

CS FOR SENATE BILL NO. 152(FIN) am(efd fld)
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Amended: 5/5/96
Offered: 4/1/96

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to public employee compensation, benefits, and labor relations;
2 relating to salaries, geographic and cost-of-living differentials for certain state
3 employees, and to salary surveys and preparation of an annual pay schedule
4 regarding certain state employees; relating to retirement and early retirement
5 incentives for certain public employees; relating to severance and other pay and
6 benefit programs for public employees; relating to and making conforming
7 amendments concerning certain state aid calculations formerly based on
8 geographic differentials for state employee salaries; relating to the exempt status
9 of certain state employees."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. PURPOSE AND LEGISLATIVE INTENT. The purpose of sec.
12 7 of this Act is to affirm the interpretation and practice of the state with regard

1 to the use of criteria similar to the criteria in the permanent fund dividend program
2 for determining the establishment and maintenance of state residency for eligibility
3 for the cost-of-living differential under AS 23.40.210. It is also the intent of the
4 legislature to provide express statutory authority to the state to establish or clarify
5 those standards through adoption of regulations by the Department of Administration
6 and to set the eligibility criteria for the differential outside the collective bargaining
7 context.

8 * **Sec. 2.** AS 22.05.140(a) is amended to read:

9 (a) Except as provided in (d) of this section, the monthly base salary
10 of the chief justice is \$9,203 [\$8,333] and for each other justice, the
11 monthly base salary is \$9,159 [\$8,292].

12 * **Sec. 3.** AS 22.07.090(a) is amended to read:

13 (a) Except as provided in (c) of this section, the monthly base salary
14 of a judge of the court of appeals is \$8,652 [\$7,833]. The compensation
15 of a judge may not be diminished during the term of office, unless by a
16 general law applying to all salaried officers of the state.

17 * **Sec. 4.** AS 22.10.190(a) is amended to read:

18 (a) Except as provided in (d) of this section, the monthly base salary
19 for each superior court judge is \$8,469 [\$7,667].

20 * **Sec. 5.** AS 22.15.220(a) is amended to read:

21 (a) Except as provided in (e) of this section, the monthly base salary
22 for each district court judge is \$7,179 [\$6,500].

23 * **Sec. 6.** AS 22.15.220(b) is amended to read:

24 (b) Each magistrate shall receive annual compensation **including**
25 **geographic differential pay** to be determined by the supreme court. Salary
26 increases shall be determined on the basis of percentage of pay increase the
27 legislature provides for state employees in the classified service. [THE BASE
28 SALARY OF A MAGISTRATE SHALL BE INCREASED BY A
29 PERCENTAGE EQUAL TO THREE AND ONE-HALF PER CENT TIMES
30 THE NUMBER OF STEP INCREASES PROVIDED UNDER AS 39.27.020
31 THAT A STATE EMPLOYEE WOULD RECEIVE WORKING IN THE

1 SAME ELECTION DISTRICT.] A magistrate’s annual compensation may be
2 payable, at the option of the magistrate, either monthly in 12 equal
3 installments or semi-monthly in 24 equal installments.

4 * **Sec. 7.** AS 23.40.210 is amended by adding new subsections to read:

5 (b) An employee is eligible for the cost-of-living differential under
6 (a) of this section only if the individual is a state resident. The required
7 presence of an employee at a work station where room and board are
8 provided or reimbursed by the employer may not be considered to be
9 physical presence in the state or physical absence from the state for purposes
10 of determining eligibility for the cost-of-living differential.

11 (c) The commissioner of administration may adopt regulations under
12 AS 44.62 (Administrative Procedure Act) to clarify and implement the criteria
13 for establishing and maintaining eligibility for the cost-of-living differential.

14 (d) An agreement entered into under AS 23.40.070 - 23.40.260 must
15 require compliance with the eligibility criteria for receiving the cost-of-living
16 differential contained in this section and the regulations adopted by the
17 commissioner under (c) of this section.

18 (e) In this section, “state resident” means an individual who is
19 physically present in the state with the intent to remain permanently in the
20 state under the requirements of AS 01.10.055 or, if the individual is not
21 physically present in the state, intends to return to the state and remain
22 permanently in the state under the requirements of AS 01.10.055, and is
23 absent only temporarily for reasons allowed under AS 43.23.095(8) or a
24 successor statute.

25 * **Sec. 8.** AS 29.60.160(a) is amended to read:

26 (a) Payments to a municipality or other eligible recipient under
27 AS 29.60.110 - 29.60.130 shall reflect area cost-of-living differentials.
28 Payments shall be based on the sum of per capita, per mile, and per bed
29 or facility grants due each municipality or other recipient multiplied by the
30 appropriate area cost-of-living differential. The area cost-of-living differential
31 for each recipient shall be determined [ANNUALLY BY ELECTION

DISTRICT] under the provisions of AS 29.60.164 and 29.60.165 [AS 39.27.030]. Application of the area cost-of-living differential may not result in distribution of an amount less than the amount of the payment determined without reference to application of this section.

* **Sec. 9.** AS 29.60 is amended by adding new sections to read:

Sec. 29.60.164. AREA COST-OF-LIVING DIFFERENTIALS. (a) The area cost-of-living differential multiplier shall be determined by multiplying the cost-of-living steps found in the table in this subsection by three and one-half percent. The following area cost-of-living steps apply:

Election District	Cost of Living
1	0
2	1
3	1
4	0
5	2
6a (excluding Valdez Duty Station)	4
6b (Valdez Duty Station)	5
7	1
8	0
9	2
10	2
11	2
12	7
13	7
14	8
15a (excluding Nenana Duty Station)	9
15b (Nenana Duty Station)	8
16a (south of Arctic Circle)	4
16b (north of Arctic Circle)	9
17	9
18	9

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In other states minus 6.

(b) For purposes of (a) of this section, "election district" means an election district designated in the governor's proclamation of reapportionment and redistricting of December 7, 1961.

Sec. 29.60.165. COST-OF-LIVING SURVEY. Subject to an appropriation for this purpose, the director shall conduct a survey, at least every five years, to review the differentials established in AS 29.60.164. This survey must address factors, as determined by the director, that are also relevant in review of state salary schedules, entitlement for beneficiaries of state programs, and payments for state service providers. The survey must reflect the costs of living in various election districts of the state, and Seattle, Washington, by using the cost of living in Anchorage as the base.

* Sec. 10. AS 29.60.290(b) is amended to read:

(b) The area cost-of-living differential payable to each municipality under this section shall be determined [ANNUALLY BY ELECTION DISTRICT] under the provisions of AS 29.60.164 and 29.60.165 [AS 39.27.030]. Except as provided in AS 29.60.300, application of the area cost-of-living differential may not result in a payment that is less than the minimum payment determined under (a) of this section. [FOR PURPOSES OF THIS SUBSECTION, THE ELECTION DISTRICTS USED ARE THOSE DESIGNATED BY THE PROCLAMATION OF REAPPORTIONMENT AND REDISTRICTING OF DECEMBER 7, 1961, AND RETAINED FOR THE HOUSE OF REPRESENTATIVES BY PROCLAMATION OF THE GOVERNOR SEPTEMBER 3, 1965.]

* Sec. 11. AS 39.20.250(a) is amended to read:

(a) Terminal leave for unused personal leave shall be allowed upon separation from service. The payment equals the personal leave balance at the time of separation from service multiplied by the officer's or employee's annualized hourly rate of pay [THE COMPENSATION THAT THE OFFICER OR EMPLOYEE WOULD HAVE RECEIVED IF THE

1 OFFICER OR EMPLOYEE HAD REMAINED IN THE SERVICE UNTIL
2 THE EXPIRATION OF THE PERIOD OF UNUSED PERSONAL LEAVE].

3 A payment of terminal leave to an employee shall be made as a lump sum
4 payment [OR IN INSTALLMENTS OVER A PERIOD OF TIME, AS THE
5 EMPLOYEE ELECTS].

6 * **Sec. 12.** AS 39.25.110 is amended by adding a new subsection to read:

7 (31) persons employed in the labor relations section in the
8 Department of Administration except those persons employed in clerical or
9 secretarial positions.

10 * **Sec. 13.** AS 39.27.011 is amended by adding new subsections to read:

11 (e) Effective July 1, 1996, the amounts set out in the salary schedule
12 contained in (a) of this section are increased by the lesser of

13 (1) 1.5 percent; or

14 (2) one-half of the percentage increase in the United States
15 Department of Labor, Bureau of Labor Statistics, consumer price index for
16 all urban consumers for Anchorage, Alaska, from the second half of 1994 to
17 the second half of 1995.

18 (f) Effective July 1, 1997, the amounts set out in the salary schedule
19 contained in (a) of this section, as increased under (e) of this section, are
20 increased by the lesser of

21 (1) 1.5 percent; or

22 (2) one-half of the percentage increase in the United States
23 Department of Labor, Bureau of Labor Statistics, consumer price index for
24 all urban consumers for Anchorage, Alaska, from the second half of 1995 to
25 the second half of 1996.

26 (g) Effective July 1, 1998, the amounts set out in the salary schedule
27 contained in (a) of this section, as increased under (e) and (f) of this
28 section, are increased by the lesser of

29 (1) 1.5 percent; or

30 (2) one-half of the percentage increase in the United States
31 Department of Labor, Bureau of Labor Statistics, consumer price index for

1 all urban consumers for Anchorage, Alaska, from the second half of 1996 to
2 the second half of 1997.

3 * **Sec. 14.** AS 39.27.020 is repealed and reenacted to read:

4 Sec. 39.27.020. PAY DIFFERENTIALS. (a) The following pay
5 differentials are approved as an amendment to the basic salary schedule in
6 AS 39.27.011:

7 Geographic Area	Percentage Above or Below
8 (Election Districts)	Basic Salary Schedule
9 3, 4, and 7 - 28	0
10 1, 2, 5, 6	5
11 34 - 36	10
12 29 - 33	4
13 37 - 40	20
14 Washington State	minus 20.

15 (b) For purposes of determining the differential provided under (a)
16 of this section, an appointing authority may increase the salary on which the
17 geographic pay differential is computed by up to 20 percent of the
18 employee's base salary set out in AS 39.27.011 if

19 (1) the duty station for the position or job class is located
20 in election districts 37, 38, 39, or 40;

21 (2) the position or job class requires the employee to hold a
22 license to practice law under AS 08.08 or to practice medicine under
23 AS 08.64; and

24 (3) the director certifies that recruitment or retention for the
25 position or job class in that election district is so difficult that the increase
26 is essential to recruitment or retention of employees in the position.

27 (c) The director may establish pay differentials for positions in foreign
28 countries or in states other than the State of Washington. If the director
29 establishes a pay differential under this subsection, the director shall adjust
30 the differential as necessary to maintain equitable relationships between salaries
31 for positions outside the state and in the state.

1 (d) For purposes of (a) of this section, "election district" means an
2 election district designated in the governor's proclamation of reapportionment
3 and redistricting applicable to the 1994 general election.

4 * **Sec. 15.** AS 39.27.030 is repealed and reenacted to read:

5 Sec. 39.27.030. COST-OF-LIVING SURVEY. Subject to an
6 appropriation for this purpose, the director shall conduct a survey, at least
7 every five years, to review the pay differentials established in AS 39.27.020.
8 The survey may address factors, as determined by the director, that are also
9 relevant in review of state salary schedules, entitlement for beneficiaries of
10 state programs, and payments for state service providers. The survey must
11 reflect the costs of living in various election districts of the state, and
12 Seattle, Washington, by using the cost of living in Anchorage as a base.

13 * **Sec. 16.** AS 39.27.045 is amended to read:

14 Sec. 39.27.045. DEFINITION. In AS 39.27.020 - 39.27.030 [AS
15 39.27.030 - 39.27.040], "director" means the director of the division of
16 personnel.

17 * **Sec. 17.** AS 39.35.160(a) is amended to read:

18 (a) A [BEGINNING JANUARY 1, 1987, EACH] peace officer or fire
19 fighter **who is first hired on or after the effective date of this bill section**
20 **shall contribute to the system an amount equal to seven percent of the**
21 **peace officer's or fire fighter's compensation. A peace officer or fire**
22 **fighter first hired before the effective date of this bill section** shall
23 contribute to the system an amount equal to seven and one-half percent of
24 the peace officer's or fire fighter's compensation. **Each** [BEGINNING
25 JANUARY 1, 1987, EACH] other employee **who is first hired on or after**
26 **the effective date of this bill section shall contribute to the system an**
27 **amount equal to six percent of the employee's compensation. Each other**
28 **employee who is first hired before the effective date of this bill section**
29 shall contribute to the system an amount equal to six and three-quarters
30 percent of the employee's compensation. The contributions shall be deducted
31 by the employer at the end of each payroll period. The contributions shall

1 be deducted from employee compensation before computation of applicable
2 federal taxes, and the contributions shall be treated as employer contributions
3 under 26 U.S.C. 414(h)(2).

4 * **Sec. 18.** AS 39.35.370(a) is amended to read:

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

7 (1) at age 60 with at least five years credited service;

8 (2) with at least 20 years of credited service as a peace
9 officer or fire fighter **for peace officers or fire fighters first hired before**
10 **the effective date of this bill section;** [OR]

11 (3) **at age 50 with at least 20 years of credited service as**
12 **a peace officer or fire fighter, for peace officers and fire fighters first**
13 **hired on or after the effective date of this bill section;**

14 (4) with at least 30 years of credited service for all other
15 employees **if the employee was first hired before the effective date of this**
16 **bill section; or**

17 (5) **at any time when the employee's age and amount of**
18 **credited service equal or exceed 85 when added together for all other**
19 **employees first hired on or after the effective date of this bill section.**

20 * **Sec. 19.** AS 39.35.370(b) is amended to read:

21 (b) Subject to **former** AS 39.35.450, a terminated employee is
22 eligible for an early retirement benefit at age 55 with at least five years
23 credited service. An actuarial adjustment shall be made to retirement benefits
24 paid under this section for an early retirement benefit. **The monthly amount**
25 **of a retirement benefit that would be due under (c) of this section shall**
26 **be reduced by multiplying one-half of one percent times the number of**
27 **months, to the nearest month, by which the retirement date of the**
28 **employee falls short of the date that the employee reaches age 60.**

29 * **Sec. 20.** AS 39.35.370(c) is amended to read:

30 (c) The monthly amount of a retirement benefit for

31 (1) a peace officer or fire fighter is two percent of the

1 average monthly compensation times the years of credited service through 10
2 years, plus two and one-half percent of the average monthly compensation
3 times the years of service over 10 years;

4 (2) [. FOR] all other employees first hired before the
5 effective date of this bill section, [IT] is

6 (A) [(1)] two percent of the average monthly
7 compensation times all years of service before July 1, 1986, and for
8 years of service through a total of 10 years; plus

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

12 (C) [(3)] two and one-half percent of the average
13 monthly compensation times all years of service after June 30, 1986,
14 over 20 years of total service;

15 (3) all other employees first hired on or after the effective
16 date of this bill section, is

17 (A) one and one-half percent of the average monthly
18 compensation times all years of service through a total of 10 years;
19 plus

20 (B) one and three-quarters percent of the average
21 monthly compensation times all years of service over 10 years of
22 total service through 20 years; plus

23 (C) two percent of the average monthly compensation
24 times all years of service over 20 years.

25 * **Sec. 21.** AS 39.35.475(a) is amended to read:

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

28 (1) eligible disabled members;

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

31 (3) members who were first hired before the effective date

1 of this bill section [, AND TO PERSONS] who have received benefits under
2 this system for at least five years **and** who are not otherwise eligible for
3 an increase under this section; **and**

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

7 * **Sec. 22.** AS 39.35.475(b) is amended to read:

8 (b) The increase in benefit payments applies to total benefit payments
9 except for the cost-of-living allowance under AS 39.35.480. **For members**
10 **first hired on or after the effective date of this bill section, the amount**
11 **of the increase is a percentage of the current benefit equal to the lesser**
12 **of 50 percent of the increase in the cost of living in the preceding**
13 **calendar year or six percent. For members first hired before the**
14 **effective date of this bill section, the** [THE] amount of the increase is a
15 percentage of the current benefit equal to

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

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

25 * **Sec. 23.** AS 39.35.535(c) is amended to read:

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

28 (1) a person who is younger than 60 years of age must pay
29 an amount equal to the full monthly group premium for retiree major medical
30 insurance coverage **and the full monthly group premium for any dependent**
31 **coverage elected;**

1 (2) a person who is at least 60 years of age but is younger
2 than 65 years of age must pay an amount equal to one-half of the full
3 monthly group premium for retiree major medical insurance coverage **and any**
4 **dependent coverage elected;**

5 (3) a disabled member or a person 65 years of age or older
6 **and who is receiving a benefit based on membership which began before**
7 **the effective date of this bill section** is not required to make premium
8 payments **for retiree major medical insurance coverage or any dependent**
9 **coverage;**

10 (4) **a disabled member or person 65 years of age or older**
11 **and who is receiving a benefit based on membership that began on or**
12 **after the effective date of this bill section is not required to make**
13 **premium payments for retiree major medical insurance coverage; however,**
14 **for any dependent coverage elected, the person is required to pay an**
15 **amount equal to one-half of the monthly group premium.**

16 * Sec. 24. AS 39.35.680(4) is amended to read:

17 (4) "average monthly compensation" means the result obtained
18 by dividing the compensation earned by an employee during a considered
19 period by the number of months, including fractional months, for which
20 compensation was earned; the considered period consists of **(A) for employees**
21 **first hired before the effective date of this bill section,** the three
22 consecutive payroll years during the period of credited service that yields the
23 highest average, **and (B) for employees first hired on or after the effective**
24 **date of this bill section, the five consecutive payroll years during the**
25 **period of credited service that yield the highest average,** or if the
26 employee does not have **the required number of** [THREE] consecutive
27 payroll years, the employee's period of credited service; an employee must
28 have at least 115 days of credited service in the last payroll year in order
29 for that year to be used as part of the [THREE] consecutive payroll years;

30 * Sec. 25. AS 44.31.020 is amended to read:

31 Sec. 44.31.020. DUTIES OF DEPARTMENT. The Department of

1 Labor shall
2 (1) enforce the laws, and adopt regulations under them
3 concerning employer-employee relationships, including the safety, hours of
4 work, wages, and conditions of workers, including children;
5 (2) accumulate, analyze, and report labor statistics;
6 (3) operate systems of workers' compensation and unemployment
7 insurance; and
8 (4) gather data reflecting the cost of living in the various
9 election districts of the state upon request of the director of personnel **for**
10 **determination of area cost-of-living differentials under AS 29.60.164 and**
11 **29.60.165 or** under **AS 39.27.030** [AS 39.27.030 - 39.27.040].

12 * **Sec. 26.** AS 39.27.035, 39.27.040; AS 39.35.450(a)(3), and 39.35.460 are
13 repealed.

14 * **Sec. 27.** FINDINGS AND PURPOSE AS TO SECS. 28 - 41. The State
15 of Alaska and many local governments are facing the need to restructure their
16 operations and their work forces in order to reduce expenditures and to balance
17 budgets. Retirement and separation incentives are management tools that have been
18 used extensively by the private sector, the federal government, and other state and
19 local governments across the country. The purpose of secs. 28 - 41 of this Act
20 is to make these management tools temporarily available to the state and to the
21 municipalities of the state. Sections 28 - 41 of this Act will enable these entities
22 to be more efficient and cost-effective by eliminating certain nonessential positions
23 and producing a net reduction in personnel costs.

24 * **Sec. 28.** RETIREMENT INCENTIVE PROGRAM. (a) An employer may
25 adopt a retirement incentive plan under secs. 28 - 41 of this Act, as appropriate,
26 and designate categories of employees eligible to participate in that plan. An
27 employer need not extend the incentive plan to all employees who would otherwise
28 be eligible, but may choose to extend the plan only to employees

- 29 (1) in specific budget or administrative components of the employer;
30 (2) in specific job classifications;
31 (3) in specific geographic locations; or

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

3 (b) An employee is eligible to participate in a retirement incentive plan
4 under secs. 28 - 41 of this Act only if the

5 (1) employee is a vested member of the public employees' retirement
6 system or the teachers' retirement system;

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

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

12 (c) An employer shall file its proposed retirement incentive plan with the
13 commissioner of administration. The commissioner shall approve the plan if the
14 plan meets the requirements of secs. 28 - 41 of this Act, except that the
15 commissioner may approve a state agency's retirement incentive plan only if the
16 office of management and budget approves the calculation of savings under (b)(3)
17 of this section. A proposed plan filed under this section must

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

20 (2) include a reimbursement agreement that

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

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

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

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

4 (d) A member of the teachers' retirement system who participates in an
5 approved retirement incentive plan under secs. 28 - 41 of this Act is indebted to
6 that system for an amount calculated under this subsection. The indebtedness is
7 25.95 percent of the member's actual compensation for the school year in which the
8 member terminates employment, or the calculated school year compensation for a
9 member who works less than the entire school year. An outstanding indebtedness
10 at the time a member is appointed to retirement under an approved retirement
11 incentive plan requires an actuarial adjustment to the benefits payable to that
12 member.

13 (e) A member of the public employees' retirement system who participates
14 in an approved retirement incentive plan under secs. 28 - 41 of this Act is
15 indebted to that system for an amount calculated under this subsection. The
16 indebtedness is 22 1/2 percent for a peace officer or fire fighter, and 20 1/4
17 percent for other members, of the member's actual annual compensation for the year
18 in which the member terminates employment, or the calculated annual compensation
19 for a member who works fewer than 12 months. An outstanding indebtedness at
20 the time a member is appointed to retirement under an approved retirement incentive
21 plan requires an actuarial adjustment to the benefits payable to that member.

22 (f) An employee who participates in an approved retirement incentive plan
23 under secs. 28 - 41 of this Act receives a credit of three years. The three years
24 must be applied in the following order until exhausted:

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

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

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

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

1 (g) In this section,

2 (1) "department" means

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

8 (B) the Office of the Governor;

9 (2) "employer"

10 (A) for purposes of a retirement incentive plan under
11 AS 14.25, means the Board of Regents of the University of Alaska, the
12 Department of Education, or the Regional Resource Center, but does not
13 include a school district; and

14 (B) for purposes of a retirement incentive plan under
15 AS 39.35, has the meaning given in AS 39.35.680 and includes a department
16 but does not include a school district.

17 * **Sec. 29. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT**
18 **INCENTIVE.** (a) A state agency may adopt, and file with the commissioner of
19 administration for approval, a proposed retirement incentive plan for its employees
20 as part of a permanent reduction in the personal services costs in that section of
21 the state agency.

22 (b) Upon the request of a state agency, the commissioner of administration
23 shall establish one or more periods during which the employees of that state agency
24 who are eligible under sec. 28(b) of this Act to participate in a retirement incentive
25 plan may apply to the commissioner of administration to participate in the state
26 agency's approved plan. The periods shall begin no earlier than June 30, 1996, and
27 end no later than June 30, 1999. The periods shall be no less than 30 days and
28 no more than 60 days in duration, and may not begin less than 30 days after their
29 establishment. A state agency is not required to request an application period and
30 may request more than one application period.

31 (c) A proposed retirement incentive plan adopted under this section may not

1 permit an employee who is the governor, the lieutenant governor, or a commissioner,
2 deputy commissioner, or assistant commissioner of a principal department of the
3 executive branch to participate in the plan.

4 (d) A proposed retirement incentive plan adopted under this section may
5 permit participation only by an employee who is eligible to participate under sec.
6 28(b) of this Act and who

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

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

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

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

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

27 * **Sec. 30. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR**
28 **EMPLOYEES OF THE UNIVERSITY OF ALASKA.** (a) The Board of Regents
29 of the University of Alaska may adopt, and file with the commissioner of
30 administration for approval, a proposed retirement incentive plan for university
31 employees.

1 (b) Upon the request of the Board of Regents, the commissioner of
2 administration shall establish one or more periods during which the employees of
3 the university who are eligible under sec. 28(b) of this Act to participate in a
4 retirement incentive plan may apply to the commissioner of administration to
5 participate in the university's approved plan. The periods shall begin no earlier than
6 June 30, 1996, and end no later than June 30, 1999. The periods shall be no
7 less than 30 days and no more than 60 days in duration and may not begin less
8 than 30 days after their establishment. The Board of Regents is not required to
9 request an application period and may request more than one application period.

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

18 (d) A participant in the optional university retirement program under
19 AS 14.40.661 - 14.40.799 who is vested in the public employees' retirement system
20 or the teachers' retirement system may participate in a retirement incentive plan for
21 that system if the participant meets the other qualifications of secs. 28 - 41 of this
22 Act. If a provision of this subsection is inconsistent with another provision of law,
23 the provision of this subsection governs.

24 * **Sec. 31.** AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER
25 EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The
26 governing body of a political subdivision of the state or public organization that has
27 elected to participate in the public employees' retirement system under AS 39.35.550
28 - 39.35.650 may adopt, and file with the commissioner of administration for
29 approval, a proposed retirement incentive plan for its employees. A plan adopted
30 under this section must provide that the application period for participation in the
31 retirement incentive plan is December 31, 1996, through June 30, 1997.

1 (b) The commissioner of administration may not accept the application of
2 an employee to participate in an approved retirement incentive plan adopted under
3 this section unless the employee will be appointed to retirement on or before
4 February 1, 1998. The governing body of the political subdivision or public
5 organization, in a plan adopted under this section, may set an earlier date by which
6 an employee must be appointed to retirement in order to participate in the plan.

7 * **Sec. 32. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR**
8 **EMPLOYEES OF REGIONAL RESOURCE CENTERS IN THE TEACHERS'**
9 **RETIREMENT SYSTEM.** (a) A regional resource center that has employees who
10 are members of the teachers' retirement system may adopt, and file with the
11 commissioner of administration for approval, a proposed retirement incentive plan for
12 its employees. A plan adopted under this section must provide that the application
13 period for participation in the retirement incentive plan is June 30, 1996, through
14 December 31, 1996.

15 (b) The commissioner of administration may not accept the application of
16 an employee to participate in an approved retirement incentive plan adopted under
17 this section unless the employee will be appointed to retirement on or before
18 August 1, 1997. The regional resource center, in a plan adopted under this section,
19 may set an earlier date by which an employee must be appointed to retirement in
20 order to participate in the plan.

21 * **Sec. 33. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION**
22 **EMPLOYMENT.** For purposes of determining the years of service requirements for
23 retirement under AS 14.25.110 or AS 39.35.370, as appropriate, a vested member
24 who is a state employee and who applies to participate in a retirement incentive
25 plan approved under secs. 28 - 41 of this Act may receive credit for employment
26 with a political subdivision or public organization before the political subdivision or
27 organization became an employer under the public employees' retirement system.
28 The member may not receive credit for those years under this section for purposes
29 of determining benefits. If a provision of this section is inconsistent with any other
30 provision of law, the provision of this section governs.

31 * **Sec. 34. PROVISION AND AUTHORIZATION FOR ADMINISTRATIVE**

1 DIRECTOR OF COURT. (a) The chief justice of the state supreme court may
2 adopt a retirement incentive plan for an administrative director of the Alaska Court
3 System who is a member of the judicial retirement system under AS 22.25.012 if
4 participation in the plan will result in savings to the court system in personal
5 services costs within three years after commencement of the plan. The
6 administrative director may participate only if the administrative director is vested
7 in the judicial retirement system and will be qualified to retire under AS 22.25.010
8 after receipt of the retirement incentive. To participate, the administrative director
9 shall apply to the commissioner of administration to participate in the approved court
10 system plan.

11 (b) The court system shall include in the retirement incentive plan a
12 reimbursement agreement that requires the court system, for each administrative
13 director of the Alaska Court System who is retired under the plan, to reimburse
14 the judicial retirement system within three years after the end of the fiscal year in
15 which the administrative director is appointed to retirement in an amount equal to

16 (1) the actuarial equivalent of the difference between the benefits the
17 administrative director receives after the addition of the credit under (e) of this
18 section and the amount the participant would have received without the credit, less
19 the total of the amount the participant has paid on the indebtedness determined
20 under (d) of this section; and

21 (2) an appropriate share of the administrative costs of the program.

22 (c) A retirement incentive plan adopted under this section must provide that
23 contributions from the court system under (b) of this section take priority over other
24 obligations of the court system under (b) of this section to the maximum extent
25 permitted by law.

26 (d) An administrative director of the Alaska Court System who participates
27 in an approved retirement incentive plan is indebted to the system. The amount
28 of indebtedness is equal to 21 percent of the director's actual annual compensation
29 for the year in which the director terminates employment to participate in the
30 program, or the calculated annual compensation for an administrative director who
31 works fewer than 12 months. An outstanding indebtedness at the time the

1 administrative director is appointed to retirement under an approved retirement
2 incentive plan will require an actuarial adjustment to the benefits payable to the
3 director.

4 (e) An administrative director of the Alaska Court System who participates
5 in an approved retirement incentive plan receives a credit of three years that may
6 only be used to meet the age requirements for normal or early retirement under
7 AS 22.25.010(d).

8 (f) The chief justice of the Alaska Supreme Court may adopt and file with
9 the commissioner of administration for approval, a proposed retirement incentive plan
10 for the administrative director of the court system who is a member of the judicial
11 retirement system. Upon the request of the chief justice, the commissioner of
12 administration shall establish a period during which an administrative director eligible
13 to participate in the retirement incentive plan of the court system may apply to the
14 commissioner of administration to participate in the court system's approved plan.
15 The period shall begin no earlier than July 1, 1996, and end no later than
16 June 30, 1999. The period shall be no less than 30 days and no more than 60
17 days in duration and may not begin less than 30 days after establishment. The
18 chief justice is not required to request an application period.

19 (g) The commissioner of administration may not accept the application of
20 an administrative director of the court system to participate in an approved
21 retirement incentive plan adopted under this section unless the administrative director
22 will be appointed to retirement not later than the first day of the month that is
23 six months after the last day of the application period established by the
24 commissioner under (f) of this section. The chief justice, in a plan adopted under
25 this section, may set an earlier date by which an administrative director must be
26 appointed to retirement in order to participate in the plan.

27 * **Sec. 35. RECOVERY OF EMPLOYER DELINQUENCIES.** To recover a
28 delinquency owed by an employer other than the state under an agreement entered
29 into under sec. 28(c)(2) of this Act, the Department of Administration may

30 (1) direct that the amount of the delinquency or a lesser amount be
31 withheld from any money payable to the employer by a state department or agency

1 and that the amount withheld be credited to the delinquency; and

2 (2) bring action against the employer.

3 * **Sec. 36.** REEMPLOYMENT INDEBTEDNESS; PROHIBITION ON
4 REEMPLOYMENT. (a) If an individual is reemployed as a member of the public
5 employees' retirement system under AS 39.35, the teachers' retirement system under
6 AS 14.25, the judicial retirement system under AS 22.25, or the optional university
7 retirement program under AS 14.40.661 - 14.40.799 after appointment to retirement
8 under secs. 28 - 41 of this Act, that individual forfeits the incentive credit received
9 under secs. 28 - 41 of this Act and is indebted to the system under which the
10 individual took retirement. The indebtedness is 150 percent of the amount the
11 individual received as a result of participation in a retirement incentive plan under
12 secs. 28 - 41 of this Act and to which the individual would not otherwise have
13 been entitled, including the cost of health insurance. The amount that the individual
14 has paid under sec. 28(d) or (e) of this Act will be applied as a credit toward
15 the reemployment indebtedness. Interest on the reemployment indebtedness accrues
16 from the date of reemployment until the date that the individual either is appointed
17 to retirement and accepts an actuarial adjustment to the individual's future benefits
18 or repays the indebtedness in full. The rate of interest is that established by
19 regulation for the public employees' retirement system by the public employees'
20 retirement board and for the teachers' retirement system by the teachers' retirement
21 board.

22 (b) An individual who was appointed to retirement under secs. 28 - 41 of
23 this Act may not be employed by, or enter into a contract for personal services
24 with, a state agency or the University of Alaska within the five years after the
25 date of appointment to retirement, except that

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

30 (2) the individual may accept employment with the legislature during
31 a legislative session if the employment is on an hourly basis and does not entitle

1 the individual to receive retirement, health, or leave benefits.

2 (c) Notwithstanding the prohibition in (b) of this section, a state agency or
3 the University of Alaska may enter into a personal services contract with an
4 individual who was appointed to retirement under secs. 28 - 41 of this Act if the
5 Board of Regents, for the University of Alaska, or the commissioner of
6 administration, for a state agency, determines that there is a compelling reason to
7 do so because of the individual's specialized or extensive experience that relates to
8 a particular program or project of the state agency or university. However, a state
9 agency may not enter into a contract with an individual under this subsection if
10 the individual was employed by the state agency at the time of the individual's
11 appointment to retirement.

12 * **Sec. 37.** OFFICE OF MANAGEMENT AND BUDGET. (a) When
13 designating an employee category for participation in a retirement incentive plan or
14 a separation incentive program under secs. 28 - 41 of this Act, the executive head
15 of the relevant state agency shall describe in detail the expected effect of the plan
16 or program on the agency's personal services cost and operation. This financial
17 report must be approved by the director of the office of management and budget
18 before the commissioner of administration may approve the proposed plan or
19 program. The state agency shall report each year to the office of management and
20 budget on the cost of each employee's participation and the effect on the agency's
21 personal services cost and operation.

22 (b) The office of management and budget shall submit to the legislature
23 annual reports on the retirement incentive and separation incentive programs under
24 secs. 28 - 41 of this Act beginning January 15, 1998, and continuing through
25 January 15, 2000, and shall submit a final report January 15, 2001. Each report
26 must provide the information necessary for the legislature to evaluate the
27 effectiveness of the programs in achieving their objectives. The report must include
28 information on the designated employee categories under the incentive programs, the
29 cost to the state, the cost to the employee, the annual budgeted amount, by state
30 agency, for the incentives, the number of positions deleted or left vacant, and the
31 projected or actual net savings over the three-year period, and recommendations to

1 the legislature for changes in appropriations that reflect the cost and cost savings
2 resulting from the retirement and separation incentive programs.

3 * **Sec. 38.** PROGRAM CHANGES. (a) An individual employee does not
4 have a vested or contractual right to a benefit under secs. 28 - 41 of this Act
5 until an agreement is executed with the administrator that specifically authorizes that
6 employee to participate in the retirement incentive program under secs. 28 - 41 of
7 this Act or until an agreement is executed with the commissioner of administration
8 to participate in the separation incentive program under secs. 28 - 41 of this Act.
9 The legislature reserves the right to change any aspect of either incentive program
10 as it relates to employees for whom participation agreements have not yet been
11 executed with the administrator or with the commissioner of administration.

12 (b) In this section, "administrator" means the administrator of the public
13 employees' retirement system of employees who are members of that system, and
14 the administrator of the teachers' retirement system for employees who are members
15 of that system.

16 * **Sec. 39.** REGULATIONS. The commissioner of administration may adopt
17 regulations under AS 44.62 (Administrative Procedure Act) to implement and interpret
18 secs. 28 - 41 of this Act.

19 * **Sec. 40.** LEGISLATIVE EMPLOYEE RETIREMENT INCENTIVE PLAN.

20 (a) The Legislative Council may adopt and file with the commissioner of
21 administration a retirement incentive plan for employees of the legislative branch of
22 state government. The plan must designate categories of employees eligible to
23 participate in that plan, include a reimbursement agreement for the cost of
24 participation by employees in the plan, require employees to meet the eligibility
25 criteria, and pay the indebtedness amount as though the plan were subject to sec.
26 28 of this Act. The Legislative Council may exercise the powers of a state
27 agency under sec. 28 of this Act, but a plan adopted by the council is not subject
28 to review by the office of management and budget or approval of the commissioner
29 of administration.

30 (b) The application periods established by the Legislative Council under the
31 plan during which the employees of a legislative agency who meet the requirements

1 of sec. 28(b) of this Act are eligible to participate in the retirement incentive plan
2 shall begin no earlier than June 30, 1996, and end no later than June 30, 1999.
3 The application periods shall be no less than 30 days and not more than 60 days
4 in duration, and may not begin less than 30 days after their establishment. The
5 Legislative Council is not required to establish an application period and may
6 establish more than one application period.

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

14 (d) The provisions of secs. 33, 35, 36, 38, and 41 of this Act apply to
15 a plan adopted under this section.

16 * **Sec. 41. DEFINITIONS.** (a) Unless otherwise provided in secs. 28 - 41
17 of this Act, the definitions set out in AS 14.25.220 apply to provisions in secs.
18 29 - 36 of this Act that relate to teachers' retirement system and members of the
19 teachers' retirement system.

20 (b) Unless otherwise provided in secs. 28 - 41 of this Act, the definitions
21 set out in AS 39.35.680 apply to provisions in secs. 29 - 36 of this Act that
22 relate to the public employees' retirement system and members of the public
23 employees' retirement system except that "employer" does not include a school
24 district.

25 (c) In secs. 28 - 41 of this Act,

26 (1) "office of management and budget" means the office of
27 management and budget in the Office of the Governor;

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

30 (3) "state agency"

31 (A) means

1 (i) the judicial branch of state government;
2 (ii) a principal department of the executive branch of
3 state government; and independent state entity that is attached to a
4 principal department of the executive branch for administrative purposes
5 but that is not a public organization as defined in AS 39.35.680 is
6 part of that department for purposes of this clause; and

7 (iv) the Office of the Governor;

8 (B) does not include

9 (i) the University of Alaska;

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

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

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

14 * **Sec. 42.** CERTAIN EXEMPT EMPLOYEES OF THE EXECUTIVE
15 BRANCH. Permanent and temporary employees of the executive branch who are
16 in the exempt service under AS 39.25, who are not members of a collective
17 bargaining unit established under the Public Employment Relations Act (AS 23.40),
18 and who are not otherwise covered by AS 39.27.011(a), are entitled to receive
19 salary adjustments comparable to those received by the classified and partially exempt
20 employees of the executive branch under AS 39.27.011(e) - (g), as enacted by sec.
21 13 of this Act, and to receive geographic differentials comparable to those received
22 by the classified and partially exempt employees of the executive branch under
23 AS 39.25.020, as enacted by sec. 14 of this Act.

24 * **Sec. 43.** EMPLOYEES OF THE UNIVERSITY OF ALASKA. The
25 employees of the University of Alaska who are not members of a collective
26 bargaining unit are entitled to receive salary increases in accordance with the
27 compensation policy of the Board of Regents of the University of Alaska.

28 * **Sec. 44.** EMPLOYEES OF THE JUDICIAL BRANCH. For the fiscal years
29 beginning July 1, 1997, and July 1, 1998, permanent and temporary employees of
30 the judicial branch, other than justices and judges, who are not members of a
31 collective bargaining agreement, are entitled to receive salary adjustments comparable

1 to those received by the classified and partially exempt employees of the executive
2 branch under AS 39.27.011(f) - (g), as that statute is amended in sec. 13 of this
3 Act, and geographic differential adjustments comparable to those received by the
4 classified and partially exempt employees of the executive branch under
5 AS 39.27.020, as enacted by sec. 14 of this Act.

6 * **Sec. 45. JUDICIAL BRANCH EMPLOYEES.** For the fiscal year beginning
7 July 1, 1996, and ending June 30, 1997, the temporary and permanent employees
8 of the judicial branch, other than justices and judges, who are not members of a
9 collective bargaining unit are entitled to receive a salary increase of 5.2 percent of
10 the employee's base salary as of June 30, 1996.

11 * **Sec. 46. JUDGES AND JUSTICES.** Notwithstanding AS 22.05.140(d),
12 AS 22.07.090(c), AS 22.10.190(d), and AS 22.15.220(e), and sec. 13 of this Act,
13 justices and judges in the judicial branch are not entitled to receive the increases
14 provided by AS 22.05.140(d), AS 22.07.090(c), AS 22.10.190(d), and AS 22.15.220(e)
15 for the fiscal year beginning July 1, 1996, and ending June 30, 1997.

16 * **Sec. 47. LEGISLATIVE BRANCH EMPLOYEES.** Employees of the
17 legislative branch of state government, other than legislators, are entitled to receive
18 salary adjustments comparable to those received by the classified and partially exempt
19 employees of the executive branch under AS 39.27.011(e) - (g), as enacted by sec.
20 13 of this Act.

21 * **Sec. 48. APPROVAL OF MONETARY TERMS OF AGREEMENTS.** This
22 section constitutes approval of the monetary terms of the collective bargaining
23 agreements entered into between the state and the following collective bargaining
24 organizations:

25 (1) Alaska State Employees Association, for the General Government
26 Unit;

27 (2) Alaska Public Employees Association, for the Supervisory Unit;

28 (3) Public Employees Local 71, for the Labor, Trades and Crafts
29 Unit;

30 (4) Inlandboatmen's Union of the Pacific, representing the unlicensed
31 marine unit;

1 (5) International Organization of Masters, Mates, and Pilots, Pacific
2 Maritime Region, for the Masters, Mates, and Pilots Unit;

3 (6) Public Safety Employees Association, representing state troopers
4 and other commissioned law enforcement personnel;

5 (7) the Classified Employees Association, representing University of
6 Alaska employees; and

7 (8) the Alaska Community Colleges' Federation of Teachers,
8 representing faculty members of the University of Alaska;

9 (9) the Alyeska Correspondence School Education Association
10 representing teachers at the Alyeska Central School;

11 (10) Alaska Vocational Technical Center Teacher's Association
12 representing teachers at the Alyeska Central School; and

13 (11) International Brotherhood of Electrical Workers representing
14 nonjudicial, nonsupervisory, classified employees of the Alaska Court System.

15 * **Sec. 49. LIMITATION ON THE REDUCTION OF EMPLOYEE SALARIES.**

16 (a) So long as the employee remains in the same geographic area, as defined in
17 AS 39.27.020(a) and (d), as enacted by sec. 14 of this Act,

18 (1) the salary that an employee is receiving on June 30, 1996,
19 may not be reduced by application of a provision of this Act until July 1,
20 1997;

21 (2) for the fiscal year beginning July 1, 1997, the salary that
22 an employee is receiving on June 30, 1997, may not be reduced by more
23 than five percent as a result of the application of a provision of this Act.

24 (b) If an employee moves to another geographic area after June 30,
25 1996, both the pay differential in AS 39.27.020(a), as amended by sec. 14
26 of this Act, apply to that employee's salary on the effective date of the
27 move.

28 * **Sec. 50. LIMITATION ON THE REDUCTION OF EMPLOYEE SALARIES.**

29 (a) The salary that an employee is receiving on June 30, 1996, may not be
30 reduced by application of a provision of sec. 14 of this Act until June 30, 1997,
31 so long as the employee remains in the same geographic area, as set out in

1 AS 39.27.020, as amended by sec. 14 of this Act.

2 (b) If an employee moves to another geographic area after July 1, 1996,
3 the pay differential in AS 39.27.020(a), as amended by sec. 14 of this Act, applies
4 to that employee's salary on the effective date of the move.

5 (c) Nothing in this Act prohibits a reduction in an employee's salary as a
6 result of a voluntary or involuntary demotion.

7 * **Sec. 51.** Nothing in this Act modifies or terminates the terms of a
8 collective bargaining agreement in effect on the effective date of this Act.

9 * **Sec. 52.** Section 50 of this Act is repealed July 1, 1997.

10 * **Sec. 53.** Sections 28, 29, and 40 of this Act are repealed July 1, 2000.

11 * **Sec. 54.** Sections 30 - 34 of this Act are repealed December 31, 1999.