

HOUSE CS FOR CS FOR SENATE BILL NO. 152(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 5/7/96

Referred: Today's Calendar

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; and providing for an effective date."

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

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

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

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

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

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

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

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

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

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

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

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

23 (b) Each magistrate shall receive annual compensation **including geographic**
24 **differential pay** to be determined by the supreme court. Salary increases shall be
25 determined on the basis of percentage of pay increase the legislature provides for state
26 employees in the classified service. [THE BASE SALARY OF A MAGISTRATE
27 SHALL BE INCREASED BY A PERCENTAGE EQUAL TO THREE AND ONE-
28 HALF PER CENT TIMES THE NUMBER OF STEP INCREASES PROVIDED
29 UNDER AS 39.27.020 THAT A STATE EMPLOYEE WOULD RECEIVE
30 WORKING IN THE SAME ELECTION DISTRICT.] A magistrate's annual
31 compensation may be payable, at the option of the magistrate, either monthly in 12

1 equal installments or semi-monthly in 24 equal installments.

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

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

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

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

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

21 * **Sec. 8.** AS 24.10.100 is amended to read:

22 Sec. 24.10.100. SALARY OF LEGISLATORS. The monthly salary for each
23 member of the legislature is \$2,001 [EQUAL TO STEP A, RANGE 10 OF THE
24 SALARY SCHEDULE IN AS 39.27.011(a) FOR JUNEAU]. The president of the
25 senate and the speaker of the house of representatives are each entitled to an additional
26 \$500 a year during tenure of office.

27 * **Sec. 9.** AS 29.60.160(a) is amended to read:

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

1 area cost-of-living differential for each recipient shall be determined [ANNUALLY BY
 2 ELECTION DISTRICT] under the provisions of AS 29.60.164 and 29.60.165
 3 [AS 39.27.030]. Application of the area cost-of-living differential may not result in
 4 distribution of an amount less than the amount of the payment determined without
 5 reference to application of this section.

6 * **Sec. 10.** AS 29.60 is amended by adding new sections to read:

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

11	Election District	Cost of Living
12	1	0
13	2	1
14	3	1
15	4	0
16	5	2
17	6a (excluding Valdez Duty Station)	4
18	6b (Valdez Duty Station)	5
19	7	1
20	8	0
21	9	2
22	10	2
23	11	2
24	12	7
25	13	7
26	14	8
27	15a (excluding Nenana Duty Station)	9
28	15b (Nenana Duty Station)	8
29	16a (south of Arctic Circle)	4
30	16b (north of Arctic Circle)	9
31	17	9

1 IN THE SERVICE UNTIL THE EXPIRATION OF THE PERIOD OF UNUSED
2 PERSONAL LEAVE]. A payment of terminal leave to an employee shall be made as
3 a lump sum payment [OR IN INSTALLMENTS OVER A PERIOD OF TIME,
4 AS THE EMPLOYEE ELECTS].

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

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

8 (1) 1.5 percent; or

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

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

15 (1) 1.5 percent; or

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

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

22 (1) 1.5 percent; or

23 (2) one-half of the percentage increase in the United States Department
24 of Labor, Bureau of Labor Statistics, consumer price index for all urban consumers for
25 Anchorage, Alaska, from the second half of 1996 to the second half of 1997.

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

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

29 Geographic Area	Percentage Above or Below
30 (Election Districts)	Basic Salary Schedule
31 3, 4, and 7 - 28	0

1	1, 2, 5, 6	5
2	34 - 36	10
3	29 - 33	4
4	37 - 40	20
5	Washington State	minus 20.

6 (b) A pay differential authorized by (a) of this section applies only to that part
7 of an employee's gross salary that does not exceed \$25,000 annually, prorated by pay
8 period.

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

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

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

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

20 (d) The director may establish pay differentials for positions in foreign
21 countries or in states other than the State of Washington. If the director establishes
22 a pay differential under this subsection, the director shall adjust the differential as
23 necessary to maintain equitable relationships between salaries for positions outside the
24 state and in the state.

25 (e) For purposes of (a) of this section, "election district" means an election
26 district designated in the governor's proclamation of reapportionment and redistricting
27 applicable to the 1994 general election.

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

29 Sec. 39.27.030. COST-OF-LIVING SURVEY. Subject to an appropriation for
30 this purpose, the director shall conduct a survey, at least every five years, to review
31 the pay differentials established in AS 39.27.020. The survey may address factors, as

1 determined by the director, that are also relevant in review of state salary schedules,
2 entitlement for beneficiaries of state programs, and payments for state service
3 providers. The survey must reflect the costs of living in various election districts of
4 the state, and Seattle, Washington, by using the cost of living in Anchorage as a base.

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

6 Sec. 39.27.045. DEFINITION. In AS 39.27.020 - 39.27.030 [AS 39.27.030 -
7 39.27.040], "director" means the director of the division of personnel.

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

9 (a) A [BEGINNING JANUARY 1, 1987, EACH] peace officer or fire fighter
10 **who is first hired on or after the effective date of this bill section shall contribute**
11 **to the system an amount equal to seven percent of the peace officer's or fire**
12 **fighter's compensation. A peace officer or fire fighter first hired before the**
13 **effective date of this bill section** shall contribute to the system an amount equal to
14 seven and one-half percent of the peace officer's or fire fighter's compensation. **Each**
15 [BEGINNING JANUARY 1, 1987, EACH] other employee **who is first hired on or**
16 **after the effective date of this bill section shall contribute to the system an amount**
17 **equal to six percent of the employee's compensation. Each other employee who**
18 **is first hired before the effective date of this bill section** shall contribute to the
19 system an amount equal to six and three-quarters percent of the employee's
20 compensation. The contributions shall be deducted by the employer at the end of each
21 payroll period. The contributions shall be deducted from employee compensation
22 before computation of applicable federal taxes, and the contributions shall be treated
23 as employer contributions under 26 U.S.C. 414(h)(2).

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

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

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

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

31 (3) **at age 50 with at least 20 years of credited service as a peace**

1 officer or fire fighter, for peace officers and fire fighters first hired on or after the
2 effective date of this bill section;

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

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

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

9 (b) Subject to AS 39.35.450, a terminated employee is eligible for an early
10 retirement benefit at age 55 with at least five years credited service. An actuarial
11 adjustment shall be made to retirement benefits paid under this section for an early
12 retirement benefit. The monthly amount of a retirement benefit that would be due
13 under (c) of this section shall be reduced by multiplying one-half of one percent
14 times the number of months, to the nearest month, by which the retirement date
15 of the employee falls short of the date that the employee reaches age 60.

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

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

18 (1) a peace officer or fire fighter is two percent of the average monthly
19 compensation times the years of credited service through 10 years, plus two and one-
20 half percent of the average monthly compensation times the years of service over 10
21 years;

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

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

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

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

1 total service;

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

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

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

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

11 * Sec. 21. AS 39.35.450(a) is amended to read:

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

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

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

29 (3) THE EMPLOYEE IS ENTITLED TO RECEIVE A REDUCED
30 BENEFIT PAYABLE DURING THE JOINT LIFETIME OF THE EMPLOYEE AND
31 THE CONTINGENT BENEFICIARY, AND, AFTER THE DEATH OF EITHER THE

1 EMPLOYEE OR THE CONTINGENT BENEFICIARY, THE SURVIVOR IS
2 ENTITLED TO RECEIVE PAYMENTS IN THE AMOUNT OF 66 2/3 PERCENT OF
3 THE REDUCED BENEFIT PAYABLE FOR LIFE].

4 * **Sec. 22.** AS 39.35.475(a) is amended to read:

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

6 (1) eligible disabled members;

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

9 (3) members who were first hired before the effective date of this
10 bill section [, AND TO PERSONS] who have received benefits under this system for
11 at least five years **and** who are not otherwise eligible for an increase under this
12 section; **and**

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

16 * **Sec. 23.** AS 39.35.475(b) is amended to read:

17 (b) The increase in benefit payments applies to total benefit payments except
18 for the cost-of-living allowance under AS 39.35.480. **For members first hired on or**
19 **after the effective date of this bill section, the amount of the increase is a**
20 **percentage of the current benefit equal to the lesser of 50 percent of the increase**
21 **in the cost of living in the preceding calendar year or six percent. For members**
22 **first hired before the effective date of this bill section, the** [THE] amount of the
23 increase is a percentage of the current benefit equal to

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

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

31 * **Sec. 24.** AS 39.35.485(a) is amended to read:

1 (a) An employee who is eligible for a benefit calculated in accordance with
2 AS 39.35.370(c) is entitled to a benefit of at least \$25 a month for each year of
3 credited service, not including adjustments made under AS 39.35.340 for military
4 service, AS 39.35.350 for reinstatement of credited service, AS 39.35.360 for credit
5 for earlier service, AS 39.35.370(c) for early retirement, AS 39.35.420 for
6 nonoccupational death benefits, AS 39.35.450 for the survivor's option, **former**
7 AS 39.35.460 for the level income option, AS 39.35.475 for the post-retirement
8 pension adjustment, and AS 39.35.480 for the cost of living.

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

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

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

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

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

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

28 * **Sec. 26.** AS 39.35.680(4) is amended to read:

29 (4) "average monthly compensation" means the result obtained by
30 dividing the compensation earned by an employee during a considered period by the
31 number of months, including fractional months, for which compensation was earned;

1 the considered period consists of **(A) for employees first hired before the effective**
2 **date of this bill section**, the three consecutive payroll years during the period of
3 credited service that yields the highest average, **and (B) for employees first hired on**
4 **or after the effective date of this bill section, the five consecutive payroll years**
5 **during the period of credited service that yield the highest average**, or if the
6 employee does not have **the required number of** [THREE] consecutive payroll years,
7 the employee's period of credited service; an employee must have at least 115 days
8 of credited service in the last payroll year in order for that year to be used as part of
9 the [THREE] consecutive payroll years;

10 * **Sec. 27.** AS 44.31.020 is amended to read:

11 Sec. 44.31.020. DUTIES OF DEPARTMENT. The Department of Labor shall

12 (1) enforce the laws, and adopt regulations under them concerning
13 employer-employee relationships, including the safety, hours of work, wages, and
14 conditions of workers, including children;

15 (2) accumulate, analyze, and report labor statistics;

16 (3) operate systems of workers' compensation and unemployment
17 insurance; and

18 (4) gather data reflecting the cost of living in the various election
19 districts of the state upon request of the director of personnel **for determination of**
20 **area cost-of-living differentials under AS 29.60.164 and 29.60.165 or** under
21 **AS 39.27.030** [AS 39.27.030 - 39.27.040].

22 * **Sec. 28.** AS 39.27.035, 39.27.040; and AS 39.35.460 are repealed.

23 * **Sec. 29.** FINDINGS AND PURPOSE AS TO SECS. 30 - 43. The State of Alaska and
24 many local governments are facing the need to restructure their operations and their work
25 forces in order to reduce expenditures and to balance budgets. Retirement and separation
26 incentives are management tools that have been used extensively by the private sector, the
27 federal government, and other state and local governments across the country. The purpose
28 of secs. 30 - 43 of this Act is to make these management tools temporarily available to the
29 state and to the municipalities of the state. Sections 30 - 43 of this Act will enable these
30 entities to be more efficient and cost-effective by eliminating certain nonessential positions
31 and producing a net reduction in personnel costs.

1 to

2 (i) the actuarial equivalent of the difference between the benefits
3 the participant receives after the addition of the credit under (f) of this section
4 and the amount the participant would have received without the credit, less the
5 amount the participant has paid on the indebtedness determined under (d) or (e)
6 of this section; and

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

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

12 (d) A member of the teachers' retirement system who participates in an approved
13 retirement incentive plan under secs. 30 - 43 of this Act is indebted to that system for an
14 amount calculated under this subsection. The indebtedness is 25.95 percent of the member's
15 actual compensation for the school year in which the member terminates employment, or the
16 calculated school year compensation for a member who works less than the entire school year.
17 An outstanding indebtedness at the time a member is appointed to retirement under an
18 approved retirement incentive plan requires an actuarial adjustment to the benefits payable to
19 that member.

20 (e) A member of the public employees' retirement system who participates in an
21 approved retirement incentive plan under secs. 30 - 43 of this Act is indebted to that system
22 for an amount calculated under this subsection. The indebtedness is 22 1/2 percent for a
23 peace officer or fire fighter, and 20 1/4 percent for other members, of the member's actual
24 annual compensation for the year in which the member terminates employment, or the
25 calculated annual compensation for a member who works fewer than 12 months. An
26 outstanding indebtedness at the time a member is appointed to retirement under an approved
27 retirement incentive plan requires an actuarial adjustment to the benefits payable to that
28 member.

29 (f) An employee who participates in an approved retirement incentive plan under secs.
30 30 - 43 of this Act receives a credit of three years. The three years must be applied in the
31 following order until exhausted:

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

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

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

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

8 (g) In this section,

9 (1) "department" means

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

14 (B) the Office of the Governor;

15 (2) "employer"

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

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

22 * **Sec. 31. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE.**

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

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

1 begin less than 30 days after their establishment. A state agency is not required to request an
2 application period and may request more than one application period.

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

7 (d) A proposed retirement incentive plan adopted under this section may permit
8 participation only by an employee who is eligible to participate under sec. 30(b) of this Act
9 and who

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

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

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

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

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

27 * **Sec. 32. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF**
28 **THE UNIVERSITY OF ALASKA.** (a) The Board of Regents of the University of Alaska
29 may adopt, and file with the commissioner of administration for approval, a proposed
30 retirement incentive plan for university employees.

31 (b) Upon the request of the Board of Regents, the commissioner of administration

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

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

15 (d) A participant in the optional university retirement program under AS 14.40.661 -
16 14.40.799 who is vested in the public employees' retirement system or the teachers' retirement
17 system may participate in a retirement incentive plan for that system if the participant meets
18 the other qualifications of secs. 30 - 43 of this Act. If a provision of this subsection is
19 inconsistent with another provision of law, the provision of this subsection governs.

20 * **Sec. 33. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER**
21 **EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM.** (a) The
22 governing body of a political subdivision of the state or public organization that has elected
23 to participate in the public employees' retirement system under AS 39.35.550 - 39.35.650 may
24 adopt, and file with the commissioner of administration for approval, a proposed retirement
25 incentive plan for its employees. A plan adopted under this section must provide that the
26 application period for participation in the retirement incentive plan is December 31, 1996,
27 through June 30, 1997.

28 (b) The commissioner of administration may not accept the application of an employee
29 to participate in an approved retirement incentive plan adopted under this section unless the
30 employee will be appointed to retirement on or before February 1, 1998. The governing body
31 of the political subdivision or public organization, in a plan adopted under this section, may

1 set an earlier date by which an employee must be appointed to retirement in order to
2 participate in the plan.

3 * **Sec. 34. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF**
4 **REGIONAL RESOURCE CENTERS IN THE TEACHERS' RETIREMENT SYSTEM. (a)**

5 A regional resource center that has employees who are members of the teachers' retirement
6 system may adopt, and file with the commissioner of administration for approval, a proposed
7 retirement incentive plan for its employees. A plan adopted under this section must provide
8 that the application period for participation in the retirement incentive plan is June 30, 1996,
9 through December 31, 1996.

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

15 * **Sec. 35. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.**

16 For purposes of determining the years of service requirements for retirement under
17 AS 14.25.110 or AS 39.35.370, as appropriate, a vested member who is a state employee and
18 who applies to participate in a retirement incentive plan under secs. 30 - 43 of this Act may
19 receive credit for employment with a political subdivision or public organization before the
20 political subdivision or organization became an employer under the public employees'
21 retirement system. The member may not receive credit for those years under this section for
22 purposes of determining benefits. If a provision of this section is inconsistent with any other
23 provision of law, the provision of this section governs.

24 * **Sec. 36. PROVISION AND AUTHORIZATION FOR ADMINISTRATIVE DIRECTOR**
25 **OF COURT. (a)** The chief justice of the state supreme court may adopt a retirement

26 incentive plan for an administrative director of the Alaska Court System who is a member of
27 the judicial retirement system under AS 22.25.012 if participation in the plan will result in
28 savings to the court system in personal services costs within three years after commencement
29 of the plan. The administrative director may participate only if the administrative director is
30 vested in the judicial retirement system and will be qualified to retire under AS 22.25.010
31 after receipt of the retirement incentive. To participate, the administrative director shall apply

1 to the commissioner of administration to participate in the approved court system plan.

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

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

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

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

16 (d) An administrative director of the Alaska Court System who participates in an
17 approved retirement incentive plan is indebted to the system. The amount of indebtedness is
18 equal to 21 percent of the director's actual annual compensation for the year in which the
19 director terminates employment to participate in the program, or the calculated annual
20 compensation for an administrative director who works fewer than 12 months. An outstanding
21 indebtedness at the time the administrative director is appointed to retirement under an
22 approved retirement incentive plan will require an actuarial adjustment to the benefits payable
23 to the director.

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

27 (f) The chief justice of the Alaska Supreme Court may adopt and file with the
28 commissioner of administration for approval, a proposed retirement incentive plan for the
29 administrative director of the court system who is a member of the judicial retirement system.
30 Upon the request of the chief justice, the commissioner of administration shall establish a
31 period during which an administrative director eligible to participate in the retirement incentive

1 plan of the court system may apply to the commissioner of administration to participate in the
2 court system's approved plan. The period shall begin no earlier than July 1, 1996, and end
3 no later than June 30, 1999. The period shall be no less than 30 days and no more than 60
4 days in duration and may not begin less than 30 days after establishment. The chief justice
5 is not required to request an application period.

6 (g) The commissioner of administration may not accept the application of an
7 administrative director of the court system to participate in an approved retirement incentive
8 plan adopted under this section unless the administrative director will be appointed to
9 retirement not later than the first day of the month that is six months after the last day of the
10 application period established by the commissioner under (f) of this section. The chief justice,
11 in a plan adopted under this section, may set an earlier date by which an administrative
12 director must be appointed to retirement in order to participate in the plan.

13 * **Sec. 37. RECOVERY OF EMPLOYER DELINQUENCIES.** To recover a delinquency
14 owed by an employer other than the state under an agreement entered into under sec. 30(c)(2)
15 of this Act, the Department of Administration may

16 (1) direct that the amount of the delinquency or a lesser amount be withheld
17 from any money payable to the employer by a state department or agency and that the amount
18 withheld be credited to the delinquency; and

19 (2) bring action against the employer.

20 * **Sec. 38. REEMPLOYMENT INDEBTEDNESS; PROHIBITION ON REEMPLOYMENT.**

21 (a) If an individual is reemployed as a member of the public employees' retirement system
22 under AS 39.35, the teachers' retirement system under AS 14.25, the judicial retirement system
23 under AS 22.25, or the optional university retirement program under AS 14.40.661 - 14.40.799
24 after appointment to retirement under secs. 30 - 43 of this Act, that individual forfeits the
25 incentive credit received under secs. 30 - 43 of this Act and is indebted to the system under
26 which the individual took retirement. The indebtedness is 150 percent of the amount the
27 individual received as a result of participation in a retirement incentive plan under secs. 30 -
28 43 of this Act and to which the individual would not otherwise have been entitled, including
29 the cost of health insurance. The amount that the individual has paid under sec. 30(d) or (e)
30 of this Act will be applied as a credit toward the reemployment indebtedness. Interest on the
31 reemployment indebtedness accrues from the date of reemployment until the date that the

1 individual either is appointed to retirement and accepts an actuarial adjustment to the
2 individual's future benefits or repays the indebtedness in full. The rate of interest is that
3 established by regulation for the public employees' retirement system by the public employees'
4 retirement board and for the teachers' retirement system by the teachers' retirement board.

5 (b) An individual who was appointed to retirement under secs. 30 - 43 of this Act may
6 not be employed by, or enter into a contract for personal services with, a state agency or the
7 University of Alaska within the five years after the date of appointment to retirement, except
8 that

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

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

16 (c) Notwithstanding the prohibition in (b) of this section, a state agency or the
17 University of Alaska may enter into a personal services contract with an individual who was
18 appointed to retirement under secs. 30 - 43 of this Act if the Board of Regents, for the
19 University of Alaska, or the commissioner of administration, for a state agency, determines
20 that there is a compelling reason to do so because of the individual's specialized or extensive
21 experience that relates to a particular program or project of the state agency or university.
22 However, a state agency may not enter into a contract with an individual under this subsection
23 if the individual was employed by the state agency at the time of the individual's appointment
24 to retirement.

25 * **Sec. 39. LEGISLATIVE EMPLOYEE RETIREMENT INCENTIVE PLAN.** (a) The
26 Legislative Council may adopt and file with the commissioner of administration a retirement
27 incentive plan for employees of the legislative branch of state government. The plan must
28 designate categories of employees eligible to participate in that plan, include a reimbursement
29 agreement for the cost of participation by employees in the plan, and require employees to
30 meet the eligibility criteria and pay the indebtedness amount under sec. 30 of this Act. The
31 Legislative Council may exercise the powers of an employer under sec. 30 of this Act, but a

1 plan adopted by the council is not subject to review by the office of management and budget
2 or approval of the commissioner of administration.

3 (b) The application periods established by the Legislative Council under the plan
4 during which the employees of a legislative agency who meet the requirements of sec. 30(b)
5 of this Act are eligible to participate in the retirement incentive plan shall begin no earlier
6 than June 30, 1996, and end no later than June 30, 1999. The application periods shall be no
7 less than 30 days and not more than 60 days in duration, and may not begin less than 30 days
8 after their establishment. The Legislative Council is not required to establish an application
9 period and may establish more than one application period.

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

16 (d) The provisions of secs. 35, 37, 38, 41, and 43 of this Act apply to a plan adopted
17 under this section.

18 * **Sec. 40. OFFICE OF MANAGEMENT AND BUDGET.** (a) When designating an
19 employee category for participation in a retirement incentive plan under secs. 30 - 32 of this
20 Act, the executive head of the relevant state agency shall describe in detail the expected effect
21 of the plan or program on the agency's personal services cost and operation. This financial
22 report must be approved by the director of the office of management and budget before the
23 commissioner of administration may approve the proposed plan or program. The state agency
24 shall report each year to the office of management and budget on the cost of each employee's
25 participation and the effect on the agency's personal services cost and operation.

26 (b) The office of management and budget shall submit to the legislature annual reports
27 on the retirement incentive and separation incentive programs under secs. 30 - 43 of this Act
28 beginning January 15, 1998, and continuing through January 15, 2000, and shall submit a final
29 report January 15, 2001. Each report must provide the information necessary for the
30 legislature to evaluate the effectiveness of the programs in achieving their objectives. The
31 report must include information on the designated employee categories under the incentive

1 programs, the cost to the state, the cost to the employee, the annual budgeted amount, by state
2 agency, for the incentives, the number of positions deleted or left vacant, and the projected
3 or actual net savings over the three-year period, and recommendations to the legislature for
4 changes in appropriations that reflect the cost and cost savings resulting from the retirement
5 and separation incentive programs.

6 * **Sec. 41. PROGRAM CHANGES.** (a) An individual employee does not have a vested
7 or contractual right to a benefit under secs. 30 - 43 of this Act until an agreement is executed
8 with the administrator that specifically authorizes that employee to participate in the retirement
9 incentive program under secs. 30 - 43 of this Act or until an agreement is executed with the
10 commissioner of administration to participate in the separation incentive program under secs.
11 30 - 43 of this Act. The legislature reserves the right to change any aspect of either incentive
12 program as it relates to employees for whom participation agreements have not yet been
13 executed with the administrator or with the commissioner of administration.

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

17 * **Sec. 42. REGULATIONS.** The commissioner of administration may adopt regulations
18 under AS 44.62 (Administrative Procedure Act) to implement and interpret secs. 30 - 38 and
19 40 - 43 of this Act.

20 * **Sec. 43. DEFINITIONS.** (a) Unless otherwise provided in secs. 30 - 43 of this Act, the
21 definitions set out in AS 14.25.220 apply to provisions in secs. 31 - 39 of this Act that relate
22 to teachers' retirement system and members of the teachers' retirement system.

23 (b) Unless otherwise provided in secs. 30 - 43 of this Act, the definitions set out in
24 AS 39.35.680 apply to provisions in secs. 31 - 39 of this Act that relate to the public
25 employees' retirement system and members of the public employees' retirement system except
26 that "employer" does not include a school district.

27 (c) In secs. 30 - 43 of this Act,

28 (1) "office of management and budget" means the office of management and
29 budget in the Office of the Governor;

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

- 1 (3) "state agency"
- 2 (A) means
- 3 (i) the judicial branch of state government;
- 4 (ii) a principal department of the executive branch of state
- 5 government; and independent state entity that is attached to a principal
- 6 department of the executive branch for administrative purposes but that is not
- 7 a public organization as defined in AS 39.35.680 is part of that department for
- 8 purposes of this clause; and
- 9 (iii) the Office of the Governor;
- 10 (B) does not include
- 11 (i) the University of Alaska;
- 12 (ii) a political subdivision of the state; or
- 13 (iii) a public organization as defined in AS 39.35.680;
- 14 (4) "teachers' retirement system" means the Teachers' Retirement System of
- 15 Alaska (AS 14.25).

16 * **Sec. 44. SALARY ADJUSTMENTS FOR CERTAIN EXEMPT EMPLOYEES OF THE**

17 **EXECUTIVE BRANCH.** Permanent and temporary employees of the executive branch who

18 are in the exempt service under AS 39.25, who are not members of a collective bargaining

19 unit established under the Public Employment Relations Act (AS 23.40), and who are not

20 otherwise covered by AS 39.27.011(a), are entitled to receive salary adjustments comparable

21 to those received by the classified and partially exempt employees of the executive branch

22 under AS 39.27.011(e) - (g), as enacted by sec. 13 of this Act, and to receive geographic

23 differentials comparable to those received by the classified and partially exempt employees

24 of the executive branch under AS 39.25.020, as enacted by sec. 14 of this Act.

25 * **Sec. 45. SALARY INCREASES FOR EMPLOYEES OF THE UNIVERSITY OF**

26 **ALASKA.** The employees of the University of Alaska who are not members of a collective

27 bargaining unit are entitled to receive salary increases in accordance with the compensation

28 policy of the Board of Regents of the University of Alaska.

29 * **Sec. 46. SALARY ADJUSTMENTS FOR EMPLOYEES OF THE JUDICIAL BRANCH.**

30 For the fiscal years beginning July 1, 1997, and July 1, 1998, permanent and temporary

31 employees of the judicial branch, other than justices and judges, who are not members of a

1 collective bargaining agreement unit are entitled to receive salary adjustments comparable to
2 those received by the classified and partially exempt employees of the executive branch under
3 AS 39.27.011(f) - (g), as enacted by sec. 13 of this Act, and geographic differential
4 adjustments comparable to those received by the classified and partially exempt employees
5 of the executive branch under AS 39.27.020, as enacted by sec. 14 of this Act.

6 * **Sec. 47. SALARY INCREASES FOR JUDICIAL BRANCH EMPLOYEES.** For the
7 fiscal year beginning July 1, 1996, and ending June 30, 1997, the temporary and permanent
8 employees 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 the
10 employee's base salary as of June 30, 1996.

11 * **Sec. 48. JUDGES AND JUSTICES.** Notwithstanding AS 22.05.140(d), AS 22.07.090(c),
12 AS 22.10.190(d), and AS 22.15.220(e), and sec. 13 of this Act, justices and judges in the
13 judicial branch are not entitled to receive the increases provided by AS 22.05.140(d),
14 AS 22.07.090(c), AS 22.10.190(d), and AS 22.15.220(e) for the fiscal year beginning July 1,
15 1996, and ending June 30, 1997.

16 * **Sec. 49. SALARY INCREASES FOR LEGISLATIVE BRANCH EMPLOYEES.**
17 Employees of the legislative branch of state government who are not otherwise subject to
18 AS 39.27.011, other than legislators, are entitled to receive salary adjustments comparable to
19 those received by the classified and partially exempt employees of the executive branch under
20 AS 39.27.011(e) - (g), as enacted by sec. 13 of this Act.

21 * **Sec. 50. APPROVAL OF MONETARY TERMS OF AGREEMENTS.** (a) This section
22 (1) supersedes the provisions of any bill passed by the Second Session of the
23 Nineteenth Alaska State Legislature and enacted into law that disapproves the monetary terms
24 of the collective bargaining agreements listed in this section; and
25 (2) satisfies the terms of any bill passed by the Second Session of the
26 Nineteenth Alaska State Legislature and enacted into law that imposes conditions on the
27 approval of the monetary terms of those agreements.

28 (b) This section constitutes approval of the monetary terms of the collective bargaining
29 agreements entered into between the state and the following collective bargaining
30 organizations:

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

- 1 (2) Alaska Public Employees Association, for the Supervisory Unit;
2 (3) Public Employees Local 71, for the Labor, Trades and Crafts Unit;
3 (4) Inlandboatmen’s Union of the Pacific, representing the unlicensed marine
4 unit;
5 (5) International Organization of Masters, Mates, and Pilots, Pacific Maritime
6 Region, for the Masters, Mates, and Pilots Unit;
7 (6) Public Safety Employees Association, representing state troopers and other
8 commissioned law enforcement personnel;
9 (7) the Classified Employees Association, representing University of Alaska
10 employees;
11 (8) the Alaska Community Colleges’ Federation of Teachers, representing
12 faculty members of the University of Alaska;
13 (9) the Alyeska Correspondence School Education Association representing
14 teachers at the Alyeska Central School;
15 (10) Alaska Vocational Technical Center Teacher’s Association representing
16 teachers at the Alaska Vocational Technical Center; and
17 (11) International Brotherhood of Electrical Workers representing nonjudicial,
18 nonsupervisory, classified employees of the Alaska Court System.

19 * **Sec. 51.** DECLINING TO PLACE EMPLOYEES OF THE LABOR RELATIONS
20 SECTION IN THE EXEMPT SERVICE. The legislature declines to place employees of the
21 labor relations section of the Department of Administration in the exempt service because it
22 finds that the public is better served by maintaining the current status of these employees.

23 * **Sec. 52** LIMITATION ON THE REDUCTION OF EMPLOYEE SALARIES. (a) So
24 long as the employee remains in the same geographic area, as set out in AS 39.27.020, as
25 amended by sec. 14 of this Act,

26 (1) the salary that an employee is receiving on June 30, 1996, may not be
27 reduced by application of a provision of sec. 14 of this Act until June 30, 1997;

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

31 (b) If an employee moves to another geographic area after June 30, 1996, both the pay

1 differential in AS 39.27.020(a) and the limitation on applicable salary in AS 39.27.020(b), as
2 reenacted by sec. 14 of this Act, apply to that employee's salary on the effective date of the
3 move.

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

6 * **Sec. 53** Nothing in this Act modifies or terminates the terms of a collective bargaining
7 agreement in effect on the effective date of this Act.

8 * **Sec. 54.** Section 52 of this Act is repealed July 1, 1998.

9 * **Sec. 55** Sections 30, 31, and 39 of this Act are repealed July 1, 2000.

10 * **Sec. 56.** Sections 32 - 36 of this Act are repealed December 31, 1999.

11 * **Sec. 57.** This Act takes effect July 1, 1996.