

**CS FOR HOUSE BILL NO. 354(STA)**

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

**NINETEENTH LEGISLATURE - SECOND SESSION**

**BY THE HOUSE STATE AFFAIRS COMMITTEE**

**Offered: 3/6/96**

**Referred: Finance**

**Sponsor(s): REPRESENTATIVE MACKIE**

**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 1986,  
8 as amended by ch. 76, SLA 1988, and by sec. 7, ch. 104, SLA 1989, and ch. 89, SLA 1989, as  
9 amended by sec. 8, ch. 104, SLA 1989, and by ch. 18, SLA 1990, encouraging school district  
10 employees to retire voluntarily, will reduce the hardship of layoffs. This program is intended  
11 to realize sufficient economies to offset the cost of administration and benefits to school districts  
12 resulting from the award of retirement credits and to result in a net reduction in personal services  
13 costs to school districts during a period of declining revenue.**

**14 \* Sec. 2. RETIREMENT INCENTIVE PROGRAM.** (a) A school district may adopt a

1 retirement incentive plan under sec. 3 of this Act to designate organizational units of employees  
2 eligible to participate in the retirement incentive program.

3 (b) The organizational units of a plan must be selected so that implementation of the  
4 plan results in maximum savings to the school district in personal services costs within five years  
5 after the commencement of the plan. A plan that results in savings in personal services costs  
6 in any amount that is in excess of all costs to the school district qualifies under this subsection.  
7 The designation may include only representatives from job classifications whose inclusion  
8 contributes to the overall cost savings.

9 (c) A member is eligible to participate in the retirement incentive program only if the  
10 member is vested, is employed in a position in a designated organizational unit, and will be  
11 qualified to retire under AS 14.25.110 or AS 39.35.370 after receipt of the retirement incentive.  
12 To participate, a member shall apply on a form provided by the administrator.

13 (d) A participating school district shall prepare and file the retirement incentive plan  
14 with the commissioner of education. The commissioner shall review the plan and certify it  
15 only if the plan as proposed by the school district will result in a savings for the district. If  
16 certified by the commissioner, the participating school district shall file the plan and the  
17 certification with the administrator. The administrator shall approve the plan if it is certified by  
18 the commissioner of education and if it meets the requirements of this section. The plan must

19 (1) identify organizational units and employees eligible to participate in the  
20 program;

21 (2) include a reimbursement agreement that

22 (A) requires the school district, for each employee who is retired under  
23 the plan, to reimburse the system within three years after the end of the fiscal year in  
24 which the employee is appointed to retirement in an amount equal to

25 (i) the actuarial equivalent of the difference between the benefits  
26 the participant receives after the addition of the retirement incentive under this  
27 section and the amount the participant would have received without the incentive,  
28 less the total of the amount the participant has paid on the indebtedness  
29 determined under (e) or (f) of this section and the amount paid under (i) of this  
30 section, if any; and

31 (ii) an appropriate share of the administrative costs of the  
32 program; and

1 (B) provides that contributions from the school district under this section  
2 take priority over other obligations of the school district to the maximum extent  
3 permitted by law.

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

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

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

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

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

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

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

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

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

32 (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 is  
8 authorized to adopt a retirement incentive plan for its employees under sec. 2 of this Act. A  
9 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 Act,  
18 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 member  
25 of the public employees' retirement system under AS 39.35, the teachers' retirement system  
26 under AS 14.25, or the judicial retirement system under AS 22.25, the participant loses the  
27 incentive credit received under sec. 2(g) of this Act and is indebted to the system. The amount  
28 of the indebtedness is equal to 110 percent of the amount the participant received as a result of  
29 participation in the program to which the participant was not otherwise entitled, including the  
30 cost of health insurance. The participant is entitled to a credit to be applied against the  
31 reemployment indebtedness in the amount the participant has paid under sec. 2(e), (f), and (i)  
32 of this Act. Interest accrues on the indebtedness at the rate established by regulation from the

1 date of reemployment until the member is appointed to retirement and accepts an actuarial  
2 adjustment to the member's future benefits or until the amount is paid in full.

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

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

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

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

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

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

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

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