

CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 24(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 5/3/05

Referred: Rules

Sponsor(s): SENATORS GARY STEVENS, Davis, Elton

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to reemployment of and benefits for retired teachers and public
2 employees and to teachers or employees who participated in retirement incentive
3 programs and are subsequently reemployed as a commissioner; repealing secs. 5, 7, and
4 9, ch. 58, SLA 2001; providing for an effective date by amending the delayed effective
5 date for secs. 3, 5, 9, and 12, ch. 57, SLA 2001, and repealing sec. 13, ch. 58, SLA 2001,
6 which is the delayed effective date for secs. 5, 7, and 9, ch. 58, SLA 2001; and providing
7 for an effective date."

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

9 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
10 to read:

11 FINDINGS AND INTENT. (a) The legislature finds that provisions of ch. 57, SLA
12 2001, ch. 58, SLA 2001, and ch. 15, SLA 2003, that provide for the reemployment of certain
13 retired members of the teachers' and public employees' retirement systems provide a valuable

1 tool for school districts and public employers to manage workforce shortages, especially in
2 teaching positions and job classes that require specialized knowledge and skills.

3 (b) The legislature also finds that school districts and public employers must plan to
4 meet their future workforce needs without reliance on retired workers. In extending the
5 termination date of the reemployment provisions, it is the intent of the legislature to allow
6 school districts and public employers to continue to use this management tool, while
7 developing plans that address the knowledge, skills, and abilities that need to be transferred or
8 developed to assure the work can be accomplished when the reemployment provisions
9 terminate. It is the intent of the legislature that all participation in the retiree reemployment
10 provisions by employers and reemployed retirees will end on July 1, 2009, unless that date is
11 extended by law.

12 (c) The legislature also finds that there have been unintended consequences resulting
13 from implementation of the retiree reemployment provisions, including an increase in the
14 unfunded liability of the retirement systems and the failure to realize savings in the health
15 expenses of the retirement systems as a result of the practice of some employers of
16 withdrawing health and medical coverage for reemployed retirees. It is the intent of the
17 legislature that employers that benefit from the provisions of the retiree reemployment
18 provisions pay any increase in unfunded liability that results to the retirement systems and
19 that employers provide reemployed retirees with the same health and medical benefits
20 provided to other active employees.

21 * **Sec. 2.** AS 14.20.135 is amended by adding a new subsection to read:

22 (e) If a school district or regional educational attendance area hires a retired
23 teacher under this section and the retired teacher who has been rehired elects to
24 continue receiving benefit payments during the period of reemployment under
25 AS 14.25.043(b), the employer of a retired teacher who has been rehired under this
26 section shall provide health and medical benefits to the retired teacher who has been
27 rehired. If the retired teacher has been rehired as a full-time teacher, the teacher's
28 employer shall provide the same health and medical benefits to that teacher as the
29 employer provides to other full-time teachers, and the teacher may not receive
30 retirement medical benefits during the period of reemployment.

31 * **Sec. 3.** AS 14.25.043(a) is amended to read:

1 (a) If a retired member again becomes an active member, benefit payments
 2 may not be made during the period of reemployment [UNLESS THE TEACHER
 3 MAKES AN ELECTION UNDER (b) OR (e) OF THIS SECTION]. The retirement
 4 benefit must be suspended for the entire school year if the teacher is reemployed as an
 5 active teacher for a period equivalent to a year of service. During the period of
 6 reemployment, [THE MEMBER IS SUBJECT TO AS 14.25.050, AND] deductions
 7 from the member's salary will be made in accordance with AS 14.25.050.

8 * **Sec. 4.** AS 14.25.043(b) is amended to read:

9 (b) A school district or regional educational attendance area that has adopted a
 10 policy that permits the employment of retired teachers in accordance with
 11 AS 14.20.135 shall notify the administrator that it is hiring retired teachers under
 12 AS 14.20.135. A teacher who retired under AS 14.25.110(a) and subsequently
 13 becomes an active member under a policy adopted in accordance with AS 14.20.135
 14 may, within 30 days after the date of reemployment, elect to continue receiving benefit
 15 payments during the period of reemployment by filing a waiver of coverage with the
 16 administrator on a form provided by the administrator. An election under this
 17 subsection waives coverage for the period of reemployment and is irrevocable during
 18 the period of reemployment. **The period of reemployment is considered to end**
 19 **when this subsection is repealed or the person stops working, whichever occurs**
 20 **first. A teacher hired to work as a full-time teacher who makes the election to**
 21 **continue to receive benefit payments may not receive retirement medical benefits**
 22 **during reemployment but, instead, shall be covered under the medical coverage**
 23 **provided by the employer to active teachers. A teacher hired to work as a less**
 24 **than full-time teacher who makes the election to continue to receive benefit**
 25 **payments may continue to receive retirement medical benefits.** Deductions from
 26 the member's salary may not be made under AS 14.25.050 during the period of
 27 reemployment, and the member may not receive credited service for the period of
 28 reemployment. A member who participated in a retirement incentive program under
 29 ch. 26, SLA 1986; ch. 89, SLA 1989; ch. 65, SLA 1996; ch. 4, FSSLA 1996; or ch.
 30 92, SLA 1997, is not eligible to make an election under this subsection.

31 * **Sec. 5.** AS 14.25.043(e) is amended to read:

1 (e) A member who retired under AS 14.25.110(a) and participated in a
 2 retirement incentive program under ch. 26, SLA 1986; ch. 89, SLA 1989; ch. 65, SLA
 3 1996; ch. 4, FSSLA 1996; or ch. 92, SLA 1997, who is subsequently reemployed as a
 4 commissioner and becomes an active member may, within 30 days of the date of
 5 reemployment, elect to continue receiving benefit payments during the period of
 6 reemployment by filing a waiver of coverage with the administrator on a form
 7 provided by the administrator. An election under this subsection waives coverage for
 8 the period of reemployment and is irrevocable during the period of reemployment.

9 **The period of reemployment is considered to end when this subsection is repealed**
 10 **or the person stops working, whichever occurs first. A commissioner hired to**
 11 **work as a full-time employee who makes the election to continue to receive**
 12 **benefit payments may not receive retirement medical benefits during**
 13 **reemployment but, instead, shall be covered under the medical coverage**
 14 **provided by the employer to active employees. A commissioner hired to work as**
 15 **a less than full-time employee who makes the election to continue to receive**
 16 **benefit payments may continue to receive retirement medical benefits.**

17 Deductions from the member's salary may not be made under AS 14.25.050 during the
 18 period of reemployment, and the member may not receive credited service for the
 19 period of reemployment. A member who makes an election under this subsection
 20 does not lose the incentive credit provided under the applicable retirement incentive
 21 plan and is not subject to any related reemployment indebtedness.

22 * **Sec. 6.** AS 14.25.070 is amended by adding a new subsection to read:

23 (b) Each employer of a retired teacher rehired under the authority of
 24 AS 14.20.135 shall make contributions to the unfunded liability of the system on
 25 behalf of that retired teacher at the rate that the employer is making contributions to
 26 the unfunded liability of the system for other teachers.

27 * **Sec. 7.** AS 39.35.150(b) is amended to read:

28 (b) A member who retired under AS 39.35.370(a) and subsequently becomes
 29 an active member may, within 30 days of the date of reemployment, elect to continue
 30 receiving benefit payments during the period of reemployment by filing an election
 31 with the administrator on a form provided by the administrator. An election under this

1 subsection waives coverage for the period of reemployment and is irrevocable during
 2 the period of reemployment. **The period of reemployment is considered to end**
 3 **when this subsection is repealed or the person stops working, whichever occurs**
 4 **first. A member hired to work as a full-time employee who makes the election to**
 5 **continue to receive benefit payments may not receive retirement medical benefits**
 6 **during reemployment but, instead, shall be covered under the medical coverage**
 7 **provided by the employer to active employees. A member hired to work as a less**
 8 **than full-time employee who makes the election to continue to receive benefit**
 9 **payments may continue to receive retirement medical benefits.** During the period
 10 of reemployment, deductions from the member's salary may not be made under
 11 AS 39.35.160 and the member may not receive credited service. A member who
 12 participated in a retirement incentive program under ch. 26, SLA 1986; ch. 89, SLA
 13 1989; ch. 65, SLA 1996; ch. 4, FSSLA 1996; or ch. 92, SLA 1997, is not eligible to
 14 make an election under this subsection unless the member is reemployed as a
 15 commissioner.

16 * **Sec. 8.** AS 39.35.150 is amended by adding new subsections to read:

17 (f) Notwithstanding (b) of this section, a member employed by a political
 18 subdivision or a public organization may not make the election provided in (b) of this
 19 section unless the member's employer has adopted a policy that permits the
 20 employment of retired employees in accordance with (g) of this section. The
 21 administrator shall accept the election of a member subject to this subsection if the
 22 governing body or the person with hiring authority for the political subdivision or
 23 public organization certifies that the appointment to the position being filled by the
 24 retired member was the result of the competitive hiring process required under (g) of
 25 this section.

26 (g) In accordance with this section, a political subdivision or a public
 27 organization that has or anticipates having a shortage of employees qualified for
 28 particular job classes may, by resolution, adopt a policy that permits the employment
 29 of employees who retired under AS 39.35.370(a), who have been separated from
 30 employment for at least 30 days, and who are qualified for particular job classes. The
 31 policy adopted by resolution must describe the circumstances that constitute the

1 shortage. The policy must require recruitment procedures similar to the procedure
 2 described in (h) of this section for any position filled by a retired employee under (f)
 3 of this section. If a shortage of qualified employees exists as described in the policy,
 4 the political subdivision or the public organization shall notify the administrator that it
 5 is hiring retired members under (f) of this section and shall provide a copy of the
 6 resolution and policy adopted by the resolution to the administrator of the public
 7 employees' retirement system (AS 39.35).

8 (h) Notwithstanding (b) of this section, an employer in the executive branch of
 9 state government may not allow a member hired to fill a position that requires
 10 recruitment to make the election provided in (b) of this section unless

11 (1) the employer conducted an initial recruitment for at least 15 days
 12 for the position to be filled by the member making an election under (b) of this section
 13 that resulted in fewer than five qualified, eligible, and available applicants, including
 14 the retired member; and

15 (2) the employer then conducted an additional recruitment and the
 16 additional recruitment resulted in fewer than five qualified, eligible, and available
 17 applicants, including the retired member; this additional recruitment period added to
 18 the initial recruitment period must be at least 30 days total.

19 * **Sec. 9.** AS 39.35.270 is amended by adding a new subsection to read:

20 (b) Each employer of a retired member rehired under the authority of
 21 AS 39.35.150(b) shall make contributions to the unfunded liability of the system on
 22 behalf of that retired member at the rate that the employer is making contributions to
 23 the unfunded liability of the system for that employer's other members.

24 * **Sec. 10.** Section 12, ch. 57, SLA 2001, as amended by sec. 6, ch. 15, SLA 2003, is
 25 amended to read:

26 Sec. 12. AS 14.20.135, as amended by sec. 2 of this Act; AS 14.25.043(b),
 27 as amended by sec. 4 of this Act, 14.25.043(e), added by sec. 3, ch. 15, SLA 2003,
 28 and as amended by sec. 5 of this Act [OF THIS 2003 ACT]; AS 39.35.120(b)(2),
 29 39.35.150(b), as amended by sec. 4, ch. 15, SLA 2003, and by sec. 7 of this Act [OF
 30 THIS 2003 ACT], and 39.35.150(c) are repealed July 1, 2009 [2005].

31 * **Sec. 11.** The uncoded law of the State of Alaska enacted in sec. 13, ch. 57, SLA 2001,

1 is amended to read:

2 Sec. 13. REPORT TO LEGISLATURE. Annually, beginning in 2002 and
3 ending in **2010** [2006], the administrator of the teachers' retirement system **and the**
4 **administrator of the public employees' retirement system** shall report to the
5 legislature by the 30th day of the regular legislative session concerning the effect of
6 this Act, as amended, on the retirement systems. **The administrator of the public**
7 **employees' retirement system shall include information in the report regarding**
8 **the efforts of employers in the executive branch to address the recruitment**
9 **difficulties in job classes in which retired members have been rehired.**

10 * **Sec. 12.** AS 14.25.070(b); AS 39.35.150(f), 39.35.150(g), 39.35.150(h), and 39.35.270(b)
11 are repealed July 1, 2009.

12 * **Sec. 13.** Sections 5, 7, and 9, ch. 58, SLA 2001, are repealed.

13 * **Sec. 14.** The uncodified law of the State of Alaska is amended by adding a new section to
14 read:

15 APPLICABILITY OF SECS. 2, 4, AND 5 OF THIS ACT TO RETIRED TEACHERS
16 MAKING AN ELECTION UNDER AS 14.25.043(b) OR (e) BEFORE JULY 1, 2005. (a) A
17 retired teacher who was rehired and made an election under AS 14.25.043(b) or (e) before
18 November 3, 2004, may continue to receive retirement benefits and medical benefits under
19 AS 14.25.043(b) or (e) from July 1, 2005, through December 31, 2006, if that teacher
20 continues to serve in the same position. However, on January 1, 2007, the period of
21 reemployment to which the teacher's original election under AS 14.25.043(b) or (e) applied is
22 considered terminated. If the teacher continues as an active teacher, that teacher may not
23 continue to receive benefit payments while working as an active teacher unless the employer
24 rehires the teacher under AS 14.25.043(b) or (e), as amended by secs. 4 and 5 of this Act, on
25 or after January 1, 2007.

26 (b) A retired teacher who was rehired and made an election under AS 14.25.043(b) or
27 (e) on or after November 3, 2004, may not continue to receive retirement benefits and medical
28 benefits under AS 14.25.043(b) or (e) after June 30, 2005. On July 1, 2005, the period of
29 reemployment to which the teacher's original election under AS 14.25.043(b) or (e) applied is
30 considered terminated. If the teacher continues as an active teacher, that teacher may not
31 continue to receive benefit payments while working as an active teacher unless the employer

1 rehires the teacher under AS 14.25.043(b) or (e), as amended by secs. 4 and 5 of this Act, on
2 or after July 1, 2005.

3 (c) This section does not apply to an employer who may be required to provide health
4 and medical benefits under AS 14.25.043(b), as amended by sec. 4 of this Act, regardless of
5 whether a teacher receives retirement medical benefits under this section.

6 * **Sec. 15.** The uncodified law of the State of Alaska is amended by adding a new section to
7 read:

8 **APPLICABILITY OF SECS. 7 AND 8 OF THIS ACT FOR RETIRED**
9 **EMPLOYEES MAKING AN ELECTION UNDER AS 39.35.150(b) OR (e) BEFORE JULY**
10 **1, 2005.** (a) A retired employee who was rehired and made an election under

11 AS 39.35.150(b) or (e) before November 3, 2004, may continue to receive retirement benefits
12 and medical benefits under AS 39.35.150(b) or (e) from July 1, 2005, through December 31,
13 2006, if that employee continues to serve in the same position. However, on January 1, 2007,
14 the period of reemployment to which the employee's original election under AS 39.35.150(b)
15 or (e) applied is considered terminated, and, as to that employee,

16 (1) AS 39.35.150(b), as amended by sec. 7 of this Act, or AS 39.35.150(e)
17 applies; and

18 (2) if the employee continues as an active member, that employee may not
19 continue to receive benefit payments unless the employer hires the employee as a result of the
20 competitive hiring process required by the applicable subsection of AS 39.35.150(f), (g), and
21 (h), added by sec. 8 of this Act, on or after January 1, 2007.

22 (b) A retired employee who was rehired and made an election under AS 39.35.150(b)
23 or (e) on or after November 3, 2004, may not continue to receive retirement benefits and
24 medical benefits under AS 39.35.150(b) or (e) after June 30, 2005. On July 1, 2005, the
25 period of reemployment to which the employee's original election under AS 39.35.150(b) or
26 (e) applied is considered terminated, and, as to that employee,

27 (1) AS 39.35.150(b), as amended by sec. 7 of this Act, or AS 39.35.150(e)
28 applies; and

29 (2) if the employee continues as an active member, that employee may not
30 continue to receive benefit payments while an active member unless the employer hires the
31 employee as a result of the competitive hiring process required by the applicable subsection of

1 AS 39.35.150(f), (g), and (h), added by sec. 8 of this Act, on or after January 1, 2007.

2 (c) This section does not apply to an employer who may be required to provide health
3 and medical benefits under AS 39.35.150(b), as amended by sec. 7 of this Act, regardless of
4 whether a member receives retirement medical benefits under this section.

5 * **Sec. 16.** The uncodified law of the State of Alaska is amended by adding a new section to
6 read:

7 **CONDITIONAL RETROACTIVITY.** If secs. 2, 4 - 10, and 13 of this Act take effect
8 after July 1, 2005, secs. 2, 4 - 10, and 13 of this Act are retroactive to July 1, 2005.

9 * **Sec. 17.** Section 15, ch. 57, SLA 2001, is amended to read:

10 Sec. 15. Sections 3, 5, 9, and 12 of this Act take effect July 1, 2009 [2005].

11 * **Sec. 18.** Section 13, ch. 58, SLA 2001, is repealed.

12 * **Sec. 19.** Section 3 of this Act takes effect July 1, 2009.

13 * **Sec. 20.** Sections 2, 4, 5, 7, and 8 of this Act take effect July 1, 2005.

14 * **Sec. 21.** Except as provided in secs. 19 and 20 of this Act, this Act takes effect
15 immediately under AS 01.10.070(c).