

Offered: 2/28/86
Referred: Rules

Original sponsors: Duncan, M.M. Miller,
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1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 382 (Finance)

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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
state employees in the Public Employees' Retirement
System and the Teachers' Retirement System; and
providing for an effective date."

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

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

19 * Sec. 2. RETIREMENT INCENTIVE PROGRAM. (a) The executive head of a
20 state agency may designate divisions, offices, units, or other classifica-
21 tions of members of the ~~Public~~ Employees' Retirement System or the Teach-
22 ers' Retirement System in the agency eligible to participate in the retire-
23 ment incentive program. The administrator shall approve a designated
24 classification if the Office of Management and Budget certifies that par-
25 ticipation in the program by the classification will result in a savings to
26 the agency in personal services costs.

27 (b) A vested member in the Public Employees' Retirement System who is
28 in a designated classification on the date the agency head designates the
29 classification and who has been continuously employed with the state since

1 January 1, 1986, may elect to participate in the retirement incentive
2 program. A vested member in the Teachers' Retirement System who is in a
3 designated classification on the date the agency head designates the clas-
4 sification and who has been continuously employed by the state since Janu-
5 ary 1, 1986, may elect to participate in the retirement incentive program.
6 The member shall apply on forms provided by the administrator.

7 (c) The administrator shall accept the application of an eligible
8 vested member if

9 (1) the member will be qualified to retire under AS 14.25.110 or
10 AS 39.35.370 after receipt of the retirement incentive and will be appoint-
11 ed to retirement before October 2, 1987; and

12 (2) the member's agency has signed a reimbursement agreement
13 that

14 (A) requires the agency to reimburse the system within
15 three years after the date for each member who is appointed to retire-
16 ment in an amount equal to

17 (i) the actuarial equivalent of the difference between
18 the benefits the member receives after the addition of the re-
19 tirement incentive under this section and the amount the member
20 would have received without the incentive; and

21 (ii) an appropriate share of the administrative costs
22 of the program; and

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

26 (d) A participant in the retirement incentive program receives a
27 credit of three years. The three years must be applied in the following
28 order

29 (1) to reduce the age or service required for eligibility for

1 normal retirement or the age required for eligibility for retirement under
2 AS 14.25.110, AS 39.35.370, or 39.35.385;

3 (2) to reduce the actuarial adjustment required for retirement;

4 (3) as years of credited service for calculating retirement
5 benefits; or

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

7 (e) If a participant in the retirement incentive program returns to
8 employment with an employer, the participant loses the incentive years and
9 is indebted to the system in the amount the participant received as a
10 result of participation in the program for which the participant was not
11 otherwise entitled, including the cost of health insurance. Interest
12 accrues on the indebtedness at the rate established by regulation from the
13 date of reemployment until the member is appointed to retirement and ac-
14 cepts an actuarial adjustment to the member's future benefits or until the
15 amount is paid in full.

16 (f) The Department of Education is the only employer under AS 14.-
17 25.220 eligible to participate in the retirement incentive program under
18 this section. An employer under AS 39.35.550 - 39.35.650 is not eligible
19 to participate in the retirement incentive program under this section.

20 (g) The definitions set out in AS 14.25.220 apply to this section for
21 members of the Teachers' Retirement System. The definitions set out in
22 AS 39.35.680 apply to this section for members of the Public Employees'
23 Retirement System.

24 * Sec. 3. OFFICE OF MANAGEMENT AND BUDGET. (a) When designating a
25 classification for participation in the retirement incentive program, the
26 executive head of a state agency shall provide the Office of Management and
27 Budget with information that describes with particularity the expected
28 effect of participation in the program on the agency's personal services
29 cost and operation by employees in the classification.

1 (b) A state agency that is participating in the retirement incentive
2 program shall report as required by the Office of Management and Budget on
3 the cost of each member's participation and the effect on the agency's
4 personal services cost and operation.

5 (c) The Office of Management and Budget shall report to the legisla-
6 ture in January 1987 and 1988 on the effect of the retirement incentive
7 program on state operation and personal services costs.

8 * Sec. 4. A member who is eligible under sec. 2 of this Act and who has
9 submitted an application for participation in the retirement incentive
10 program before July 1, 1987, may be considered for participation in the
11 program notwithstanding sec. 5 of this Act.

12 * Sec. 5. Sections 1 and 2 of this Act are repealed July 1, 1987.

13 * Sec. 6. Section 3 of this Act is repealed February 1, 1988.

14 * Sec. 7. This Act takes effect immediately in accordance with AS 01.-
15 10.070(c).