

**CS FOR SENATE BILL NO. 148(RLS) am(efd fld)**

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

**NINETEENTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE RULES COMMITTEE**

**Amended: 5/3/95**

**Offered: 5/2/95**

**Sponsor(s): SENATE FINANCE COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to contributions and benefits in the teachers' retirement system  
2 and in the public employees' retirement system; relating to retirement incentive  
3 programs for the public employees' retirement system and the teachers'  
4 retirement system; relating to separation incentives for certain state employees;  
5 repealing a provision permitting the National Education Association to participate  
6 in the teachers' retirement system."

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

8 \* **Section 1.** AS 14.25.040(a) is amended to read:

9 (a) Unless a teacher or member has elected to participate in the optional  
10 university retirement program under AS 14.40.661 - 14.40.799, a teacher or member  
11 contracting for service with a participating employer is subject to this chapter. A  
12 school board shall, by resolution, elect whether to participate in the reduction in  
13 contributions and benefits enacted by this Act and shall inform the administrator

1 of its decision. For school boards in existence on January 31, 1996, the board  
2 shall inform the administrator no later than February 1, 1996. A school board  
3 that comes into existence after January 31, 1996, shall inform the administrator  
4 whether it elects to be a participating or nonparticipating employer. A school  
5 board that elects to participate in the reductions may not later revoke its  
6 participation.

7 \* Sec. 2. AS 14.25.050(a) is amended to read:

8 (a) A [BEGINNING JANUARY 1, 1991, EACH] teacher who is first hired  
9 on or after March 31, 1996, by the Department of Education, the University of  
10 Alaska, or a participating school district shall contribute to the system an amount  
11 equal to 5.5 percent of the teacher's base salary accrued from July 1 to the  
12 following June 30. A teacher who is first hired before March 31, 1996, or who  
13 was hired by a nonparticipating school district on or after March 31, 1996, shall  
14 contribute to the system an amount equal to 8.65 percent of the teacher's base salary  
15 accrued from July 1 to the following June 30. The employer shall deduct the  
16 contribution from the teacher's salary at the end of each payroll period. The  
17 contributions shall be deducted from employee compensation before the computation  
18 of applicable federal taxes and shall be treated as employer contributions under 26  
19 U.S.C. 414(h)(2).

20 \* Sec. 3. AS 14.25.070 is amended to read:

21 Sec. 14.25.070. CONTRIBUTIONS BY EMPLOYER. For employees first  
22 hired before March 31, 1996, and for employees hired after that date by a  
23 nonparticipating school district, an [AN] employer shall contribute to the system an  
24 amount equal to the percentage, as certified by the administrator, of the sum total of  
25 the base salaries of all those teachers that is required in addition to teacher  
26 contributions to provide the benefits of this chapter for those teachers times the sum  
27 total of the base salaries paid to those teachers by the employer. For teachers first  
28 hired on or after March 31, 1996, by the Department of Education, the University  
29 of Alaska, or a participating school district, the percentage that the employer shall  
30 contribute shall be computed under this section with the data that applies to those  
31 teachers.

1 \* **Sec. 4.** AS 14.25.110(a) is amended to read:

2 (a) Subject to AS 14.25.167, a member is eligible for a normal retirement  
3 benefit if the member was first hired

4 (1) [WAS FIRST HIRED] before July 1, 1975, has attained the age of  
5 55 years, and has at least 15 years of credited service, the last five of which have been  
6 membership service or is otherwise vested in the system;

7 (2) on or after July 1, 1975, and before March 31, 1996, or after  
8 March 31, 1996, by a nonparticipating school district, has attained the age of 60  
9 years, and has at least eight years of membership service;

10 (3) before March 31, 1996, or on or after that date by a  
11 nonparticipating school district, has attained the age of 60 years, has at least five  
12 years of membership service, and has at least three years of Alaska BIA service;

13 (4) on or after March 31, 1996, by the Department of Education,  
14 the University of Alaska, or participating school district and

15 (A) has attained the age of 60 years and has at least five  
16 years of membership service; or

17 (B) the sum of the member's age plus the member's years  
18 of membership service equals or exceeds 85;

19 (5) before March 31, 1996, or on or after that date by a  
20 nonparticipating school district and [(4)] has at least 25 years of credited service,  
21 the last five of which have been membership service;

22 (6) before March 31, 1996, or on or after that date by a  
23 nonparticipating school district and [(5)] has at least 20 years of membership  
24 service;

25 (7) before March 31, 1996, or on or after that date by a  
26 nonparticipating school district and [(6)] has at least 20 years of combined  
27 membership service and Alaska BIA service, the last five of which have been  
28 membership service; or

29 (8) before March 31, 1996, or on or after that date by a  
30 nonparticipating school district and [(7)] has, for each of 20 school years,

31 (A) at least one-half year of membership service as a part-time

1 teacher;

2 (B) one full year of membership service as a full-time teacher;

3 or

4 (C) any combination of service qualified under this paragraph.

5 \* **Sec. 5.** AS 14.25.110(d) is amended to read:

6 (d) The monthly amount of a retirement benefit for a member who has paid  
7 the full amount of any indebtedness is one-twelfth of the member's average base salary  
8 during any three school years of membership service multiplied **for members first**  
9 **hired**

10 **(1) before March 31, 1996, or on or after that date by a**  
11 **nonparticipating school district** by

12 **(A) [(1)]** two percent of the years of credited service earned  
13 before June 30, 1990, including credited fractional years, and the years of  
14 credited service through a total of 20 years; plus

15 **(B) [(2)]** two and one-half percent of the years of credited  
16 service earned after June 30, 1990, that are more than 20 years of total credited  
17 service; **or**

18 **(2) on or after March 31, 1996, by the Department of Education,**  
19 **the University of Alaska, or a participating school district by one and one-half**  
20 **percent of the years of credited service.**

21 \* **Sec. 6.** AS 14.25.110(j) is amended to read:

22 (j) **For teachers first hired before March 31, 1996, or on or after that date**  
23 **by a nonparticipating school district, an** [AN] actuarial adjustment must be made  
24 to benefits payable under (d) of this section for early retirement. **For teachers first**  
25 **hired on or after March 31, 1996, by the Department of Education, the University**  
26 **of Alaska, or a nonparticipating school district, the monthly amount of a**  
27 **retirement benefit that would be due under (d) of this section shall be reduced by**  
28 **multiplying one-half of one percent times the number of months, to the nearest**  
29 **month, by which the retirement date of the teacher falls short of the date on**  
30 **which the teacher reaches 60 years of age.**

31 \* **Sec. 7.** AS 14.25.143(a) is amended to read:

1 (a) Once each year, the administrator shall increase benefit payments to  
2 (1) eligible disabled members;  
3 (2) [, TO] persons age 60 or older receiving benefits under this system  
4 in the preceding calendar year;  
5 (3) members who were first hired before March 31, 1996, or on or  
6 after that date by a nonparticipating school district [, AND TO PERSONS] who  
7 have received benefits under this system for at least eight years **and** who are not  
8 otherwise eligible for an increase under this section; **and**  
9 (4) survivors of members described in (3) of this subsection when  
10 the member and the survivor have together received benefits under this system  
11 for at least eight years.

12 \* **Sec. 8.** AS 14.25.143(b) is amended to read:

13 (b) The increase in benefit payments applies to total benefit payments except  
14 for the cost-of-living allowance under AS 14.25.142. **For members first hired on or**  
15 **after March 31, 1996, by the Department of Education, the University of Alaska,**  
16 **or a participating school district, the amount of the increase is the lesser of 50**  
17 **percent of the increase in the cost-of-living in the preceding calendar year or six**  
18 **percent. For members first hired before March 31, 1996, or on or after that date**  
19 **by a nonparticipating school district, the** [THE] amount of the increase is a  
20 percentage of the current benefit equal to

21 (1) the lesser of 75 percent of the increase in the cost of living in the  
22 preceding calendar year or nine percent, for recipients who on July 1 are at least 65  
23 years old and for members receiving disability benefits; and

24 (2) the lesser of 50 percent of the increase in the cost of living in the  
25 preceding calendar year or six percent, for recipients who on July 1 are at least 60 but  
26 less than 65 years old or for recipients who on July 1 are less than 60 years old but  
27 who have received benefits from the system for at least eight years.

28 \* **Sec. 9.** AS 14.25.167(a) is amended to read:

29 (a) Benefits payable under this section are in place of benefits payable under  
30 AS 14.25.110, 14.25.125, 14.25.155, 14.25.157, 14.25.160, 14.25.162, or 14.25.164.  
31 Upon filing an application for retirement with the administrator, or when a disabled

1 member becomes eligible for normal retirement under AS 14.25.130(e), the member  
2 shall designate the person who is the member's spouse at the time of appointment to  
3 retirement as the contingent beneficiary. However, if the designation of the spouse is  
4 revoked under (c) of this section, the member may designate a dependent approved by  
5 the administrator as the contingent beneficiary or may take normal or early retirement  
6 under AS 14.25.110 or 14.25.125. The administrator shall pay benefits under the  
7 option elected by the member. The member may elect an option that provides that

8 (1) the member is entitled to receive a reduced benefit payable for life,  
9 and, after the member's death, the contingent beneficiary is entitled to receive  
10 payments in the amount of 75 percent of the reduced benefit for life;

11 (2) the member is entitled to receive a reduced benefit payable for life,  
12 and, after the member's death, the contingent beneficiary is entitled to receive  
13 payments in the amount of 50 percent of the reduced benefit for life; or

14 (3) **for members first hired before March 31, 1996, or on or after**  
15 **that date by a nonparticipating school district,** the member is entitled to receive a  
16 reduced benefit payable during the joint lifetime of the member and the contingent  
17 beneficiary, and, after the death of either the member or the contingent beneficiary, the  
18 survivor is entitled to receive payments in the amount of 66-2/3 percent of the reduced  
19 benefit for life.

20 \* **Sec. 10.** AS 14.25.168(d) is amended to read:

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

23 (1) a person who is younger than 60 years of age must pay an amount  
24 equal to the full monthly group premium for retiree major medical insurance coverage;

25 (2) a person who is at least 60 years of age but is younger than 65  
26 years of age must pay an amount equal to one-half of the full monthly group premium  
27 for retiree major medical insurance coverage;

28 (3) a disabled member or a person 65 years of age or older is not  
29 required to make premium payments;

30 (4) **a benefit recipient who was first hired on or after March 31,**  
31 **1996, by the Department of Education, University of Alaska, or a participating**

1 school district who is electing major medical insurance coverage for dependents  
2 eligible under (a)(2) or (3) of this section shall pay the full cost of that insurance.

3 \* Sec. 11. AS 14.25.220(42) is amended to read:

4 (42) "vested member" or "vested teacher" means an active member who  
5 has completed either

6 (A) 15 years of service, the last five of which have been  
7 membership service, for a member first hired before July 1, 1975;

8 (B) eight years of membership service if the member was first  
9 hired before March 31, 1996, or on or after that date by a  
10 nonparticipating school district;

11 (C) five years of membership and three years of BIA service if  
12 the member was first hired before March 31, 1996, or on or after that date  
13 by a nonparticipating school district; [OR]

14 (D) 12 school years of part-time membership service or 12  
15 school years in each of which the member earned either part-time or full-time  
16 membership service; or

17 (E) five years of membership service if the member was first  
18 hired on or after March 31, 1996, by the Department of Education,  
19 University of Alaska, or a participating school district;

20 \* Sec. 12. AS 14.25.220 is amended by adding new paragraphs to read:

21 (44) "nonparticipating school district" means a school district that has  
22 chosen under AS 14.25.040(a) not to participate in the amendments to this chapter and  
23 AS 39.35 that reduce retirement contribution rates and benefits;

24 (45) "participating school district" means a school district that has  
25 chosen under AS 14.25.040(a) to participate in the amendments to this chapter and  
26 AS 39.35 that reduce retirement contribution rates and benefits.

27 \* Sec. 13. AS 39.35.160(a) is amended to read:

28 (a) A [BEGINNING JANUARY 1, 1987, EACH] peace officer or fire fighter  
29 who is first hired on or after March 31, 1996, other than an employee of a  
30 nonparticipating employer, shall contribute to the system an amount equal to six  
31 percent of the peace officer's or fire fighter's compensation. A peace officer or

1 fire fighter who is first hired before March 31, 1996, or who is an employee of a  
2 nonparticipating employer, shall contribute to the system an amount equal to seven  
3 and one-half percent of the peace officer's or fire fighter's compensation. **Except for**  
4 **employees of nonparticipating employers, each** [BEGINNING JANUARY 1, 1987,  
5 EACH] other employee who is first hired on or after March 31, 1996, shall  
6 contribute to the system an amount equal to five and one-half percent of the  
7 employee's compensation. Each other employee who is first hired before  
8 March 31, 1996, or on or after that date by a nonparticipating employer shall  
9 contribute to the system an amount equal to six and three-quarters percent of the  
10 employee's compensation. The contributions shall be deducted by the employer at the  
11 end of each payroll period. The contributions shall be deducted from employee  
12 compensation before computation of applicable federal taxes, and the contributions  
13 shall be treated as employer contributions under 26 U.S.C. 414(h)(2).

14 \* **Sec. 14.** AS 39.35.250 is amended to read:

15 Sec. 39.35.250. CALCULATION OF EMPLOYER'S CONTRIBUTION RATE.

16 (a) An employer shall make contributions to the system in amounts determined in  
17 accordance with this section. For the purposes of this section, the past service date for  
18 each employer **for employees first hired before March 31, 1996, and for employees**  
19 **hired on or after that date by nonparticipating employers** is the entry date of the  
20 employer or December 31, 1972, whichever is later. **The past service date for**  
21 **employees first hired on or after March 31, 1996, other than employees of**  
22 **nonparticipating employers, is the entry date of the employer or March 31, 1996,**  
23 **whichever is later.** After December 31, 1972, if amendments to this chapter are  
24 enacted that substantially affect benefits accrued before the effective date of the  
25 amendment, the past service date will be changed to December 31 of the year  
26 immediately preceding that in which the amendment is enacted. The contribution rate  
27 **for employees first hired before March 31, 1996, and for employees hired on or**  
28 **after that date by nonparticipating employers,** is the sum of the consolidated  
29 employer rate **for those employees** and the past service rate **that applies to those**  
30 **employees. The contribution rate for employees first hired on or after March 31,**  
31 **1996, other than employees of nonparticipating employers, is the sum of the**



1 consolidated employer rate for those employees and the past service rate that  
2 applies to those employees.

3 (b) In (a) of this section, "consolidated employer rate" for employees first  
4 hired before March 31, 1996, and for employees hired on or after that date by  
5 nonparticipating employers means the percentage of compensation of all those active  
6 employees in the system which, if paid over the period of their credited service after  
7 the [THEIR] past service date of those employees and when combined with all  
8 employee contributions from those employees, is sufficient to provide the benefits  
9 earned after such past service dates. This percentage is uniformly determined for all  
10 employers for employees first hired before March 31, 1996, and for employees  
11 hired on or after that date by nonparticipating employers and is applicable to each  
12 employer. The consolidated employer rate for employees first hired on or after  
13 March 31, 1996, other than employees of nonparticipating employers, shall be  
14 separately determined under this subsection with the data that applies to those  
15 employees.

16 (c) In (a) of this section, "past service rate" for employees first hired before  
17 March 31, 1996, and for employees hired on or after that date by  
18 nonparticipating employers means the percentage of compensation of all those active  
19 employees in the system necessary to provide the annual amount required to amortize  
20 the unfunded obligations of the employer for benefits earned by those employees  
21 before the employer's past service date over a period not to exceed 40 years. The  
22 period of amortization begins at the past service date of each employer. The  
23 percentage is separately determined for each employer. The past service rate for  
24 employees first hired on or after March 31, 1996, and employees hired on or after  
25 that date by nonparticipating employers shall be separately determined under this  
26 subsection with the data that applies to those employees.

27 \* **Sec. 15.** AS 39.35.370(a) is amended to read:

28 (a) Subject to AS 39.35.450, a terminated employee is eligible for a normal  
29 retirement benefit

30 (1) at age 60 with at least five years credited service; [,] or

31 (2) with at least 20 years of credited service as a peace officer or fire

1 fighter for peace officers or fire fighters first hired before March 31, 1996, or  
2 hired on or after that date by a nonparticipating employer; [ , OR]

3 (3) with at least 25 years of credited service as a peace officer or  
4 fire fighter for peace officers and fire fighters first hired on or after March 31,  
5 1996, other than employees of nonparticipating employers;

6 (4) with at least 30 years of credited service for all other employees if  
7 the employee was first hired before March 31, 1996, or if the employee was hired  
8 on or after that date by a nonparticipating employer; or

9 (5) with a combination of age and years of credited service equal  
10 to or greater than 85.

11 \* Sec. 16. AS 39.35.370(b) is amended to read:

12 (b) Subject to AS 39.35.450, a terminated employee is eligible for an early  
13 retirement benefit at age 55 with at least five years credited service. For employees  
14 first hired before March 31, 1996, and for employees hired on or after that date  
15 by nonparticipating employers, an [AN] actuarial adjustment must be made to  
16 retirement benefits paid under this section for an early retirement benefit. For  
17 employees first hired on or after March 31, 1996, other than employees of  
18 nonparticipating employers, the monthly amount of a retirement benefit that  
19 would be due under (c) of this section shall be reduced by multiplying one-half  
20 of one percent times the number of months, to the nearest month, by which the  
21 retirement date of the employee falls short of the date that the employee reaches  
22 age 60.

23 \* Sec. 17. AS 39.35.370(c) is amended to read:

24 (c) For employees first hired on or after March 31, 1996, other than for  
25 employees of nonparticipating employers, the monthly amount of a retirement  
26 benefit is one and one-half percent of the average monthly compensation times the  
27 years of credited service. The monthly amount of a retirement benefit for a peace  
28 officer or fire fighter first hired before March 31, 1996, and for a peace officer or  
29 fire fighter hired on or after that date by a nonparticipating employer, is two  
30 percent of the average monthly compensation times the years of credited service  
31 through 10 years, plus two and one-half percent of the average monthly compensation

1 times the years of service over 10 years. For all other employees **first hired before**  
2 **March 31, 1996, and for other employees of nonparticipating employers first hired**  
3 **on or after that date**, it is

4 (1) two percent of the average monthly compensation times all years  
5 of service before July 1, 1986, and for years of service through a total of 10 years;  
6 plus

7 (2) two and one-quarter percent of the average monthly compensation  
8 times all years of service after June 30, 1986, over 10 years of total service through  
9 20 years; plus

10 (3) two and one-half percent of the average monthly compensation  
11 times all years of service after June 30, 1986, over 20 years of total service.

12 \* **Sec. 18.** AS 39.35.450(a) is amended to read:

13 (a) Benefits payable under this section are in place of benefits payable under  
14 AS 39.35.370, 39.35.385, and 39.35.460. Upon filing an application with the  
15 administrator or when a disabled employee first attains eligibility for normal retirement  
16 under AS 39.35.400(f) or 39.35.410(h), the employee shall designate the person who  
17 is the employee's spouse at the time of appointment to retirement as the contingent  
18 beneficiary. However, if the designation of the spouse is revoked under (c) of this  
19 section, the employee may designate a dependent approved by the administrator as the  
20 contingent beneficiary or may take normal or early retirement under AS 39.35.370 or  
21 39.35.385 or a level income option under AS 39.35.460. The administrator shall pay  
22 benefits under the option elected by the employee. The employee may elect an option  
23 that provides that

24 (1) the employee is entitled to receive a reduced benefit payable for  
25 life, and, after the employee's death, the contingent beneficiary is entitled to payments  
26 in the amount of 75 percent of the reduced benefit payable for life;

27 (2) the employee is entitled to receive a reduced benefit payable for  
28 life, and, after the employee's death, the contingent beneficiary is entitled to receive  
29 payments in the amount of 50 percent of the reduced benefit payable for life;

30 (3) **for employees first hired before March 31, 1996, or hired on or**  
31 **after that date by a nonparticipating employer**, the employee is entitled to receive

1 a reduced benefit payable during the joint lifetime of the employee and the contingent  
2 beneficiary, and, after the death of either the employee or the contingent beneficiary,  
3 the survivor is entitled to receive payments in the amount of 66 2/3 percent of the  
4 reduced benefit payable for life.

5 \* **Sec. 19.** AS 39.35.460 is amended to read:

6 Sec. 39.35.460. LEVEL INCOME OPTION. **For an employee first hired**  
7 **before March 31, 1996, or hired on or after that date by a nonparticipating**  
8 **employer, if** [IF] the payment of a retirement pension begins before age 65, the  
9 amount of pension payable before and after that age may be adjusted so that an  
10 increased amount will be paid before the time that full social security benefits become  
11 available and a reduced amount after that time, so that the employee may receive a  
12 more level income for life. The aggregate value of all adjusted payments may not  
13 exceed the actuarial equivalent of the value of the pension otherwise payable to the  
14 employee.

15 \* **Sec. 20.** AS 39.35.475(a) is amended to read:

16 (a) Once each year the administrator shall increase benefit payments to

17 (1) eligible disabled members;

18 (2) [, TO] persons age 60 or older receiving benefits under this system  
19 in the preceding calendar year;

20 (3) **members who were first hired before March 31, 1996, or who**  
21 **were hired on or after that date by a nonparticipating employer** [, AND TO  
22 PERSONS] who have received benefits under this system for at least five years **and**  
23 who are not otherwise eligible for an increase under this section; **and**

24 (4) **survivors of members described in (3) of this subsection when**  
25 **the member and the survivor have together received benefits under this system**  
26 **for at least five years.**

27 \* **Sec. 21.** AS 39.35.475(b) is amended to read:

28 (b) The increase in benefit payments applies to total benefit payments except  
29 for the cost-of-living allowance under AS 39.35.480. **For members first hired on or**  
30 **after March 31, 1996, other than employees of a nonparticipating employer, the**  
31 **amount of the increase is a percentage of the current benefit equal to the lesser**

1 of 50 percent of the increase in the cost of living in the preceding calendar year  
2 or six percent. For members first hired before March 31, 1996, or hired on or  
3 after that date by a nonparticipating employer, the [THE] amount of the increase  
4 is a percentage of the current benefit equal to

5 (1) the lesser of 75 percent of the increase in the cost of living in the  
6 preceding calendar year or nine percent, for recipients who on July 1 are at least 65  
7 years old and for members receiving disability benefits; and

8 (2) the lesser of 50 percent of the increase in the cost of living in the  
9 preceding calendar year or six percent, for recipients who on July 1 are at least 60 but  
10 less than 65 years old or for recipients who are less than 60 years old on July 1 but  
11 who have received benefits from the system for at least five years.

12 \* **Sec. 22.** AS 39.35.535(c) is amended 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 who is younger than 60 years of age must pay an amount  
16 equal to the full monthly group premium for retiree major medical insurance coverage;

17 (2) a person who is at least 60 years of age but is younger than 65  
18 years of age must pay an amount equal to one-half of the full monthly group premium  
19 for retiree major medical insurance coverage;

20 (3) a disabled member or a person 65 years of age or older is not  
21 required to make premium payments;

22 **(4) a benefit recipient who is first hired on or after March 31, 1996,**  
23 **other than a recipient receiving benefits through a nonparticipating employer,**  
24 **who is electing major medical insurance coverage for dependents eligible under**  
25 **(a)(2) and (3) of this section shall pay the full cost of that insurance.**

26 \* **Sec. 23.** AS 39.35 is amended by adding a new section to read:

27 Sec. 39.35.565. PARTICIPATION IN REDUCED CONTRIBUTIONS AND  
28 BENEFITS. A political subdivision or public organization participating in the system  
29 on January 31, 1996, shall, by resolution, elect whether to participate in the reduction  
30 in contributions and benefits enacted by this Act and shall inform the administrator of  
31 its decision no later than February 1, 1996. A political subdivision or public

1 organization that becomes an employer in the system on or after February 1, 1996,  
2 shall inform the administrator whether it has elected to be a nonparticipating employer.  
3 A political subdivision or public organization that is an employer in the system that  
4 elects to participate in the reductions may not later decide to participate in the system  
5 as it existed before amendment by this Act.

6 \* **Sec. 24.** AS 39.35.680 is amended by adding a new paragraph to read:

7 (41) "nonparticipating employer" means a political subdivision or public  
8 organization that is an employer under this system that has chosen under AS 39.35.565  
9 not to participate in the amendments to this chapter enacted in this Act.

10 \* **Sec. 25.** FINDINGS AND PURPOSE AS TO SECS. 25 - 38. The State of Alaska and  
11 many local governments and school districts are facing the need to restructure their operations  
12 and their work forces in order to reduce expenditures and balance budgets. Retirement and  
13 separation incentives are management tools that have been used extensively by the private  
14 sector, the federal government, and other state and local governments across the country. The  
15 purpose of secs. 25 - 38 of this Act is to make these management tools temporarily available  
16 to the state and to the municipalities and school districts of the state. Sections 25 - 38 of this  
17 Act will enable these entities to be more efficient and cost-effective by eliminating certain  
18 nonessential positions, and producing a net reduction in personnel costs.

19 \* **Sec. 26.** RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a  
20 retirement incentive plan under secs. 27 - 30 of this Act, as appropriate, and designate  
21 categories of employees eligible to participate in that plan. An employer need not extend the  
22 incentive plan to all employees who would otherwise be eligible, but may choose to extend  
23 the plan only to employees

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

25 (2) in specific job classifications;

26 (3) in specific geographic locations; or

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

29 (b) An employee is eligible to participate in a retirement incentive plan under secs. 25  
30 - 38 of this Act only if the

31 (1) employee is a vested member of the public employees' retirement system

1 or the teachers' retirement system;

2 (2) employee will be qualified to retire under AS 14.25.110 or AS 39.35.370  
3 after receipt of the credit described in (f) of this section;

4 (3) savings to the employer in personal services costs for the employee's  
5 position will exceed the costs to the employer for that position within three years after the  
6 employee is appointed to retirement.

7 (c) An employer shall file its proposed retirement incentive plan with the  
8 commissioner of administration. The commissioner shall approve the plan if the plan meets  
9 the requirements of secs. 25 - 38 of this Act, except that the commissioner may approve a  
10 state agency's retirement incentive plan only if the office of management and budget approves  
11 the calculation of savings under (b)(3) of this section. A proposed plan filed under this  
12 section must

13 (1) identify job classifications of employees, and specific budget or  
14 administrative components, eligible to participate in the plan;

15 (2) include a reimbursement agreement that

16 (A) requires the employer, for each employee who retires under the  
17 plan, to reimburse the appropriate retirement system, within three years after the end  
18 of the fiscal year in which the employee is appointed to retirement, in an amount equal  
19 to

20 (i) the actuarial equivalent of the difference between the benefits  
21 the participant receives after the addition of the credit under (f) of this section  
22 and the amount the participant would have received without the credit, less the  
23 amount the participant has paid on the indebtedness determined under (d) or (e)  
24 of this section; and

25 (ii) an appropriate share of the administrative costs of the  
26 program; and

27 (B) provides that contributions from the employer under this section  
28 take priority over other obligations of the employer to the maximum extent permitted  
29 by law.

30 (d) A member of the teachers' retirement system who participates in an approved  
31 retirement incentive plan under secs. 25 - 38 of this Act is indebted to that system for an

1 amount calculated under this subsection. The indebtedness is 25.95 percent of the member's  
2 actual compensation for the school year in which the member terminates employment, or the  
3 calculated school year compensation for a member who works less than the entire school year.  
4 An outstanding indebtedness at the time a member is appointed to retirement under an  
5 approved retirement incentive plan requires an actuarial adjustment to the benefits payable to  
6 that member.

7 (e) A member of the public employees' retirement system who participates in an  
8 approved retirement incentive plan under secs. 25 - 38 of this Act is indebted to that system  
9 for an amount calculated under this subsection. The indebtedness is 22-1/2 percent for a  
10 peace officer or fire fighter, and 20-1/4 percent for other members, of the member's actual  
11 annual compensation for the year in which the member terminates employment, or the  
12 calculated annual compensation for a member who works fewer than 12 months. An  
13 outstanding indebtedness at the time a member is appointed to retirement under an approved  
14 retirement incentive plan requires an actuarial adjustment to the benefits payable to that  
15 member.

16 (f) An employee who participates in an approved retirement incentive plan under  
17 secs. 25 - 38 of this Act receives a credit of three years. The three years must be applied in  
18 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 (g) In this section,

27 (1) "department" means

28 (A) a principal department of the executive branch of state government;  
29 an independent state entity that is attached to a principal department of the executive  
30 branch for administrative purposes but that is not a public organization as defined in  
31 AS 39.35.680 is part of that department for purposes of this paragraph; and



1 (B) the Office of the Governor;

2 (2) "employer"

3 (A) for purposes of a retirement incentive plan under AS 14.25, means  
4 the Board of Regents of the University, the Department of Education, or the Regional  
5 Resource Center; and

6 (B) for purposes of a retirement incentive plan under AS 39.35, has the  
7 meaning given in AS 39.35.680 and includes a department.

8 \* **Sec. 27. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE.**

9 (a) A state agency may adopt, and file with the commissioner of administration for approval,  
10 a proposed retirement incentive plan for its employees as part of a permanent reduction in the  
11 personal services costs in that section.

12 (b) Upon the request of a state agency, the commissioner of administration shall  
13 establish one or more periods during which the employees of that state agency who are  
14 eligible under sec. 26(b) of this Act to participate in a retirement incentive plan may apply to  
15 the commissioner of administration to participate in the state agency's approved plan. The  
16 periods shall begin no earlier than June 30, 1995, and end no later than June 30, 1998. The  
17 periods shall be no less than 30 days and no more than 60 days in duration, and may not  
18 begin less than 30 days after their establishment. A state agency is not required to request an  
19 application period, and may request more than one application period.

20 (c) A proposed retirement incentive plan adopted under this section may not permit  
21 an employee who is the governor, the lieutenant governor, or a commissioner, deputy  
22 commissioner, or assistant commissioner of a principal department of the executive branch to  
23 participate in the plan.

24 (d) A proposed retirement incentive plan adopted under this section may permit  
25 participation only by an employee who is eligible to participate under sec. 26(b) of this Act  
26 and who

27 (1) has been continuously employed by the state for at least one year before  
28 the employee applies to participate in the state agency's approved plan;

29 (2) is a permanent seasonal employee who has been continuously employed  
30 by the state in a permanent seasonal position during all of the time in the one year before the  
31 employee's application to participate in which the position normally is filled;

1 (3) has a job sharing agreement with a state agency in which two or more  
2 employees share a single position identified by a single position control number and in which  
3 the employee who applies to participate in the plan was continuously employed by the agency  
4 during the portion of the one year before the employee's application in which the employee  
5 normally worked under the job sharing agreement; or

6 (4) meets a combination of the requirements of this subsection.

7 (e) The commissioner of administration may not accept the application of an employee  
8 to participate in an approved retirement incentive plan adopted under this section unless the  
9 employee will be appointed to retirement not later than the first day of the month that is six  
10 months after the last day of the application period established by the commissioner under (b)  
11 of this section. A state agency, in a plan adopted under this section, may set an earlier date  
12 by which an employee must be appointed to retirement in order to participate in the plan.

13 (f) A state agency that has adopted a retirement incentive plan for its employees may  
14 not appoint a person to fill a vacant position in a category of position that was included in the  
15 plan until after March 31, 1996, unless

16 (1) the governor submits a notice to the Legislative Budget and Audit  
17 Committee of the intended appointment to the position for the committee's review;

18 (2) 45 days elapse before the appointment to the vacancy is made unless the  
19 committee earlier recommends that the agency appoint a person to fill the position; and

20 (3) if, within the 45 days, the committee recommends that the vacancy not be  
21 filled, the governor reviews the request to fill the position and determines to authorize the  
22 hiring, in which case the governor shall provide the committee with a statement of the reasons  
23 for the authorization before the appointment to the position is made.

24 (g) In this section, "committee" means the Legislative Budget and Audit Committee.

25 \* **Sec. 28.** AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF  
26 THE UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of Alaska  
27 may adopt, and file with the commissioner of administration for approval, a proposed  
28 retirement incentive plan for university employees.

29 (b) Upon the request of the Board of Regents, the commissioner of administration  
30 shall establish one or more periods during which the employees of the university who are  
31 eligible under sec. 26(b) of this Act to participate in a retirement incentive plan may apply to

1 the commissioner of administration to participate in the university's approved plan. The  
2 periods shall begin no earlier than June 30, 1995, and end no later than June 30, 1998. The  
3 periods shall be no less than 30 days and no more than 60 days in duration, and may not  
4 begin less than 30 days after their establishment. The Board of Regents is not required to  
5 request an application period, and may request more than one application period.

6 (c) The commissioner of administration may not accept the application of an employee  
7 to participate in an approved retirement incentive plan adopted under this section unless the  
8 employee will be appointed to retirement not later than the first day of the month that is six  
9 months after the last day of the application period established by the commissioner under (b)  
10 of this section. The Board of Regents, in a plan adopted under this section, may set an earlier  
11 date by which an employee of the University of Alaska must be appointed to retirement in  
12 order to participate in the plan.

13 (d) A participant in the optional university retirement program under AS 14.40.661 -  
14 14.40.799 who is vested in the public employees' retirement system or the teachers' retirement  
15 system may participate in a retirement incentive plan for that system if the participant meets  
16 the other qualifications of secs. 25 - 38 of this Act. If a provision of this subsection is  
17 inconsistent with another provision of law, the provision of this subsection governs.

18 \* **Sec. 29. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER**  
19 **EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM.** (a) The  
20 governing body of a political subdivision of the state or public organization that has elected  
21 to participate in the public employees' retirement system under AS 39.35.550 - 39.35.650 may  
22 adopt, and file with the commissioner of administration for approval, a proposed retirement  
23 incentive plan for its employees. Upon the request of the governing body, the commissioner  
24 of administration shall establish one or more periods during which the employees of a political  
25 subdivision or public organization who are eligible to participate in a retirement incentive plan  
26 may apply to the commissioner of administration to participate in the approved plan. The  
27 periods shall begin no earlier than October 31, 1995, and end no later than October 31, 1998.  
28 The periods shall be no less than 30 days and no more than 60 days in duration, and may not  
29 begin less than 60 days after their establishment. The governing body is not required to  
30 request an application period, and may request more than one application period.

31 (b) The commissioner of administration may not accept the application of an employee

1 to participate in an approved retirement incentive plan adopted under this section unless the  
2 employee will be appointed to retirement not later than the first day of the month that is six  
3 months after the last day of the application period established by the commissioner under (a)  
4 of this section. The governing body of the political subdivision or public organization, in a  
5 plan adopted under this section, may set an earlier date by which an employee must be  
6 appointed to retirement in order to participate in the plan.

7 \* **Sec. 30.** AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF  
8 REGIONAL RESOURCE CENTERS IN THE TEACHERS' RETIREMENT SYSTEM. (a)

9 A regional resource center that has employees who are members of the teachers' retirement  
10 system may adopt, and file with the commissioner of administration for approval, a proposed  
11 retirement incentive plan for its employees. A plan adopted under this section must provide  
12 that the application period for participation in the retirement incentive plan is June 30, 1995,  
13 through December 31, 1995.

14 (b) The commissioner of administration may not accept the application of an employee  
15 to participate in an approved retirement incentive plan adopted under this section unless the  
16 employee will be appointed to retirement on or before August 1, 1996. The regional resource  
17 center, in a plan adopted under this section, may set an earlier date by which an employee  
18 must be appointed to retirement in order to participate in the plan.

19 \* **Sec. 31.** POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.

20 For purposes of determining the years of service requirements for retirement under  
21 AS 14.25.110 or AS 39.35.370, as appropriate, a vested member who is a state employee and  
22 who applies to participate in a retirement incentive plan approved under secs. 25 - 38 of this  
23 Act may receive credit for employment with a political subdivision or public organization  
24 before the political subdivision or organization became an employer under the public  
25 employees' retirement system. The member may not receive credit for those years under this  
26 subsection for purposes of determining benefits. If a provision of this section is inconsistent  
27 with any other provision of law, the provision of this section governs.

28 \* **Sec. 32.** RECOVERY OF EMPLOYER DELINQUENCIES. To recover a delinquency  
29 owed by an employer other than the state under an agreement entered into under sec. 26(c)(2)  
30 of this Act, the Department of Administration may

31 (1) direct that the amount of the delinquency or a lesser amount be withheld

1 from any money payable to the employer by a state department or agency and that the amount  
2 withheld be credited to the delinquency; and

3 (2) bring an action against the employer.

4 \***Sec. 33.** REEMPLOYMENT INDEBTEDNESS; PROHIBITION ON REEMPLOYMENT.

5 (a) If an individual is reemployed as a member of the public employees' retirement system  
6 under AS 39.35, the teachers' retirement system under AS 14.25, the judicial retirement system  
7 under AS 22.25, or the optional university retirement program under AS 14.40.661 - 14.40.799  
8 after appointment to retirement under secs. 25 - 38 of this Act, that individual forfeits the  
9 incentive credit received under sec. 26(f) of this Act and is indebted to the system under  
10 which the individual took retirement. The indebtedness is 110 percent of the amount the  
11 individual received as a result of participation in a retirement incentive plan under secs. 25 -  
12 38 of this Act and to which the individual would not otherwise have been entitled, including  
13 the cost of health insurance. The amount that the individual has paid under sec. 26(d) or (e)  
14 of this Act will be applied as a credit toward the reemployment indebtedness. Interest on the  
15 reemployment indebtedness accrues from the date of reemployment until the date that the  
16 individual either is appointed to retirement and accepts an actuarial adjustment to the  
17 individual's future benefits or repays the indebtedness in full. The rate of interest is that estab-  
18 lished by regulation for the public employees' retirement system by the public employees'  
19 retirement board and for the teachers' retirement system by the teachers' retirement board.

20 (b) An individual who was appointed to retirement under secs. 25 - 38 of this Act may  
21 not be employed by, or enter into a contract for personal services with, a state agency or the  
22 University of Alaska within the three years after the date of appointment to retirement, except  
23 that

24 (1) the University of Alaska may enter into a personal services contract with  
25 the individual for teaching or research that does not entitle the individual to receive retirement,  
26 health, or leave benefits, except social security replacement if required by the Internal Revenue  
27 Code; and

28 (2) the individual may accept employment with the legislature during a  
29 legislative session if the employment is on an hourly basis and does not entitle the individual  
30 to receive retirement, health, or leave benefits.

31 (c) Notwithstanding the prohibition in (b) of this section, a state agency or the

1 University of Alaska may enter into a personal services contract with an individual who was  
2 appointed to retirement under secs. 25 - 38 of this Act if the Board of Regents, for the  
3 University of Alaska, or the commissioner of administration, for a state agency, determines  
4 that there is a compelling reason to do so because of the individual's specialized or extensive  
5 experience that relates to a particular program or project of the state agency or university.  
6 However, a state agency may not enter into a contract with an individual under this subsection  
7 if the individual was employed by that state agency at the time of the individual's appointment  
8 to retirement.

9 \* **Sec. 34. SEPARATION INCENTIVE PROGRAM.** (a) A state agency may, with the  
10 approval of the director of the office of management and budget, establish a separation  
11 incentive program for its employees. The program may be offered in combination with an  
12 approved retirement incentive plan adopted under sec. 27 of this Act, or may be offered  
13 separately from such a plan. A state agency need not extend an incentive program under this  
14 section to all employees who would otherwise be eligible to participate, but may choose to  
15 extend the program only to employees

16 (1) in specific budget or administrative components of the state agency;  
17 (2) in specific job classifications;  
18 (3) on the basis of any combination of factors under (1) and (2) of this  
19 subsection.

20 (b) A separation incentive payment under this section shall be paid in a lump sum  
21 after the employee's separation from state service, and shall be equal to the lesser of an  
22 amount equaling six months of the employee's base salary, or \$25,000. However, a state  
23 agency or the office of management and budget may set a lower separation incentive payment  
24 in the state agency's separation incentive program.

25 (c) Upon the request of a state agency, the commissioner of administration shall  
26 establish one or more periods during which the employees of that state agency may apply to  
27 the commissioner of administration to participate in the state agency's approved separation  
28 incentive program. The periods shall begin no earlier than June 30, 1995, and end no later  
29 than June 30, 1998. The periods shall be no less than 30 days and no more than 60 days in  
30 duration, and may not begin less than 30 days after their establishment. A state agency is not  
31 required to request an application period, and may request more than one application period.

1 If the commissioner of administration has established one or more application periods for a  
2 state agency under sec. 27(b) of this Act, the application period or periods established under  
3 this subsection must coincide with the period or periods established under sec. 27(b) of this  
4 Act.

5 (d) A separation incentive program established under this section must provide that  
6 a separation incentive payment to an employee may be made only if

7 (1) the employee is a permanent full-time or permanent full-time seasonal  
8 employee with at least five years of service with the state; and

9 (2) the savings to the state agency in personal services costs for the position  
10 occupied by that employee would exceed, in the three years after the employee separates, the  
11 amount of the separation incentive payment.

12 (e) If an individual who received a separation incentive payment under this section  
13 subsequently is reemployed by a state agency or the University of Alaska within the three  
14 years after the date that the individual received the separation incentive payment, the  
15 individual is liable to the state in an amount equal to 110 percent of the amount of the  
16 separation incentive payment, plus interest at the rate prescribed by AS 45.45.010,  
17 commencing on the date that the individual received the separation incentive payment.

18 (f) If an employee is eligible to participate in an approved retirement incentive plan  
19 adopted under sec. 27 of this Act,

20 (1) a separation incentive payment to that employee may not exceed the  
21 amount that the state agency would be obligated to pay to the appropriate retirement system,  
22 notwithstanding (b) of this section; and

23 (2) the employee may participate in either the separation incentive program  
24 under this section or the retirement incentive plan adopted under sec. 27 of this Act, but not  
25 both.

26 (g) In this section, "base salary" means the monthly salary paid to an employee under  
27 the applicable collective bargaining agreement, AS 39.27.011, or another applicable pay  
28 schedule, and includes geographic differential; if an employee is paid on an hourly basis, the  
29 employee's base salary is the employee's hourly rate, including geographic differential,  
30 multiplied by the number of hours in the employee's regular work week, multiplied by 4.35.

31 \* **Sec. 35.** OFFICE OF MANAGEMENT AND BUDGET. (a) When designating an

1 employee category for participation in a retirement incentive plan or a separation incentive  
2 program under secs. 25 - 38 of this Act, the executive head of the relevant state agency shall  
3 describe in detail the expected effect of the plan or program on the agency's personal services  
4 cost and operation. This financial report must be approved by the director of the office of  
5 management and budget before the commissioner of administration may approve the proposed  
6 plan or program. The state agency shall report each year to the office of management and  
7 budget on the cost of each employee's participation and the effect on the agency's personal  
8 services cost and operation.

9 (b) The office of management and budget shall submit to the legislature annual reports  
10 on the retirement incentive and separation incentive programs under secs. 25 - 38 of this Act  
11 beginning January 15, 1997, and continuing through January 15, 1999, and shall submit a final  
12 report January 15, 2000. Each report must provide the information necessary for the  
13 legislature to evaluate the effectiveness of the programs in achieving their objectives. The  
14 report must include information on the designated employee categories under the incentive  
15 programs, including the cost of each incentive program per participant, the cost to the state,  
16 the cost to the employee, the annual budgeted amount, by state agency, for the incentives, the  
17 number of positions deleted or left vacant, and the projected or actual net savings over the  
18 three-year period.

19 \* **Sec. 36. PROGRAM CHANGES.** (a) An individual employee does not have a vested  
20 or contractual right to a benefit under secs. 25 - 38 of this Act until an agreement is executed  
21 with the administrator that specifically authorizes that employee to participate in the retirement  
22 incentive program under secs. 25 - 38 of this Act or until an agreement is executed with the  
23 commissioner of administration to participate in the separation incentive program under  
24 secs. 25 - 38 of this Act. The legislature reserves the right to change any aspect of either  
25 incentive program as it relates to employees for whom participation agreements have not yet  
26 been executed with the administrator or with the commissioner of administration.

27 (b) In this section, "administrator" means the administrator of the public employees'  
28 retirement system for employees who are members of that system, and the administrator of  
29 the teachers' retirement system for employees who are members of that system.

30 \* **Sec. 37. REGULATIONS.** The commissioner of the Department of Administration may  
31 adopt regulations under AS 44.62 (Administrative Procedure Act) to implement and interpret



1 secs. 25 - 38 of this Act.

2 \* **Sec. 38.** DEFINITIONS. (a) Unless provided otherwise in secs. 25 - 38 of this Act, the  
3 definitions set out in AS 14.25.220 apply to provisions in secs. 26 - 33 of this Act that relate  
4 to the teachers' retirement system and members of the teachers' retirement system except that  
5 "employer" does not include a school district.

6 (b) Unless provided otherwise in secs. 25 - 38 of this Act, the definitions set out in  
7 AS 39.35.680 apply to provisions in secs. 26 - 33 of this Act that relate to the public  
8 employees' retirement system and members of the public employees' retirement system.

9 (c) In secs. 25 - 38 of this Act,

10 (1) "office of management and budget" means the office of management and  
11 budget in the Office of the Governor;

12 (2) "public employees' retirement system" means the Public Employees'  
13 Retirement System of Alaska (AS 39.35);

14 (3) "state agency"

15 (A) means

16 (i) the legislative branch of state government;

17 (ii) the judicial branch of state government;

18 (iii) a principal department of the executive branch of state  
19 government; an independent state entity that is attached to a principal  
20 department of the executive branch for administrative purposes but that is not  
21 a public organization as defined in AS 39.35.680 is part of that department for  
22 purposes of this clause; and

23 (iv) the Office of the Governor;

24 (B) does not include

25 (i) the University of Alaska;

26 (ii) a political subdivision of the state; or

27 (iii) a public organization as defined in AS 39.35.680;

28 (4) "teachers' retirement system" means the Teachers' Retirement System of  
29 Alaska (AS 14.25).

30 \* **Sec. 39.** AS 14.25.045 is repealed.

31 \* **Sec. 40.** Sections 26, 27, and 34 of this Act are repealed July 1, 1999.

1 \* **Sec. 41.** Sections 28 - 31 of this Act are repealed July 1, 1997.