

**SENATE CS FOR CS FOR HOUSE BILL NO. 242(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 5/5/01

Referred: Rules

Sponsor(s): REPRESENTATIVES KOTT, Stevens, Hayes, Dyson, Cissna, Crawford, Guess

**A BILL**

**FOR AN ACT ENTITLED**

1   **"An Act relating to reemployment of and medical benefits for retired members of the**  
2   **teachers' retirement system and public employees' retirement system; relating to the**  
3   **inclusion of cost-of-living differentials on compensation and benefits under the public**  
4   **employees' retirement system; and providing for an effective date."**

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

6   \* **Section 1.** AS 14.20 is amended by adding a new section to read:

7           **Sec. 14.20.135. Employment of retired teachers because of shortages.** (a)

8           A school district or regional educational attendance area that has or anticipates having  
9           a shortage of teachers qualified to teach in a particular discipline or specialty may, by  
10          resolution, adopt a policy that permits the employment of retired teachers who are  
11          qualified to teach in the discipline or specialty in accordance with this section. The  
12          policy must describe the circumstances that constitute the shortage. If a shortage of  
13          teachers exists as described in the policy, the district or attendance area shall notify the  
14          administrator of the teachers' retirement system (AS 14.25) that it is hiring retired

1 teachers under this section.

2 (b) A teacher who retired under AS 14.25.110(a) and is subsequently  
 3 reemployed under this section may, within 30 days after the date of reemployment,  
 4 elect to continue receiving retirement benefit payments under AS 14.25 during the  
 5 period of reemployment by filing a waiver of coverage as set out in AS 14.25.043(b).

6 (c) A school district or regional educational attendance area may not employ a  
 7 teacher, principal, or administrator who participated in a retirement incentive program  
 8 under ch. 26, SLA 1986; ch. 89, SLA 1989; ch. 65, SLA 1996; ch. 4, FSSLA 1996; or  
 9 ch. 92, SLA 1997, under this section.

10 (d) A retired teacher employed under this section is not eligible to acquire,  
 11 maintain, or reacquire tenure under AS 14.20.150.

12 \* **Sec. 2.** AS 14.25.040(a) is amended to read:

13 (a) Unless a teacher or member has elected to participate in the optional  
 14 university retirement program under AS 14.40.661 - 14.40.799 **or has filed an**  
 15 **election under AS 14.25.043(b)**, a teacher or member contracting for service with a  
 16 participating employer is subject to this chapter.

17 \* **Sec. 3.** AS 14.25.040(a) is amended to read:

18 (a) Unless a teacher or member has elected to participate in the optional  
 19 university retirement program under AS 14.40.661 - 14.40.799 [OR HAS FILED AN  
 20 ELECTION UNDER AS 14.25.043(b)], a teacher or member contracting for service with a  
 21 participating employer is subject to this chapter.

22 \* **Sec. 4.** AS 14.25.043 is amended to read:

23 **Sec. 14.25.043. Reemployment of retired members.** (a) If a retired member  
 24 again becomes an active member, benefit payments may not be made during the  
 25 period of reemployment **unless the teacher makes an election under (b) of this**  
 26 **section**. The retirement benefit must be suspended for the entire school year if the  
 27 teacher is reemployed as an active teacher for a period equivalent to a year of service.  
 28 During the period of reemployment, **the member is subject to AS 14.25.050 and**  
 29 deductions from the member's salary will be made in accordance with AS 14.25.050.

30 (b) **A school district or regional educational attendance area that has**  
 31 **adopted a policy that permits the employment of retired teachers in accordance**

1        with AS 14.20.135 shall notify the administrator that it is hiring retired teachers  
 2        under AS 14.20.135. A teacher who retired under AS 14.25.110(a) and  
 3        subsequently becomes an active member under a policy adopted in accordance  
 4        with AS 14.20.135 may, within 30 days of the date of reemployment, elect to  
 5        continue receiving benefit payments during the period of reemployment by filing  
 6        a waiver of coverage with the administrator on a form provided by the  
 7        administrator. An election under this subsection waives coverage for the period  
 8        of reemployment and is irrevocable during the period of reemployment.  
 9        Deductions from the member's salary may not be made under AS 14.25.050  
 10        during the period of reemployment, and the member may not receive credited  
 11        service for the period of reemployment. A member who participated in a  
 12        retirement incentive program under ch. 26, SLA 1986; ch. 89, SLA 1989; ch. 65,  
 13        SLA 1996; ch. 4, FSSLA 1996; or ch. 92, SLA 1997, is not eligible to make an  
 14        election under this subsection.

15        (c) Upon subsequent retirement, the retired member is entitled to receive an  
 16        additional benefit based on the credited service and the average base salary during the  
 17        period of reemployment in accordance with AS 14.25.110. If the initial benefit  
 18        payments to which the retired member is eligible have been actuarially reduced  
 19        because the member retired early under AS 14.25.110(b), the member shall also  
 20        receive an incremental benefit based on the amount of the actuarial reduction imposed  
 21        by AS 14.25.110(j) on the first benefit and the length of time that the employee was  
 22        reemployed and not receiving retirement benefits. The amount of the incremental  
 23        benefit is equal to the difference between the normal retirement benefit to which the  
 24        member would have been entitled had the member taken a normal retirement and the  
 25        early retirement benefit that the member has been receiving based on the member's  
 26        initial period of employment multiplied by the total number of months that the  
 27        member did not receive retirement benefits because of reemployment and that amount  
 28        actuarially adjusted to be paid over the expected lifetime of the member.

29        \* Sec. 5. AS 14.25.043(a) is amended to read:

30        (a) If a retired member again becomes an active member, benefit payments  
 31        may not be made during the period of reemployment [UNLESS THE TEACHER

1 MAKES AN ELECTION UNDER (b) OF THIS SECTION]. The retirement benefit  
 2 must be suspended for the entire school year if the teacher is reemployed as an active  
 3 teacher for a period equivalent to a year of service. During the period of  
 4 reemployment, [THE MEMBER IS SUBJECT TO AS 14.25.050 AND] deductions  
 5 from the member's salary will be made in accordance with AS 14.25.050.

6 \* **Sec. 6.** AS 14.25.168(d) is amended to read:

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

9 (1) a person who has less than 25 years of membership service and  
 10 who is younger than 60 years of age must pay an amount equal to the full monthly  
 11 group premium for retiree major medical insurance coverage;

12 (2) [A PERSON WHO IS AT LEAST 60 YEARS OF AGE BUT IS  
 13 YOUNGER THAN 65 YEARS OF AGE MUST PAY AN AMOUNT EQUAL TO  
 14 ONE-HALF OF THE FULL MONTHLY GROUP PREMIUM FOR RETIREE  
 15 MAJOR MEDICAL INSURANCE COVERAGE;

16 (3)] a disabled member, a disabled member who is appointed to  
 17 normal retirement, [OR] a person 60 [65] years of age or older, or a person who has  
 18 at least 25 years of membership service is not required to make premium payments.

19 \* **Sec. 7.** AS 39.35.120(b) is amended to read:

20 (b) Inclusion in the system is a condition of employment for an employee  
 21 except as otherwise provided for an

22 (1) elected official;

23 (2) employee making an election under AS 39.35.150(b); and

24 (3) [FOR AN] employee of the university who has elected to  
 25 participate in the optional university retirement program under AS 14.40.661 -  
 26 14.40.799.

27 \* **Sec. 8.** AS 39.35.150 is amended to read:

28 **Sec. 39.35.150. Re-employment of retired employees.** (a) If a retired  
 29 employee subsequently becomes an active member, benefit payments may not be  
 30 made during the period of re-employment unless the member makes an election  
 31 under (b) of this section. During the period of re-employment, deductions from the

1 employee's salary shall be made in accordance with AS 39.35.160. Upon subsequent  
 2 retirement, the retired employee is entitled to receive an additional pension based on  
 3 the credited service and the average monthly compensation earned during the period  
 4 of re-employment in accordance with AS 39.35.370.

5                   **(b) A member who retired under AS 39.35.370(a) and subsequently**  
 6                   **becomes an active member may, within 30 days of the date of reemployment,**  
 7                   **elect to continue receiving benefit payments during the period of reemployment**  
 8                   **by filing an election with the administrator on a form provided by the**  
 9                   **administrator. An election under this subsection waives coverage for the period**  
 10                   **of reemployment and is irrevocable during the period of reemployment. During**  
 11                   **the period of reemployment, deductions from the member's salary may not be**  
 12                   **made under AS 39.35.160 and the member may not receive credited service. A**  
 13                   **member who participated in a retirement incentive program under ch. 26, SLA**  
 14                   **1986; ch. 89, SLA 1989; ch. 65, SLA 1996; ch. 4, FSSLA 1996; or ch. 92, SLA**  
 15                   **1997, is not eligible to make an election under this subsection.**

16                   **(c) A member who has not made an election under (b) of this section is**  
 17                   **subject to AS 39.35.120 and 39.35.160.**

18                   **(d) If the initial benefit payments to which the retired member is eligible have**  
 19                   **been reduced because the member retired early under AS 39.35.370(b) or increased**  
 20                   **because the member elected to receive a level income option benefit under former**  
 21                   **AS 39.35.460, the member shall also receive an incremental benefit based on the**  
 22                   **amount of the reduction imposed by AS 39.35.370(b) or the increase under former**  
 23                   **AS 39.35.460 on the first benefit and the length of time that the employee was**  
 24                   **reemployed and not receiving retirement benefits. The amount of the incremental**  
 25                   **benefit is equal to the difference between the normal retirement benefit to which the**  
 26                   **member would have been entitled had the member taken a normal retirement and the**  
 27                   **early retirement benefit or benefit under the level income option that the member has**  
 28                   **been receiving based on the member's initial period of employment multiplied by the**  
 29                   **total number of months that the member did not receive retirement benefits because of**  
 30                   **reemployment and that amount actuarially adjusted to be paid over the expected**  
 31                   **lifetime of the member. In the case of a member who selected benefits under the level**

1                   income option, the total number of months may not include any month in which the  
 2                   member was 65 years of age or older.

3                   \* **Sec. 9.** AS 39.35.150(a) is amended to read:

4                   (a) If a retired employee subsequently becomes an active member, benefit  
 5                   payments may not be made during the period of re-employment [UNLESS THE  
 6                   MEMBER MAKES AN ELECTION UNDER (b) OF THIS SECTION]. During the  
 7                   period of re-employment, deductions from the employee's salary shall be made in  
 8                   accordance with AS 39.35.160. Upon subsequent retirement, the retired employee is  
 9                   entitled to receive an additional pension based on the credited service and the average  
 10                   monthly compensation earned during the period of re-employment in accordance with  
 11                   AS 39.35.370.

12                   \* **Sec. 10.** AS 39.35.535(c) is repealed and reenacted to read:

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

15                   (1) a person, other than a disabled member or a disabled member who  
 16                   is appointed to normal retirement, must pay an amount equal to the full monthly group  
 17                   premium for retiree major medical insurance coverage if the person is

18                   (A) younger than 60 years of age and has less than

19                   (i) 25 years of credited service as a peace officer under  
 20                   AS 39.35.360 and 39.35.370; or

21                   (ii) 30 years of credited service under AS 39.35.360 and  
 22                   39.35.370 that is not service as a peace officer; or

23                   (B) of any age and has less than 10 years of credited service;

24                   (2) a person is not required to make premium payments for retiree  
 25                   major medical coverage if the person

26                   (A) is a disabled member;

27                   (B) is a disabled member who is appointed to normal  
 28                   retirement;

29                   (C) is 60 years of age or older and has at least 10 years of  
 30                   credited service; or

31                   (D) has at least

- (i) 25 years of credited service as a peace officer under AS 39.35.360 and 39.35.370; or
- (ii) 30 years of credited service under AS 39.35.360 and 39.35.370 not as a peace officer.

\* **Sec. 11.** AS 39.35.675(b) is amended to read:

(b) The amount of a cost-of-living differential may not be included in the employee's compensation for purposes of calculating benefits paid under this chapter unless the employee has received a cost-of-living differential [IN A COMPARABLE AMOUNT OR OF AT LEAST THAT MANY STEPS] for at least 50 percent of the employee's credited service.

\* **Sec. 12.** AS 14.20.135; AS 14.25.043(b); AS 39.35.120(b)(2), 39.35.150(b), and 39.35.150(c) are repealed July 1, 2005.

\* **Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REPORT TO LEGISLATURE. Annually, beginning in 2002 and ending in 2006, the administrator of the teachers' retirement system shall report to the legislature by the 30th day of the regular legislative session concerning the effect of this Act on the retirement system.

\* **Sec. 14.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: REGULATIONS. (a) Notwithstanding sec. 17 of this Act, the Alaska Teachers' Retirement Board may immediately proceed to adopt regulations necessary to implement changes made by secs. 2, 4, and 6 of this Act. The regulations take effect under AS 14.25.022, but not before July 1, 2001.

(b) Notwithstanding sec. 17 of this Act, the Public Employees' Retirement Board may immediately proceed to adopt regulations necessary to implement changes made by secs. 7, 8, 10, and 11 of this Act. The regulations take effect under AS 39.35.042, but not before July 1, 2001.

\* **Sec. 15.** Sections 3, 5, 9, and 12 of this Act take effect July 1, 2005.

\* **Sec. 16.** Section 14 of this Act takes effect immediately under AS 01.10.070(c).

\* **Sec. 17.** Except as provided in secs. 15 and 16 of this Act, this Act takes effect July 1, 2001.