

CS FOR HOUSE BILL NO. 354(FIN)(title am)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Amended: 4/16/96

Offered: 4/12/96

Sponsor(s): REPRESENTATIVES MACKIE, Mulder, Kubina, G.Davis, Nicholia

SENATORS Halford, Taylor, Pearce, Zharoff, Salo, Green

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 under the public
3 employees' 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 and designate categories of employees eligible
2 to participate in that plan. An employer need not extend the incentive plan to all employees
3 who would otherwise be eligible, but may choose to extend the plan only to employees

4 (1) in specific budget or administrative components of the employer;

5 (2) in specific job classifications;

6 (3) in specific geographic locations; or

7 (4) on the basis of any combination of factors under (1) - (3) of this
8 subsection.

9 (b) The categories of employees eligible to participate in a plan must be selected so that
10 implementation of the plan results in maximum savings to the school district in personal services
11 costs within five years after the commencement of the plan. A plan that results in savings in
12 personal services costs in any amount that is in excess of all costs to the school district qualifies
13 under this subsection. The designation may include only representatives from job classifications
14 whose inclusion contributes to the overall cost savings.

15 (c) A member is eligible to participate in the retirement incentive program only if the
16 member is vested, is employed in a position designated as eligible to participate under (a) of this
17 section, and will be qualified to retire under AS 14.25.110 or AS 39.35.370 after receipt of the
18 retirement incentive. To participate, a member shall apply on a form provided by the
19 administrator.

20 (d) A participating school district shall prepare and file the retirement incentive plan
21 with the commissioner of administration. The commissioner shall review the plan and certify
22 it only if the plan as proposed by the school district will result in a savings for the district.
23 The administrator shall review the plan and advise the commissioner whether it complies with
24 the requirements of this section. The administrator shall approve the plan if it is certified by the
25 commissioner of administration and if it meets the requirements of this section. The plan must

26 (1) identify job classifications of employees and specific budget or administrative
27 components eligible to participate in the program;

28 (2) include a reimbursement agreement that

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

32 (i) the actuarial equivalent of the difference between the benefits

1 the participant receives after the addition of the retirement incentive under this
2 section and the amount the participant would have received without the incentive,
3 less the total of the amount the participant has paid on the indebtedness
4 determined under (e) or (f) of this section and the amount paid under (i) of this
5 section, if any; and

6 (ii) an appropriate share of the administrative costs of the
7 program; and

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

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

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

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

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

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

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

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

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

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

7 (2) for members of the public employees' retirement system, service credit for
8 employment rendered to an employer.

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

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

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

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

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

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

30 * **Sec. 5. REEMPLOYMENT INDEBTEDNESS.** (a) If a participant in the retirement
31 incentive program is reemployed after appointment to retirement under the program as a member
32 of the public employees' retirement system under AS 39.35, the teachers' retirement system

1 under AS 14.25, or the judicial retirement system under AS 22.25, the participant loses the
2 incentive credit received under sec. 2(g) of this Act and is indebted to the system. The amount
3 of the indebtedness is equal to 110 percent of the amount the participant received as a result of
4 participation in the program to which the participant was not otherwise entitled, including the
5 cost of health insurance. The participant is entitled to a credit to be applied against the
6 reemployment indebtedness in the amount the participant has paid under sec. 2(e), (f), and (i)
7 of this Act. Interest accrues on the indebtedness at the rate established by regulation from the
8 date of reemployment until the member is appointed to retirement and accepts an actuarial
9 adjustment to the member's future benefits or until the amount is paid in full.

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

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

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

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

25 * **Sec. 6. PROGRAM CHANGES.** An employee does not have a vested or contractual right
26 to a benefit under this Act until an agreement is executed with the administrator that authorizes
27 the employee to participate in the retirement incentive program under this Act. The legislature
28 reserves the right to change any aspect of the retirement incentive program as it relates to
29 employees for whom participation agreements are executed by the administrator after the
30 effective date of the changes.

31 * **Sec. 7. DEFINITIONS.** (a) The definitions set out in AS 14.25.220 apply to secs. 2 - 7
32 of this Act for members of the teachers' retirement system. The definitions set out in

1 AS 39.35.680 apply to secs. 2 - 7 of this Act for members of the public employees' retirement
2 system.

3 (b) In this Act, "school district" means a city or borough school district or a regional
4 educational attendance area.

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

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