



# Representative Scott Jiu Wo Kawasaki

Alaska State Legislature

District 1 Fairbanks

## Sectional Summary

### HB 11

#### *Retirement Incentives Program for Public Employees*

**Section 1:** Defines the purpose and intent of the bill to make Retirement Incentive Programs (RIP) temporarily available to state agencies, municipalities and school districts. Includes intent for state agencies that adopt authorized RIPs to adopt an accompanying policy to prohibit hiring of new employees.

**Section 2:** Allows public employers, including the University of Alaska, to elect to adopt a RIP under the bill. The employer may limit the program to specific components, job classifications, geographic locations or a combination of the three.

Specifies the commissioner of administration or the commissioner's designee ("administrator") has the sole authority to approve or deny an employee's RIP application.

An employer adopting a RIP shall propose the program to the administrator to approve if it meets the requirements set forth under sec. 9 of this bill.

Establishes the requirements for any RIP proposed by a public employer:

- (1) Designate job classifications and specific budget and administrative components of employees eligible to participate; and
- (2) For each participating employee, the employer must reimburse the defined benefit retirement plan within three years after the end of the fiscal year in which the employee retires. This reimbursement must be equal to an amount that is the difference between the benefits the RIP participant receives after the credit and the benefits the participant would have received without the credit, less the amount the participant has paid on the indebtedness provided later in this section. The reimbursement agreement requires the employer's contributions must be given priority over other financial obligations.

An employer adopting a RIP may request the administrator to establish one or more application periods open to at least one eligible employee. The RIP application period must be at least 30 days and at most 60 days in duration. RIP application periods may only be established between 30 days after the program is established and no later than June 30, 2020.

An administrator may allow an employee to retire early under a RIP no later than six months after the last day of the application period, or a date set by the RIP as the date employees are eligible to retire early—whichever is earlier.

Establishes RIP eligibility requirements for an employee:

- (1) The employee is vested in a defined benefit retirement plan in PERS or TRS;

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- (2) The employee has credit for service under Tiers 1, 2 or 3;
- (3) The employee is at least 50 years old and has at least 17 years of credited service as a peace officer or firefighter, or at least 20 years of credited service in any other public agency;
- (4) The employee is qualified to retire under their defined benefit plan after receipt of the approved early retirement credit;
- (5) An employee of a state agency satisfies the requirements under sec. 3; and
- (6) The savings in personal services costs for the participating employee's position will exceed the cost to the employer for that vacating position within three years after the employee is appointed to retirement.

Sets the level of indebtedness for RIP participants. For TRS members, participants pay 25.95 percent of the year's annual compensation for the school year, or the calculated school year compensation if they work a partial year, plus a share of the administrative costs. The indebtedness for peace officers and firefighters is 22.5 percent and 20.25 percent for all other PERS members.

For any RIP participants, annual or personal leave may be applied toward indebtedness. Pension benefits shall be reduced by an actuarial adjustment if the participant has not paid the indebtedness at the time of retirement.

Provides a credit of three years of service to be given to an employee participating in the program. The three years credit must be applied in an order of priority until the credit is met: to meet the age or service required for normal retirement eligibility; to meet the age required for early retirement; to reduce the actuarial adjustment required for early retirement; as years of credited service for calculating benefits.

**Section 3:** Requires interested eligible state employees must be employed for at least 12 months prior to application to an approved RIP.

Prohibits the governor, lieutenant governor, commissioners, deputy commissioners or assistant commissioners from participating in a RIP.

**Section 4:** Authorizes University of Alaska employees who are members of PERS or TRS may participate in a RIP under the appropriate requirements for their defined benefit retirement program established under this bill.

**Section 5:** Allows PERS or TRS members to receive a credit for service while employed in a political or public organization prior to that organization's participation in PERS or TRS. The credit may not be applied to determine the amount of retirement benefits that employee receives.

**Section 6:** Allows the commissioner of administration to recover a delinquency owed to the state by an employer. Provides a delinquency may be recovered by withholding money owed to the employer equal to or less than the amount of the delinquency, and by bringing action against the employer.

**Section 7:** Allows an administrator to close an adopted RIP to new applicants if it has been determined that an increase in the number of participants will have a significant negative effect on the actuarial soundness of PERS or TRS.

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**Section 8:** Requires an employee who participated in a RIP that is reemployed under PERS or TRS or the judicial retirement system to forfeit the incentive credits received or due as established under sec. 2. That employee must also incur an indebtedness to the reemploying defined benefit plan at 110 percent of the amount received solely as a result in participating in a RIP, including health insurance premium costs.

The administrator shall apply the amount the employee paid in indebtedness under sec. 2 as a credit toward the member's reemployment indebtedness. Interest on the reemployment indebtedness accrues from the date of reemployment until the date the individual is appointed to retirement and accepts an actuarial adjustment to future benefits, or until the employee repays the indebtedness in full. The rate of interest is established by the Alaska Retirement Management Board.

Prohibits a state agency or the University of Alaska from employing or contracting an individual who retired under a RIP for a period of three years. Establishes a number of exceptions for the University of Alaska, school districts and the legislative branch.

**Section 9:** Requires the director of the Office of Management and Budget (OMB) to determine if each RIP adopted will reduce net operating costs for the state agency for a five year period beginning July 1, 2017 and report the outcome of the review to the administrator.

Prohibits the administrator from approving a RIP unless the OMB determines the program is expected to reduce the agency's net operation costs. The state agency adopting a RIP shall cooperate with and provide information to the OMB to aid with the preparation of the review and the annual report submitted to the legislature.

Requires the OMB to submit to both legislative chambers an annual report of established RIPs beginning January 15, 2018, through January 15, 2021. Sets the requirements for those annual reports so that the legislature can evaluate the RIPs, their impacts on PERS and TRS, and their economic impact to employing agencies.

**Section 10:** Provides that an employee does not have a vested or contractual right to a benefit under this bill until an agreement is executed with the administrator that authorizes the employee to participate in the RIP. Allows the legislature to change a RIP as it relates to employees for whom an agreement has not been executed.

**Section 11:** Allows the commissioner to adopt regulations to implement and interpret the Act.

**Section 12:** Provides definitions of administrator, employer, OMB, PERS, TRS, public organization and state agency for purposes of the Act established under this bill.

**Section 13:** Prohibits sections 1-12 from impairing the benefits of a person appointed to retirement under PERS or TRS before the effective date of this bill.

**Section 14:** Sections 1-12 apply to contracts made on or after the effective date.

**Section 15:** Repeals sections 1-12 on July 1, 2020.

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

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