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Wayne  
2/25/16

**CS FOR HOUSE BILL NO. 368( )**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-NINTH LEGISLATURE - SECOND SESSION**

**BY**

**Offered:  
Referred:**

**Sponsor(s): REPRESENTATIVE HUGHES**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to limitations on transfers or changes between objects of expenditures**  
2 **or between allocations for personal services expenditures; requiring a mandatory**  
3 **furlough of certain state employees; making that requirement an item that is not subject**  
4 **to bargaining under the Public Employment Relations Act; relating to the preparation,**  
5 **electronic distribution, and posting of reports by state agencies; limiting the number of**  
6 **special assistants in the executive branch; changing the amount of the required**  
7 **employee contribution to health care premiums for certain state employees; establishing**  
8 **an award for state employees who report or suggest certain efficiencies; relating to**  
9 **retirement incentives for members of the defined benefit plan of the Teachers'**  
10 **Retirement System of Alaska and the defined benefit plan of the Public Employees'**  
11 **Retirement System of Alaska; and providing for an effective date."**

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

\* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

**PURPOSE AND INTENT.** The purpose of the proposed amendments to uncodified law in this Act is to make a variety of management tools temporarily available to the state and to municipalities and school districts in the state. This will enable those entities to reduce operating costs by incentivizing employees to reduce costs and by allowing certain positions to become vacant and then eliminating those positions or leaving them vacant.

\* **Sec. 2.** AS 14.56.120(a) is amended to read:

(a) Each state agency shall deposit, upon release, at least **five** [FOUR] copies of each of its state publications in the center. Additional copies of each publication may be requested by the center for deposit in quantities necessary to meet the needs of the depository library system and to provide inter-library service to those libraries not having depository status.

\* **Sec. 3.** AS 14.56.170 is amended to read:

**Sec. 14.56.170. Distribution of state publications and research data.** The center may not engage in general public distribution of either (1) state publications or lists of publications or (2) the index of publications and research data. However, unless expressly prohibited by law, the center shall make available to any person, upon request and under procedures established by it, publications, summaries, research data, indices, and other materials in its possession. **Except as provided in AS 44.99.260, reasonable** [REASONABLE] fees for reproduction or printing costs and for mailing and distribution of materials may be charged by the center.

\* **Sec. 4.** AS 23.40.075 is amended to read:

**Sec. 23.40.075. Items not subject to bargaining.** The parties may not negotiate terms contrary to the

(1) reemployment rights for injured state employees under AS 39.25.158;

(2) reemployment rights of the organized militia under AS 26.05.075;

(3) authority of the Department of Health and Social Services under AS 47.27.035 to assign Alaska temporary assistance program participants to a work activity considered appropriate by the Department of Health and Social Services;

(4) authority for agencies to create temporary positions under AS 47.27.055(c); [OR]

(5) provisions contained in a contract under AS 14.40.210(a)(4); or  
(6) requirement under AS 39.20.285 that the commissioner of administration furlough state employees.

\* **Sec. 5.** AS 37.07.080(e) is amended to read:

(e) Except as provided in (i) of this section, transfers [TRANSFERS] or changes between objects of expenditures or between allocations may be made by the head of an agency upon approval of the office. Transfers may not be made between appropriations, including transfers made through the use of a reimbursable service agreement or other agreement, except as provided in an act making the transfers between appropriations. However, a reimbursable service agreement or other agreement may be used to finance the provision of a service if

(1) the agency that requires the service has, by law, the authority to obtain or provide the service and has an appropriation that may be used for that purpose; and

(2) the agency that provides the service bills the agency administering the available funds based on

(A) the actual cost to provide the service; or

(B) a cost allocation method approved by the office.

\* **Sec. 6.** AS 37.07.080 is amended by adding a new subsection to read:

(i) Transfers or changes between objects of expenditures or between allocations under (e) of this section may not be made by an agency if the transfer or change involves a personal services expenditure or allocation. In this subsection, "personal services" means employee salaries or benefits.

\* **Sec. 7.** AS 39.20 is amended by adding a new section to read:

**Sec. 39.20.285. Mandatory furlough.** (a) Notwithstanding AS 39.20.310(7) and (8), the commissioner of administration shall furlough a state employee for 10 days of leave each fiscal year. The commissioner shall provide the employee with notice of the furlough at least two weeks in advance. This subsection does not apply to a peace officer, firefighter, seasonal employee, emergency employee, or person

assigned to supervise another person 18 or 19 years of age who is committed to the probationary supervision of the Department of Health and Social Services; a person employed in the Department of Transportation and Public Facilities to remove snow from property owned or occupied by the state or the federal government; or a person employed in the Department of Corrections, a health care facility, or a juvenile detention, correctional, or treatment facility.

(b) A furlough of a state employee under this section may not be treated as a break in the employee's service except for the purpose of computing the amount of the employee's wages or salary.

(c) Notwithstanding AS 23.40, terms in a collective bargaining agreement entered into between the state and an organization representing state employees may not conflict with this section.

(d) In this section,

(1) "emergency employee" has the meaning given in AS 39.25.200;

(2) "peace officer" has the meaning given in AS 01.10.060;

(3) "state employee" means a person employed by the state who is paid a wage or salary, but does not include a person hired by the state to work as an independent contractor or a person who is in the custody of the state.

\* **Sec. 8.** AS 39.20.310 is amended to read:

**Sec. 39.20.310. Exceptions.** Except as provided in AS 39.20.275 and 39.20.285, AS 39.20.200 - 39.20.330 do not apply to

(1) members of the state legislature, the governor, the lieutenant governor, and justices and judges of the supreme and superior courts and of the court of appeals, but nothing in AS 39.20.200 - 39.20.330 may be construed to diminish the salaries fixed by law for these officers by reason of absence from duty on account of illness or otherwise;

(2) magistrates serving the state on less than a full-time basis;

(3) officers, members of the teaching staff, and employees of the University of Alaska;

(4) persons employed in a professional capacity to make a temporary and special inquiry, study, or examination as authorized by the governor, the

legislature, or a legislative committee;

(5) members of boards, commissions, and authorities who are not otherwise employed by the state;

(6) temporary employees hired for periods of less than 12 consecutive months;

(7) persons employed by the division of marine transportation as masters and members of the crews operating the state ferry system who are covered by collective bargaining agreements as provided in AS 23.40.040, except as expressly provided by law;

(8) persons employed by the state who are covered by collective bargaining agreements as provided in AS 23.40.210, except as expressly provided by law.

\* **Sec. 9.** AS 39.25.120(c) is amended to read:

(c) The following positions in the state service constitute the partially exempt service:

(1) deputy and assistant commissioners of the principal departments of the executive branch, including the assistant adjutant general of the Department of Military and Veterans' Affairs;

(2) the directors of the major divisions of the principal departments of the executive branch and the regional directors of the Department of Transportation and Public Facilities;

(3) attorney members of the staff of the Department of Law, of the public defender agency, and of the office of public advocacy in the Department of Administration;

(4) one private secretary for each head of a principal department in the executive branch;

(5) employees of councils, boards, or commissions established by statute in the Office of the Governor or the office of the lieutenant governor, unless a different classification is provided by statute;

(6) not more than one [TWO] special assistant [ASSISTANTS] to the commissioner of each of the principal departments of the executive branch [, BUT

1 THE NUMBER MAY BE INCREASED IF THE PARTIALLY EXEMPT SERVICE  
2 IS EXTENDED UNDER AS 39.25.130 TO INCLUDE THE ADDITIONAL  
3 SPECIAL ASSISTANTS];

4 (7) the principal executive officer of the following boards, councils, or  
5 commissions:

6 (A) Alaska Public Broadcasting Commission;

7 (B) Professional Teaching Practices Commission;

8 (C) Parole Board;

9 (D) Board of Nursing;

10 (E) Real Estate Commission;

11 (F) Alaska Royalty Oil and Gas Development Advisory Board;

12 (G) Alaska State Council on the Arts;

13 (H) Alaska Police Standards Council;

14 (I) Alaska Commission on Aging;

15 (J) Alaska Mental Health Board;

16 (K) State Medical Board;

17 (L) Governor's Council on Disabilities and Special Education;

18 (M) Advisory Board on Alcoholism and Drug Abuse;

19 (N) Statewide Suicide Prevention Council;

20 (O) State Board of Registration for Architects, Engineers, and

21 Land Surveyors;

22 (P) Alaska Health Care Commission;

23 (8) Alaska Pioneers' Home and Alaska Veterans' Home managers;

24 (9) hearing examiners in the Department of Revenue;

25 (10) the comptroller in the division of treasury, Department of  
26 Revenue;

27 (11) airport managers in the Department of Transportation and Public  
28 Facilities employed at the Anchorage and Fairbanks International Airports;

29 (12) the deputy director of the division of insurance in the Department  
30 of Commerce, Community, and Economic Development;

31 (13) the executive director and staff of the Alaska Public Offices

Commission;

(14) the rehabilitation administrator of the division of workers' compensation;

(15) guards employed by the Department of Public Safety for emergencies;

(16) marine pilot coordinator of the Board of Marine Pilots;

(17) guards employed by the Department of Corrections, other than in state correctional facilities, to carry out the responsibility of the commissioner of corrections under AS 33.30.071(b);

(18) hearing officers and administrative law judges of the Regulatory Commission of Alaska;

(19) the compact administrator appointed under AS 33.36.130;

(20) the chief administrative law judge and administrative law judges of the office of administrative hearings;

(21) the executive secretary of the Board of Public Accountancy.

\* **Sec. 10.** AS 39.25.130 is amended by adding a new subsection to read:

(d) Notwithstanding (a) of this section, a principal department of the executive branch may not have more than one special assistant to the commissioner position in the partially exempt service.

\* **Sec. 11.** AS 39.25 is amended by adding a new section to article 2 to read:

**Sec. 39.25.139. Definitions.** In AS 39.25.090 - 39.25.130, "special assistant to the commissioner" includes deputy commissioner and assistant commissioner.

\* **Sec. 12.** AS 39.27.011 is amended by adding a new subsection to read:

(l) The governor may grant one pay step under (a) of this section or one pay increment under (h) of this section to an employee who is entitled to receive an award under AS 44.19.018(a). A pay step or pay increment granted under this section is in addition to a pay step or pay increment for which an employee may be eligible under this section based on the employee's length of service and an evaluation of the employee's performance. The number of grants under this subsection in a calendar year may not exceed five.

\* **Sec. 13.** AS 39.30.095(e) is amended to read:

(e) **The** [NOTWITHSTANDING (b) OF THIS SECTION, THE] rate of employer contribution to provide hospital, surgical, dental, audiovisual, and other medical care benefits under AS 39.30.091 is **80 percent of the amount the commissioner determines to be necessary to provide those benefits under (b) of this section** [\$515 MONTHLY BEGINNING JULY 1, 2000; \$575 MONTHLY BEGINNING JULY 1, 2001; AND \$630 MONTHLY BEGINNING JULY 1, 2002,] for the following employees and officials:

(1) employees in the executive branch of the state government, including the governor and lieutenant governor, who are not members of a collective bargaining unit established under the authority of AS 23.40.070 - 23.40.260 (Public Employment Relations Act);

(2) officials and employees of the legislative branch of state government under AS 24;

(3) employees in the judicial branch of state government, including magistrates and other judicial officers, who are not members of a collective bargaining unit established under AS 23.40.070 - 23.40.260 (Public Employment Relations Act).

\* **Sec. 14.** AS 44.19 is amended by adding a new section to read:

**Sec. 44.19.018. Efficiency incentives awards.** (a) The governor may award to a state employee who makes a report or suggestion under this section that the governor approves

(1) a pin that includes the seal of the state and a symbol or words that signify employee excellence; and

(2) to not more than five state employees each calendar year, an extra pay increment or an extra monthly base salary pay step under AS 39.27.011(l).

(b) The governor shall make arrangements for the pin under (a) of this section to be produced in a suitable quantity and at nominal cost to the state based on a design determined through a statewide design competition participated in by the school children of the state. Production or use of a pin is subject to the limitations and potential penalties under AS 44.09.015.

(c) A state employee may

(1) suggest to the governor an efficiency, including a new policy or

practice, that will

(A) reduce or eliminate government waste, the state's debt, or an operating or capital cost;

(B) improve service to the public; or

(C) make an operation of state government more efficient;

(2) report to the governor a waste by the state of a government resource.

(d) The governor may maintain and make available, at no cost to state employees, a telephone number, electronic mail address, Internet website, and other means to make a report under this section.

(e) A state employee who makes a report under this section may provide or withhold information that personally identifies the state employee.

(f) In addition to limitations or protections under AS 39.26.010(a) and AS 39.90.100 - 39.90.150 that may apply, action affecting the employment status of a state employee, including appointment, reduction of compensation, promotion, demotion, suspension, or removal, may not be taken or withheld in retaliation against the employee for making a report or suggestion to the governor under this section.

(g) This section does not

(1) authorize the disclosure of information that is legally required to be kept confidential; or

(2) diminish or impair the rights of an employee under a collective bargaining agreement.

(h) In this section,

(1) "government resource" means public funds, facilities, equipment, services, or employees;

(2) "state employee" means a person employed by the state in the executive branch who is paid a wage or salary, but does not include a person hired by the state to work as an independent contractor or a person who is in the custody of the state;

(3) "waste" means an extravagant, unnecessary, or fiscally imprudent use of a government resource.

1     \* **Sec. 15.** AS 44.62.175(a) is amended to read:

2             (a) The lieutenant governor shall develop and supervise the Alaska Online  
3     Public Notice System, to be maintained on the state's site on the Internet. The  
4     lieutenant governor shall prescribe the form of notices posted on the system by state  
5     agencies. The Alaska Online Public Notice System must include

6                 (1) notices of proposed actions given under AS 44.62.190(a);

7                 (2) notices of state agency meetings required under AS 44.62.310(e),  
8     even if the meeting has been held;

9                 (3) notices of solicitations to bid issued under AS 36.30.130;

10                (4) notices of state agency requests for proposals issued under  
11     AS 18.55.255, 18.55.320; AS 36.30.210; AS 37.05.316; AS 38.05.120; and  
12     AS 43.40.010;

13                (5) executive orders and administrative orders issued by the governor;

14                (6) written delegations of authority made by the governor or the head  
15     of a principal department under AS 44.17.010;

16                (7) the text or a summary of the text of a regulation or order of repeal  
17     of a regulation for which notice is given under AS 44.62.190(a), including an  
18     emergency regulation or repeal regardless of whether it has taken effect;

19                (8) notices required by AS 44.62.245(b) regarding an amended version  
20     of a document or other material incorporated by reference in a regulation;

21                (9) a summary of the text of recently issued published opinions of the  
22     attorney general;

23                (10) a list of vacancies on boards, commissions, and other bodies  
24     whose members are appointed by the governor;

25                (11) in accordance with AS 39.52.240(h), advisory opinions of the  
26     attorney general; [AND]

27                (12) notices required by AS 26.30.010(d) and (e) regarding  
28     applications for military facility zones; and

29                **(13) reports of state agencies, if required under AS 44.99.250.**

30     \* **Sec. 16.** AS 44.99 is amended by adding new sections to read:

31                **Article 3A. Distribution of Agency Reports.**

**Sec. 44.99.250. Electronic distribution and posting.** (a) A state agency that produces and distributes a report shall, if the agency has the technological capability to do so, provide copies electronically and post the report on the Alaska Online Public Notice System (AS 44.62.175). An agency may not produce print copies of reports except as

(1) required

(A) under AS 14.56.120;

(B) by agreement; or

(C) by federal law; or

(2) requested under AS 44.99.260 or specifically approved by the head of a state agency or the head's designee.

(b) A report produced and distributed by a state agency shall prominently state the Internet website where a digital copy and the physical address where a print copy of the report may be found.

(c) Except as provided in (a) of this section, electronic distribution and electronic posting on the Alaska Online Public Notice System (AS 44.62.175) fulfills any obligation in state law to publish, prepare, or present a report, and electronic distribution fulfills any obligation in state law to submit a report.

**Sec. 44.99.260. Print copy requests.** A person may obtain, at no charge, up to two print copies of reports from the state library distribution and data access center under AS 14.56.170 each day. A person may obtain additional print copies of reports from the state library distribution and data access center for a reasonable fee under AS 14.56.170.

**Sec. 44.99.270. Graphic design for reports.** Notwithstanding AS 44.99.200, when preparing reports, a state agency may not hire contractors to provide photographs or graphics unless

(1) no agency employee qualified to perform the work is available; or

(2) the agency would use fewer state resources by hiring a contractor.

**Sec. 44.99.290. Definitions.** In AS 44.99.250 - 44.99.290,

(1) "report" means an official document that a state agency is required by law to prepare and distribute to the legislature or the public without a specific

request, but does not include proposed regulations or documents related to the adoption or amendment of regulations;

(2) "state agency" means a department, institution, board, commission, division, authority, public corporation, committee, or other administrative unit of the executive branch of state government, including the University of Alaska, the Alaska Railroad Corporation, the Alaska Permanent Fund Corporation, and the Alaska Housing Finance Corporation.

\* **Sec. 17.** The uncodified law of the State of Alaska is amended by adding a new section to read:

**RETIREMENT INCENTIVE PROGRAM.** (a) An employer, including a state agency, a political subdivision of the state, a public organization, and the University of Alaska, may elect to adopt a retirement incentive program under secs. 17 - 27 of this Act. The employer may limit applicability of the program to employees

(1) in specific budget or administrative components designated by the employer;

(2) in specific job classifications designated by the employer;

(3) in specific geographic locations identified by the employer; or

(4) based on any combination of factors under (1) - (3) of this subsection.

(b) Only the administrator may approve or deny an employee's application to participate in a retirement incentive program adopted by an employer under (a) of this section.

(c) An employer that elects to adopt a retirement incentive program under (a) of this section shall propose the adopted program to the administrator for approval. The administrator shall approve the program if the program meets the requirements of this section and, if the employer is a state agency, sec. 24(a) of this Act. A program proposed under this section must

(1) designate job classifications, and specific budget and administrative components related to those job classifications, that are wholly or partially made up of employees who may be eligible to participate in the program;

(2) include a reimbursement agreement that requires

(A) the employer, for each employee who participates in the program, to reimburse the defined benefit plan in the appropriate retirement system, within three years after the end of the fiscal year in which the employee is appointed to retirement,

1 in an amount equal to the actuarial equivalent of the difference between the benefits  
2 the participant receives after the addition of the credit under (i) of this section and the  
3 benefits the participant would have received without the credit, less the amount the  
4 participant has paid on the indebtedness determined under (g) or (h) of this section;  
5 and

6 (B) the employer's obligation to contribute under this section be given  
7 priority over other financial obligations of the employer to the maximum extent  
8 permitted by law.

9 (d) An employer that elects, under (a) of this section, to adopt a retirement incentive  
10 program may request that the administrator establish one or more periods during which one or  
11 more employees of the employer who are eligible under (e) of this section may apply to  
12 participate in the program. A period established by the administrator under this subsection  
13 may not begin earlier than 30 days after the date it is established or end later than June 30,  
14 2019, and must be not less than 30 days and not more than 60 days in duration.

15 (e) The administrator may not allow an employee to participate in a retirement  
16 incentive program adopted under secs. 17 - 27 of this Act unless the employee is eligible  
17 under the program for appointment to retirement not later than the earlier of

18 (1) the first day of the sixth month that follows the last day of the application  
19 period established by the administrator under (d) of this section; or

20 (2) a date set by the retirement incentive program as the date employees are  
21 required to be eligible for appointment to retirement.

22 (f) An employee is eligible to participate in a retirement incentive program under  
23 secs. 17 - 27 of this Act only if

24 (1) the employee is a vested member of a defined benefit plan in the public  
25 employees' retirement system or the teachers' retirement system;

26 (2) the employee has credit for service under AS 14.25.110 or AS 39.35.370  
27 that occurred before July 1, 2006;

28 (3) the employee is at least 50 years of age, and, before application of credit  
29 described in (i) of this section, has

30 (A) at least 17 years of credited service as a peace officer or firefighter,  
31 as those terms are defined in AS 39.35.680; or

(B) at least 20 years of credited service as an employee other than an employee described in (A) of this paragraph;

(4) the employee will be qualified to retire under AS 14.25.110 or AS 39.35.370 after receipt of the credit described in (i) of this section;

(5) if the employer is a state agency, the employee satisfies the additional requirements under sec. 18 of this Act; and

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

(g) A member of the defined benefit plan in the teachers' retirement system who participates in an approved retirement incentive program under secs. 17 - 27 of this Act is indebted to the defined benefit retirement plan for an amount calculated under this subsection. The indebtedness is 25.95 percent of the member's actual compensation for the school year in which the member terminates employment, or the calculated school year compensation for a member who works less than the entire school year, plus an appropriate share of the administrative costs of the program. The member may apply annual or personal leave to the indebtedness before appointment to retirement. If the indebtedness is outstanding at the time the member is appointed to retirement under the retirement incentive program, the pension benefits payable to the member shall be reduced by an actuarial adjustment that eliminates the indebtedness.

(h) A member of the defined benefit plan in the public employees' retirement system who participates in an approved retirement incentive program under secs. 17 - 27 of this Act is indebted to the defined benefit retirement plan for an amount calculated under this subsection. The indebtedness is 22.5 percent for a peace officer or firefighter, and 20.25 percent for other members, of the member's actual annual compensation for the year in which the member terminates employment, or the calculated annual compensation for a member who works fewer than 12 months, plus an appropriate share of the administrative costs of the program. The member may apply annual or personal leave to the indebtedness before appointment to retirement. If the indebtedness is outstanding at the time the member is appointed to retirement under the retirement incentive program, the pension benefits payable to the member shall be reduced by an actuarial adjustment that eliminates the indebtedness.

(i) An employee who participates in an approved retirement incentive program under this Act receives a credit of three years. The three years must be applied in the following order of priority until exhausted:

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

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

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

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

**\* Sec. 18.** The uncoded law of the State of Alaska is amended by adding a new section to read:

**AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE.** (a) Subject to (b) of this section, an employee of a state agency may participate in a retirement incentive program approved under sec. 17 of this Act by the administrator if the employee is eligible to participate under sec. 17 of this Act and the employee

(1) has been continuously employed by the state for at least one year before the employee applies to participate in the program;

(2) is a permanent seasonal employee employed by the state in a permanent seasonal position for the entire period the position was filled during the 12 months preceding the employee's application to participate in the program;

(3) has been employed under a job-sharing agreement in which a state agency allowed two or more employees to share a single position that is identified by a single position control number, for the entire period in which the position was shared during the 12 months preceding the employee's application to participate in the program; or

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

(b) The governor, the lieutenant governor, and a commissioner, deputy commissioner, or assistant commissioner of a principal department of the executive branch of state government may not retire under a retirement incentive program adopted under secs. 17 - 27 of this Act.

**\* Sec. 19.** The uncoded law of the State of Alaska is amended by adding a new section to

1 read:

2       **AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF THE**  
3 **UNIVERSITY OF ALASKA.** Notwithstanding AS 14.40.661 - 14.40.799, a participant in a  
4 university retirement program under AS 14.40.661 - 14.40.799 who is vested in a defined  
5 benefit plan in the public employees' retirement system or the teachers' retirement system may  
6 participate in a retirement incentive program for that defined benefit retirement plan if the  
7 participant satisfies the requirements under secs. 17 and 18 of this Act that apply to  
8 participants in that retirement incentive program.

9       \* **Sec. 20.** The uncoded law of the State of Alaska is amended by adding a new section to  
10 read:

11       **POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.**  
12 Notwithstanding AS 14.25 or AS 39.35, for purposes of determining the years of service  
13 required for retirement under AS 14.25.110 or AS 39.35.370, as appropriate, an employee of a  
14 state agency who has vested as a member of a defined benefit plan in the teachers' retirement  
15 system or the public employees' retirement system and applies to participate in a retirement  
16 incentive program approved under secs. 17 - 27 of this Act may receive credit for service  
17 while employed with a political subdivision or a public organization that occurred before the  
18 political subdivision or public organization elected to participate in that defined benefit  
19 retirement plan. The credit may not be applied for the purpose of determining the amount of a  
20 retirement benefit.

21       \* **Sec. 21.** The uncoded law of the State of Alaska is amended by adding a new section to  
22 read:

23       **RECOVERY OF EMPLOYER DELINQUENCIES.** To recover a delinquency owed  
24 under secs. 17 - 27 of this Act by an employer other than the state, the commissioner of  
25 administration may

26               (1) withhold an amount of money equal to the amount of the delinquency, or a  
27 lesser amount, from money payable to the employer by the state, and credit it against the  
28 delinquency; and

29               (2) bring an action against the employer.

30       \* **Sec. 22.** The uncoded law of the State of Alaska is amended by adding a new section to  
31 read:

1 STOPPING ENROLLMENT FOR ACTUARIAL REASONS. If the administrator  
2 determines after approving a retirement incentive program under secs. 17 - 27 of this Act that  
3 an increase in the number of participants in that retirement incentive program will have a  
4 significant negative effect on the actuarial soundness of a defined benefit plan in the teachers'  
5 retirement system or the public employees' retirement system, the administrator may close the  
6 program to new applicants.

7 \* **Sec. 23.** The uncoded law of the State of Alaska is amended by adding a new section to  
8 read:

9 REEMPLOYMENT INDEBTEDNESS; PROHIBITION ON REEMPLOYMENT. (a)  
10 If an individual is reemployed as a member of the defined benefit plan in the public  
11 employees' retirement system under AS 39.35, the defined benefit plan in the teachers'  
12 retirement system under AS 14.25, the defined benefit plan in the judicial retirement system  
13 under AS 22.25, or the defined benefit plan in the optional university retirement program  
14 under AS 14.40.661 - 14.40.799 after appointment to retirement under this Act, that  
15 individual forfeits incentive credit received or due under sec. 17(i) of this Act and incurs an  
16 indebtedness to the defined benefit retirement plan under which the individual has been  
17 reemployed as a member. The indebtedness is 110 percent of the amount, including health  
18 insurance premium costs, that the individual received solely as a result of participation in a  
19 retirement incentive program under secs. 17 - 27 of this Act. The administrator shall apply the  
20 amount the individual has paid under sec. 17 of this Act as a requirement for participation in  
21 the retirement incentive as a credit toward the member's reemployment indebtedness under  
22 this subsection. Interest on the reemployment indebtedness accrues from the date of  
23 reemployment until the date that the individual either is appointed to retirement and accepts  
24 an actuarial adjustment to the individual's future benefits or repays the indebtedness in full.  
25 The rate of interest is that established by regulation for the member's defined benefit  
26 retirement plan by the Alaska Retirement Management Board.

27 (b) A state agency or the University of Alaska may not employ or contract for  
28 personal services with an individual who is appointed to retirement under a retirement  
29 incentive program authorized by secs. 17 - 27 of this Act for a period of three years  
30 immediately following the date of the individual's appointment to retirement, except that the

31 (1) University of Alaska may enter into a personal services contract with the

individual for teaching or research;

(2) individual may accept employment with the legislature during a legislative session if the employment is on an hourly basis and does not entitle the individual to receive retirement, health, or leave benefits;

(3) individual may accept employment with a school district as a substitute teacher; and

(4) individual may accept employment with a school district if the individual participated in the defined benefit plan in the teachers' retirement system and the employment is on an hourly basis and does not entitle the individual to receive retirement, health, or leave benefits.

(c) Notwithstanding the prohibition in (b) of this section, a state agency or the University of Alaska may enter into a personal services contract with an individual who was appointed to retirement under secs. 17 - 27 of this Act if the administrator approves the contract.

\* **Sec. 24.** The uncoded law of the State of Alaska is amended by adding a new section to read:

OFFICE OF MANAGEMENT AND BUDGET. (a) The director of the office of management and budget shall review each retirement incentive program adopted by a state agency, determine whether the program will result in a net reduction to the operating costs of the state agency that adopted it for a five-year period beginning July 1, 2016, and report the outcome of the review to the administrator. The administrator may not approve a retirement incentive program adopted by a state agency under sec. 17 of this Act unless the office of management and budget determines that the program's expected effect on the state agency's operation costs is a net reduction. The state agency that adopts the program shall cooperate with and provide information to the office of management and budget to aid with the preparation of the review under this subsection and reports under (b) of this section.

(b) Beginning January 15, 2017, and continuing through June 30, 2019, the office of management and budget shall submit to the senate secretary and the chief clerk of the house of representatives an annual report on the retirement incentive programs established under this Act and notify the legislature that the report is available. Each report must provide the information necessary for the legislature to evaluate the retirement incentive programs,

including the effect of the programs on the defined benefit plans of the teachers' retirement system and the public employees' retirement system, and whether the programs are economical for employers. The report must include, for each program,

- (1) the designated employee categories;
- (2) the employer's cost for each participant;
- (3) the actual annual cost to the state;
- (4) for state agencies, the budgeted annual cost;
- (5) the cost paid by each participant;
- (6) the number of positions that became vacant as a result of the program and how many of those positions remain vacant;
- (7) for the relevant three-year period, the projected net savings and the actual net savings resulting from the program.

**\* Sec. 25.** The uncodified law of the State of Alaska is amended by adding a new section to read:

**PROGRAM CHANGES.** An individual employee does not have a vested or contractual right to a benefit under this Act until an agreement is executed with the administrator that authorizes the employee to participate in that retirement incentive program. The legislature may change a retirement incentive program established under secs. 17 - 27 of this Act as it relates to employees for whom an agreement under this section has not been executed.

**\* Sec. 26.** The uncodified law of the State of Alaska is amended by adding a new section to read:

**REGULATIONS.** The commissioner of administration may adopt regulations under AS 44.62 (Administrative Procedure Act) to implement and interpret secs. 17 - 27 of this Act.

**\* Sec. 27.** The uncodified law of the State of Alaska is amended by adding a new section to read:

**DEFINITIONS.** (a) Unless provided otherwise in this Act, the definitions set out in AS 14.25.220 apply to provisions in secs. 17 - 27 of this Act that relate to the teachers' retirement system and members of the teachers' retirement system.

(b) Unless provided otherwise in this Act, the definitions set out in AS 39.35.680 apply to provisions in secs. 17 - 27 of this Act that relate to the public employees' retirement

1 system and members of the public employees' retirement system.

2 (c) In secs. 17 - 27 of this Act,

3 (1) "administrator" means the commissioner of administration or the  
4 commissioner's designee;

5 (2) "employer" has the meaning given in AS 14.25.220 and AS 39.35.680;

6 (3) "office of management and budget" means the office of management and  
7 budget in the Office of the Governor;

8 (4) "public employees' retirement system" means the Public Employees'  
9 Retirement System of Alaska (AS 39.35);

10 (5) "public organization" has the meaning given in AS 39.35.680;

11 (6) "state agency" means

12 (A) the legislative branch of state government;

13 (B) a principal department of the executive branch of state  
14 government;

15 (C) an independent state entity that is attached to a principal  
16 department of the executive branch of state government for administrative purposes  
17 and is not a public organization as defined in AS 39.35.680; or

18 (D) the Office of the Governor;

19 (7) "teachers' retirement system" means the Teachers' Retirement System of  
20 Alaska (AS 14.25).

21 \* **Sec. 28.** The uncoded law of the State of Alaska is amended by adding a new section to  
22 read:

23 **APPLICABILITY TO EXISTING BENEFICIARIES.** (a) Notwithstanding sec. 29 of  
24 this Act, sec. 13 of this Act may not impair or diminish the retirement benefits of a person  
25 who is appointed to retirement under a defined benefit plan in the teachers' retirement system  
26 or the public employees' retirement system, or receives a benefit under that plan, before the  
27 effective date of sec. 13 of this Act.

28 (b) Sections 1 and 17 - 27 of this Act may not impair or diminish the retirement  
29 benefits of a person who is appointed to retirement under a defined benefit plan in the  
30 teachers' retirement system or the public employees' retirement system, or receives a benefit  
31 under that plan, before the effective date of sec. 1 and secs. 17 - 27 of this Act.

1     \* **Sec. 29.** The uncodified law of the State of Alaska is amended by adding a new section to  
2 read:

3             **APPLICABILITY TO CONTRACTS.** (a) Sections 1, 4, 7 - 12, and 17 - 27 of this Act  
4 apply to contracts made on or after the effective date of this section.

5             (b) AS 39.30.095(e), as amended by sec. 13 of this Act, applies to contracts made on  
6 or after January 1, 2017.

7     \* **Sec. 30.** Sections 1 and 17 - 27 of this Act are repealed July 1, 2019.

8     \* **Sec. 31.** AS 39.30.095(e), as amended by sec. 13 of this Act, takes effect January 1, 2017.

9     \* **Sec. 32.** Sections 1 - 12 and 14 - 31 of this Act take effect immediately under  
10 AS 01.10.070(c).