0
Corrections	154	139	38	0
Comm. & Reg. Affairs	21	18	7	0
Transportation	854	809	355	0
Ombudsman	1	0	0	0
Legislative Affairs	53	20	13	0
Legislative Finance	2	0	0	0
Legislative Audit	5	3	3	0
Court System	98	0	0	0
TOTAL STATE PERS	2762	2287	1076	0
TOTAL STATE TRS	38	36	14	0
University of AK - TRS	372	347	47	64
Geophysical Instit - TRS	38	35	3	5
University of AK - PERS	325	319	72	56
Geophysical Instit - PERS	27	27	11	2
TOTAL UNIVERSITY - TRS	410	382	50	69
TOTAL UNIVERSITY - PERS	352	346	83	58
TOTAL POLY-SUBS PERS	2661	1272	245	96
TOTAL SCHL DIST - TRS	1773	1669	600	0
GRAND TOTAL PERS	5775	3905	1404	154
GRAND TOTAL TRS	2221	2087	669	69
OVERALL TOTAL	7996	5992	2073	223