

Alaska State Legislature

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Representative Lesil McGuire
Chair, Judiciary Committee

HB 329

"An Act relating to retirement incentive programs for the public employees' retirement system, the judicial retirement system, and the teachers' retirement system; relating to separation incentives for certain state employees; and providing for an effective date."

SPONSOR STATEMENT

As Alaska continues to struggle with a sizeable fiscal gap and the size and sustainability of our revenue stream uncertain, state government must consider creative policy options that will reduce the cost of government in a manner that is not immensely damaging to our local economies. "Slash and burn" budget cutting, while expedient is not a responsible manner to reduce state spending if avoidable. HB 329 offers state agencies, municipalities, and school districts an additional management tool to reduce headcount among their costliest employees.

House bill 329 proposes an optional retirement incentive in order to reduce the number of government employees, at multiple levels of government, as a way to reduce overall personnel costs while minimizing the negative economic impacts of across-the-board layoffs. While HB 329 is similar to other retirement incentive legislation adopted in the past, there are several innovative components that stand apart from previous versions.

First, this bill extends eligibility for the retirement incentive program (RIP) only to Tier I employees (TRS and PERS). The logic behind this decision is twofold:

- 1) Tier 1 employees are unquestionably the most expensive in the state workforce. Although many are nearing early and normal retirement age, offering an incentive may encourage numerous employees to retire earlier than originally planned thus reducing the overall retirement benefit while minimizing the impact to actuarial rates; and
- 2) Because some Tier II people are approaching eligibility for early retirement, it is essential that we retain skilled and experienced employees to fill positions vacated by Tier I employees accepting the RIP.

Secondly, this bill allows those who retire under this program to apply unused annual or personal leave to pay all or a portion of their indebtedness to the system. Lastly, while many of the original restrictions and prohibitions on reemployment remain, this bill offers two unique provisions to help Alaska's school districts meet their growing demand for substitute teachers

and allow them access to our most experienced career educators while reducing cost. In both instances, this bill limits those reemployment circumstances to hourly positions that do not receive leave, retirement, or insurance benefits.

After reviewing reports from the Office of Management and Budget (OMB) and Legislative Budget and Audit (LB&A), one thing becomes clear—Retirement Incentive Programs save money. In a report issued by OMB in January 2000, they estimated that the 1996 RIP would realize a total net savings of \$41.4 million through FY03. In addition, in 1991 LB&A concluded that the 1989 RIP realized a net savings of \$22.9 million among state agencies and the participating municipalities and school districts.

In a 2002 report entitled “Show Me The Money: Budget Cutting Strategies for Cash Strapped States”, the American Legislative Exchange Council (ALEC) identified ten strategies for cutting budget deficits. The first recommendation is to reduce workforce costs and chief among their suggestions is to provide incentives for early retirement stating “Offering early retirement incentives, such as allowing employees to retire early with full benefits and severance package, typically results in a large exodus of state workers, thereby reducing the workforce without layoffs.”

It is for these reasons that HB 329 enjoys wide support from many public employees, teachers, and school districts and it is for these reasons we ask you to support [HB 329](#).