

Offered: 4/25/86
Referred: Rules

Original sponsors: Duncar, M.M.Miller,
Gruenberg, et al

1 IN THE HOUSE BY THE FINANCE COMMITTEE
2 SENATE CS FOR CS FOR HOUSE BILL NO. 382 (Finance)
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 members of the Public Employees' Retirement System
8 and the Teachers' Retirement System; and providing
9 for an effective date."

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

11 * Section 1. PURPOSE. Since it is necessary for state agencies and may
12 be necessary for other employers who participate in the state retirement
13 systems to reduce their personal services costs because of declining state
14 revenue, a program encouraging employees to retire voluntarily may reduce
15 the hardship of layoffs. This program is intended to realize sufficient
16 economies to offset the cost of administration and benefits to state agen-
17 cies and other employers resulting from the award of retirement credits and
18 to result in a net reduction in personal services costs to the state or
19 other employer during a period of declining revenue.

20 * Sec. 2. STATE EMPLOYEES. (a) Before a state agency lays off employ-
21 ees, the executive head of the agency shall consider the potential savings
22 in personal services costs from the agency's participation in the retire-
23 ment incentive program. The agency head may designate organizational units
24 composed of members of the Public Employees' Retirement System or the
25 Teachers' Retirement System who are eligible to participate in the retire-
26 ment incentive program. The administrator shall approve a designated
27 organizational unit if the Office of Management and Budget certifies that
28 participation in the program by the unit will result in a savings to the
29 agency in personal services costs and that the designation only includes

1 representatives from job classifications whose inclusion contributes to the
2 overall cost savings.

3 (b) A vested member who is a state employee in the Public Employees'
4 Retirement System and who is in a designated organizational unit on the
5 date the agency head designates the unit and who has been continuously
6 employed by the state since January 1, 1986, is eligible to participate in
7 the retirement incentive program. A vested member who is a state employee
8 in the Teachers' Retirement System and who is in a designated organization-
9 al unit on the date the agency head designates the unit and who has been
10 continuously employed by the state since January 1, 1986, is eligible to
11 participate in the retirement incentive program.

12 (c) Notwithstanding (b) of this section and sec. 5(e) of this Act, a
13 member who was laid off from state employment after December 31, 1985, and
14 who meets the other requirements of this Act is eligible to participate in
15 the program even if the member has not been continuously employed by the
16 state since January 1, 1986.

17 * Sec. 3. OTHER EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM.
18 The governing body of a municipality, other political subdivision of the
19 state, or public organization that has elected to participate in the Public
20 Employees' Retirement System under AS 39.35.550 - 39.35.650 may adopt a
21 resolution designating organizational units in the municipality, political
22 subdivision, or organization and establishing requirements for employees
23 who are eligible to participate in the retirement incentive program. The
24 administrator shall approve the designation after receiving a certified
25 copy of the resolution if the employer meets the requirements of this Act.
26 A vested member of the Public Employees' Retirement System who meets the
27 requirements established by the resolution is eligible to participate in
28 the retirement incentive program.

29 * Sec. 4. OTHER EMPLOYEES IN THE TEACHERS' RETIREMENT SYSTEM. A school

1 board or other employer under the Teachers' Retirement System may designate
2 organizational units and establish requirements for employees who are
3 eligible to participate in the retirement incentive program. The employer
4 shall notify the administrator of the designation and the administrator
5 shall approve it if the employer meets the requirements of this Act. A
6 vested member of the Teachers' Retirement System who meets the requirements
7 of the designation is eligible to participate in the retirement incentive
8 program.

9 * Sec. 5. PROGRAM REQUIREMENTS. (a) The administrator shall accept
10 the application of an eligible vested member if

11 (1) the member will be qualified to retire under AS 14.25.110 or
12 AS 39.35.370 after receipt of the retirement incentive and will be appoint-
13 ed to retirement on or before

14 (A) October 1, 1987, if the member is an employee of the
15 state other than the University of Alaska, or a member of the
16 Teachers' Retirement System other than an employee of the University
17 of Alaska;

18 (B) January 1, 1988, if the member is an employee of the
19 University of Alaska;

20 (C) April 1, 1988, for all other members of the Public
21 Employees' Retirement System; and

22 (2) the member's agency or the employer under AS 14.25 or
23 AS 39.35.550 - 39.35.650 has signed a reimbursement agreement that

24 (A) requires the agency or employer to reimburse the system
25 for each member who is retired within three years after the end of the
26 fiscal year in which the member is appointed to retirement in an
27 amount equal to

28 (i) the actuarial equivalent of the difference between
29 the benefits the member receives after the addition of the

1 retirement incentive under this section and the amount the member
2 would have received without the incentive less the amount the
3 participant has paid on the indebtedness determined under (c) of
4 this section; and

5 (ii) an appropriate share of the administrative costs
6 of the program; and

7 (B) provides that contributions from the agency or employer
8 to the system under this section take priority over other obligations
9 of the agency or employer to the maximum extent permitted by law.

10 (b) In determining whether a member will qualify to retire under (a)
11 of this section, only service credit for employment rendered to an employer
12 under AS 14.25 or AS 39.35 may be used except as provided in (f) of this
13 section.

14 (c) A participant in the retirement incentive program receives a
15 credit of three years. The three years must be applied in the following
16 order

17 (1) to reduce the age or service required for eligibility for
18 normal retirement or the age required for eligibility for early retirement
19 under AS 14.25.110, AS 39.35.370, or 39.35.385;

20 (2) to reduce the actuarial adjustment required for early re-
21 tirement;

22 (3) as years of credited service for calculating retirement
23 benefits; the years shall be considered years of credited service earned
24 before July 1, 1986, for calculating benefits under AS 14.25.110 or AS 39.-
25 35.370; or

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

27 (d) A participant in the retirement incentive program is indebted to
28 the system. For a member in the Public Employees' Retirement System, the
29 amount of the indebtedness is 15 percent for a peace officer or fireman, or

1 12 and three-quarters percent for other members, of the member's actual
2 annual compensation, or the calculated annual compensation for a member who
3 works fewer than 12 months, for the calendar year in which the member
4 terminates employment to participate in the program. For a member in the
5 Teachers' Retirement System, the amount of indebtedness is 21 percent of
6 the member's actual compensation for the school year, or the calculated
7 school year compensation for a member who works less than the entire school
8 year, for the school year in which the member terminates employment to
9 participate in the program. An outstanding indebtedness at the time a par-
10 ticipant is appointed to retirement shall necessitate an actuarial adjust-
11 ment to the benefits payable.

12 (e) A member who wishes to participate shall apply on a form provided
13 by the administrator. A member may not apply for participation in the
14 retirement incentive program unless the member is employed in a position in
15 a designated organizational unit. A state employee other than an employee
16 of the University of Alaska, or a member of the Teachers' Retirement System
17 other than an employee of the University of Alaska, may apply for partici-
18 pation in the program until June 30, 1987. An employee of the University
19 of Alaska may apply for participation in the program between October 1,
20 1986, and September 30, 1987. Other members of the Public Employees'
21 Retirement System may apply for participation in the program between
22 January 1, 1987, and December 31, 1987.

23 (f) Notwithstanding other provision of law, a vested member who is a
24 state employee may receive credit for municipal employment before the
25 municipality became an employer under the system for purposes of determin-
26 ing eligibility for retirement under AS 14.25.110 or AS 39.35.370. The
27 member may not receive credit under this subsection for those years for
28 purposes of determining benefits. In order for an employee to receive
29 credit under this subsection, the state agency must show that the

1 employee's participation in the program will contribute to the overall cost
2 savings of the agency.

3 (g) To recover a delinquency owed by an employer other than the state
4 under an agreement entered under (a)(2) of this section, the Department of
5 Administration may

6 (1) bring an action against the employer; or

7 (2) direct that the amount of the delinquency or a lesser amount
8 be withheld from any money payable to the employer by a state department or
9 agency and that the amount withheld be credited to the delinquency.

10 * Sec. 6. OFFICE OF MANAGEMENT AND BUDGET. (a) When designating an
11 organizational unit for participation in the retirement incentive program,
12 the executive head of a state agency shall provide the Office of Management
13 and Budget with information that describes with particularity the expected
14 effect of participation in the program on the agency's personal services
15 cost and operation by employees in the unit.

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

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

23 * Sec. 7. INDEBTEDNESS ON REEMPLOYMENT. If a participant in the re-
24 tirement incentive program is reemployed as a member of the Public Em-
25 ployees' Retirement System under AS 39.35 or the Teachers' Retirement
26 System under AS 14.25 after appointment to retirement under the program,
27 the participant loses the incentive credit received under sec. 5 (c) of
28 this Act and is indebted to the system. The amount of the indebtedness is
29 equal to 110 percent of the amount the participant received as a result of

1 participation in the program for which the participant was not otherwise
2 entitled, including the cost of health insurance. The participant is
3 entitled to a credit to be applied against the reemployment indebtedness in
4 the amount the participant has paid under sec. 5 (d) of this Act. Interest
5 accrues on the indebtedness at the rate established by regulation from the
6 date of reemployment until the member is appointed to retirement and ac-
7 cepts an actuarial adjustment to the member's future benefits or until the
8 amount is paid in full.

9 * Sec. 8. DEFINITIONS. The definitions set out in AS 14.25.220 apply
10 to this Act for members of the Teachers' Retirement System. The defi-
11 nitions set out in AS 39.35.680 apply to this Act for members of the Public
12 Employees' Retirement System.

13 * Sec. 9. A member who is eligible under secs. 2 - 5 of this Act and
14 who has submitted a timely application for participation in the retirement
15 incentive program may be considered for participation in the program not-
16 withstanding sec. 11 of this Act.

17 * Sec. 10. An employee does not have a vested or contractual right to
18 any benefit under this Act until an agreement is executed with the adminis-
19 trator that permits the benefits to be offered to an organizational unit of
20 which the employee is a member. The legislature reserves the right to
21 change any aspect of the incentive program as it relates to members of
22 organizational units for which participation agreements are executed by the
23 administrator after the effective date of the changes.

24 * Sec. 11. Sections 1 - 6 of this Act are repealed July 1, 1988.

25 * Sec. 12. This Act takes effect immediately in accordance with AS 01.-
26 10.070(c).