

HOUSE BILL NO. 354

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE MACKIE

Introduced: 12/29/95

Referred: Health, Education and Social Services, State Affairs, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to a retirement incentive program for certain employees of
2 school districts under the teachers' retirement system and the public employees'
3 retirement system; and providing for an effective date."

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

5 * **Section 1. PURPOSE.** Since it may be necessary for school districts who participate in
6 the state retirement systems to reduce their personal services costs because of declining state
7 revenue, reimplementation of the retirement incentive programs established by ch. 26, SLA
8 1986, as amended by ch. 76, SLA 1988, and by sec. 7, ch. 104, SLA 1989, and ch. 89, SLA
9 1989, as amended by sec. 8, ch. 104, SLA 1989, and by ch. 18, SLA 1990, encouraging
10 school district employees to retire voluntarily, will reduce the hardship of layoffs. This
11 program is intended to realize sufficient economies to offset the cost of administration and
12 benefits to school districts resulting from the award of retirement credits and to result in a net
13 reduction in personal services costs to school districts during a period of declining revenue.

1 section take priority over other obligations of the school district to the maximum extent
2 permitted by law.

3 (e) A member of the teachers' retirement system who participates in the retirement
4 incentive program is indebted to the system. The amount of indebtedness is equal to 25.95
5 percent of the member's actual compensation for the school year, or the calculated school year
6 compensation for a member who works less than the entire school year, for the school year
7 in which the member terminates employment to participate in the program. An outstanding
8 indebtedness at the time a participant is appointed to retirement will require an actuarial
9 adjustment to the benefits payable.

10 (f) A member of the public employees' retirement system who participates in the
11 retirement incentive program is indebted to the system. The amount of indebtedness is equal
12 to 20.25 percent of the member's actual annual compensation, or the calculated annual
13 compensation for a member who works fewer than 12 months, for the year in which the
14 member terminates employment to participate in the program. An outstanding indebtedness
15 at the time a participant is appointed to retirement will require an actuarial adjustment to the
16 benefits payable.

17 (g) A participant in the retirement incentive program receives a credit of three years.
18 The three years must be applied in the following order until exhausted:

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

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

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

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

26 (h) In the determination of whether a member will qualify to retire under this section,
27 credited service may include only,

28 (1) for members of the teachers' retirement system, service credit for
29 employment rendered to an employer, territorial service under AS 14.25.105, outside service
30 and military service under AS 14.25.060, and Alaska BIA service under AS 14.25.107;

31 (2) for members of the public employees' retirement system, service credit for

1 employment rendered to an employer.

2 (i) In order to establish eligibility for participation under (b) of this section, and in
3 addition to the employee indebtedness under (e) or (f) of this section, an employee may elect
4 to assume a portion of the school district liability calculated under (d) of this section. An
5 outstanding indebtedness at the time the employee is appointed to retirement will require an
6 actuarial adjustment to the employee's benefits.

7 * **Sec. 3. AUTHORIZATION FOR RETIREMENT INCENTIVE.** (a) A school district
8 is authorized to adopt a retirement incentive plan for its employees under sec. 2 of this Act.
9 A plan adopted under this section must permit designated employees to apply to the retirement
10 incentive program under sec. 2 of this Act only from June 30, 1996, through no later than
11 December 31, 1996.

12 (b) Under a plan adopted under this section, the administrator may not accept the
13 application of an employee unless the employee will be appointed to retirement on or before
14 August 1, 1997. The school district may set an earlier date by which employees of the school
15 district must be appointed to retirement in order to participate.

16 * **Sec. 4. RECOVERY OF SCHOOL DISTRICT DELINQUENCIES.** To recover a
17 delinquency owed by a school district under an agreement entered under sec. 2(d)(2) of this
18 Act, the Department of Administration may

19 (1) bring an action against the school district; or

20 (2) direct that the amount of the delinquency or a lesser amount be withheld
21 from any money payable to the school district by a state department or agency and that the
22 amount withheld be credited to the delinquency.

23 * **Sec. 5. REEMPLOYMENT INDEBTEDNESS.** (a) If a participant in the retirement
24 incentive program is reemployed after appointment to retirement under the program as a
25 member of the public employees' retirement system under AS 39.35, the teachers' retirement
26 system under AS 14.25, or the judicial retirement system under AS 22.25, the participant loses
27 the incentive credit received under sec. 2(g) of this Act and is indebted to the system. The
28 amount of the indebtedness is equal to 110 percent of the amount the participant received as
29 a result of participation in the program to which the participant was not otherwise entitled,
30 including the cost of health insurance. The participant is entitled to a credit to be applied
31 against the reemployment indebtedness in the amount the participant has paid under sec. 2(e),

1 (f), and (i) of this Act. Interest accrues on the indebtedness at the rate established by
2 regulation from the date of reemployment until the member is appointed to retirement and
3 accepts an actuarial adjustment to the member's future benefits or until the amount is paid in
4 full.

5 (b) Except as provided in this subsection, for three years after the date on which an
6 employee who participated in the program retired, the participant may not be employed by or
7 enter into a contract for personal services with a state department or agency. This subsection
8 does not prohibit

9 (1) the University of Alaska, during the three years immediately following the
10 employee's retirement, from entering into a personal services contract for the performance of
11 teaching or research duties with an employee who has participated in the program; or

12 (2) a participant in the program from accepting employment with the
13 legislature during the legislative session if the employment is on an hourly basis and if the
14 employment does not entitle the employee to receive retirement, health, or leave benefits.

15 (c) Notwithstanding the prohibition in (b) of this section, a school district may enter
16 into a personal services contract with an employee who has participated in the program if the
17 school district establishes to the satisfaction of the commissioner of administration that the
18 school district has a compelling reason to do so because of the employee's specialized or
19 extensive experience that relates to a particular program or project of the school district.

20 * **Sec. 6. PROGRAM CHANGES.** An employee does not have a vested or contractual
21 right to a benefit under this Act until an agreement is executed with the administrator that
22 permits the benefits to be offered to an organizational unit of which the employee is a
23 member. The legislature reserves the right to change any aspect of the retirement incentive
24 program as it relates to members of organizational units for which agreements are executed
25 by the administrator after the effective date of the changes.

26 * **Sec. 7. DEFINITIONS.** The definitions set out in AS 14.25.220 apply to secs. 2 - 7 of
27 this Act for members of the teachers' retirement system. The definitions set out in
28 AS 39.35.680 apply to secs. 2 - 7 of this Act for members of the public employees' retirement
29 system.

30 * **Sec. 8.** Sections 2 - 3 of this Act are repealed July 1, 1998.

31 * **Sec. 9.** This Act takes effect immediately under AS 01.10.070(c).