

Offered: 2/21/86
Referred: Finance

Original sponsors: Duncan, M.M. Miller,
Gruenberg and Koponen

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 382 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act creating a retirement incentive program for
7 state employees in the Public Employees' Retirement
8 System; and providing for an effective date."

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

10 * Section 1. PURPOSE. Since some state agencies may find it necessary
11 to reduce their personal services costs because of declining state revenue,
12 a program encouraging employees to retire voluntarily would reduce the
13 hardship of potential layoffs. This program is intended to realize suffi-
14 cient economies to offset the cost of administration and benefits to state
15 agencies resulting from the award of retirement credits and to result in a
16 net reduction in personal services costs to the state during a period of
17 declining revenue.

18 * Sec. 2. RETIREMENT INCENTIVE PROGRAM. (a) The executive head of a
19 state agency may designate divisions, offices, units, or other classifica-
20 tions of employees eligible to participate in the retirement incentive
21 program. The administrator of the division of retirement and benefits
22 shall approve a designated classification if the Office of Management and
23 Budget certifies that participation in the program by the classification
24 will result in a savings to the agency in personal services costs.

25 (b) A vested employee in a designated classification who has five
26 years of credited service with the state may elect to participate in the
27 retirement incentive program. The employee shall apply on forms provided
28 by the administrator of the system.

29 (c) The administrator shall accept the application of a vested

1 employee if

2 (1) the employee will be qualified to retire under AS 39.35.370
3 after receipt of the retirement incentive and is appointed to retirement
4 before October 2, 1987; and

5 (2) the employee's agency signs a reimbursement agreement that

6 (A) requires the agency to reimburse the system within
7 three years of the date the employee is appointed to retirement in an
8 amount equal to

9 (i) the actuarial equivalent of the difference between
10 the benefits the member receives after the addition of the re-
11 tirement incentive under this section and the amount the member
12 would have received without the incentive; and

13 (ii) an appropriate share of the administrative costs
14 of the program; and

15 (B) provides that contributions from the agency to the
16 system under this section take priority over other obligations of the
17 agency to the maximum extent permitted by law.

18 (d) A participant in the retirement incentive program receives a
19 credit of three years. The three years must be applied in the following
20 order

21 (1) to reduce the age or service required for eligibility for
22 normal retirement or the age required for eligibility for early retirement
23 under AS 39.35.370 or 39.35.385;

24 (2) to reduce the actuarial adjustment required for early re-
25 tirement;

26 (3) as years of credited service for calculating retirement
27 benefits; or

28 (4) a combination of (1) - (3) of this subsection.

29 (e) If a participant in the retirement incentive program returns to

1 employment with an employer, the employee loses the incentive years and is
2 indebted to the system in the amount the employee received as a result of
3 participation in the program for which the participant was not otherwise
4 entitled, including the cost of health insurance. Interest accrues on the
5 indebtedness at the rate established by regulation from the date of reem-
6 ployment until the employee is appointed to retirement and accepts an
7 actuarial adjustment to the employee's future benefits or until the amount
8 is paid in full.

9 (f) An employer under AS 39.35.550 - 39.35.650 is not eligible to
10 participate in the retirement incentive program under this section.

11 (g) The definitions set out in AS 39.35.680 apply to this section.

12 * Sec. 3. An employee who is eligible under sec. 2 of this Act and who
13 has submitted an application for participation in the retirement incentive
14 program before July 1, 1987, may be considered for participation in the
15 program notwithstanding sec. 4 of this Act.

16 * Sec. 4. Sections 1 and 2 of this Act are repealed July 1, 1987.

17 * Sec. 5. This Act takes effect July 1, 1986.