Introduced: 1/9/89
Referred: State Affairs, Health, Education & Social Services and Finance

IN THE HOUSE BY ULMER

HOUSE BILL NO. 77

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to retirement incentive programs for the public employees' retirement system and the teachers' retirement system; and providing for an effective date."

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

* Section 1. PURPOSE. Since it may be necessary for state agencies and other employers who participate in the state retirement systems to reduce their personal services costs because of declining state revenue, reimplementation of the retirement incentive program established by ch. 26, SLA 1986, as amended by ch. 76, SLA 1988, encouraging employees to retire voluntarily, will reduce the hardship of layoffs. This program is intended to realize sufficient economies to offset the cost of administration and benefits to state agencies and other employers resulting from the award of retirement credits and to result in a net reduction in personal services costs to the state or other employers during a period of declining revenue.

* Sec. 2. AS 14.25 is amended by adding a new section to read:

Sec. 14.25.128. RETIREMENT INCENTIVE PROGRAM. (a) If a retirement incentive application period is authorized by law, an employer may adopt a retirement incentive plan to designate organizational units of employees eligible to participate in the retirement incentive program.

(b) The organizational units of a plan must be selected so that implementation of the plan results in a savings to the employer in personal services costs within five years after the commencement of

the plan. The designation may include only representatives from job classifications whose retirement contributes to the overall cost savings.

(c) A member is eligible to participate in the retirement incentive program only if the member is vested, is employed in a position in a designated organizational unit, and will be qualified to retire under AS 14.25.110 after receipt of the retirement incentive. To participate, a member shall apply on a form provided by the administrator.

(d) A participating employer shall prepare and file the retirement incentive plan with the administrator. The administrator shall approve the plan if it meets the requirements of this section. The plan must

(1) identify organizational units and employees eligible to participate in the program;

(2) include a reimbursement agreement that

(A) requires the employer, for each employee who is retired under the plan, to reimburse the system within three years after the end of the fiscal year in which the employee is appointed to retirement in an amount equal to

(i) the actuarial equivalent of the difference between the benefits the participant receives after the addition of the retirement incentive under this section and the amount the participant would have received without the incentive, less the amount the participant has paid on the indebtedness determined under (e) of this section; and

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

(B) provides that contributions from the employer

under this section take priority over other obligations of the employer to the maximum extent permitted by law.

(e) A member who participates in the retirement incentive program is indebted to the system. The amount of indebtedness is equal to 21 percent of the member's actual compensation for the school year, or the calculated school year compensation for a member who works less than the entire school year, for the school year in which the member terminates employment to participate in the program. An outstanding indebtedness at the time a participant is appointed to retirement will require an actuarial adjustment to the benefits payable.

(f) A participant in the retirement incentive program receives a credit of three years. The three years must be applied in the following order until exhausted:

(1) to meet the age or service required for eligibility for normal retirement under AS 14.25.110;

(2) to meet the age required for early retirement under AS 14.25.110;

(3) to reduce the actuarial adjustment required for early retirement under AS 14.25.110;

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

(g) Except as provided in (h) of this section, in the determination of whether a member will qualify to retire under this section, credited service may include only service credit for employment rendered to an employer, territorial service under AS 14.25.105, and Alaska BIA service under AS 14.25.107.

(h) Notwithstanding other provisions of law, a vested member who is a state employee and is participating in the retirement incentive program may receive credit for municipal employment before the

municipality became an employer under the system for purposes of determining eligibility for retirement under AS 14.25.110. The member may not receive credit for those years under this subsection for purposes of determining benefits. In order for a state employee to receive credit under this subsection, the employee's participation in the program must contribute to the overall cost savings of the agency.

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

(1) bring an action against the employer; or

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

(j) If a participant in the retirement incentive program is reemployed as a member of the Public Employees' Retirement System under AS 39.35 or the Teachers' Retirement System under this chapter after appointment to retirement under the program, the participant loses the incentive credit received under (f) of this section and is indebted to the system. The amount of the indebtedness is equal to 110 percent of the amount the participant received as a result of participation in the program to which the participant was not otherwise entitled, including the cost of health insurance. The participant is entitled to a credit to be applied against the reemployment indebtedness in the amount the participant has paid under (e) of this section. Interest accrues on the indebtedness at the rate established by regulation from the date of reemployment until the member is appointed to retirement and accepts an actuarial adjustment to the member's future benefits or until the amount is paid in full.

(k) When designating an organizational unit for participation in the retirement incentive program, the executive head of a state agency shall describe in detail the expected effect of the program on the agency's personal services cost and operation. This report shall be filed with the Office of Management and Budget. For each employee who will receive credit for municipal employment under (h) of this section, the agency head shall establish to the satisfaction of the office that the proposed participation contributes to the overall agency cost savings. The agency shall report as required by the Office of Management and Budget on the cost of each member's participation and the effect on the agency's personal services cost and operation. The Office of Management and Budget shall report to the legislature in January each year on the effect of the retirement incentive program on state operation and personal services costs.

(l) An employee does not have a vested or contractual right to any benefit under this section until an agreement is executed with the administrator that permits the benefits to be offered to an organizational unit of which the employee is a member. The legislature reserves the right to change any aspect of the incentive program as it relates to members of organizational units for which participation agreements are executed by the administrator after the effective date of the changes.

* Sec. 3. AS 39.35 is amended by adding a new section to read:

Sec. 39.35.375. RETIREMENT INCENTIVE PROGRAM. (a) If a retirement incentive application period is authorized by law, an employer may adopt a retirement incentive plan to designate organizational units of employees eligible to participate in the retirement incentive program. The organizational units must be selected so that implementation of the plan results in a savings to the employer in personal

1 services costs within five years after the commencement of the plan.
2 The designation may include only representatives from job classifica-
3 tions whose retirement contributes to the overall cost savings.
4 (b) A member is eligible to participate in the retirement incen-
5 tive program only if the member is vested, is employed in a position
6 in a designated organizational unit, and will be qualified to retire
7 under AS 39.35.370 after receipt of the retirement incentive. To
8 participate a member shall apply on a form provided by the administra-
9 tor.
10 (c) A participating employer shall prepare and file the re-
11 tirement incentive plan with the administrator. For state employees
12 other than university employees, the administrator may approve a
13 designated organizational unit only if the Office of Management and
14 Budget certifies that the unit's participation in the plan meets the
15 requirements of (a) of this section. The administrator shall approve
16 the plan if it meets the requirements of this section. The plan must
17 (1) identify organizational units and employees eligible to
18 participate in the program;
19 (2) include a reimbursement agreement that
20 (A) requires the employer, for each employee who is
21 retired under the plan, to reimburse the system within three
22 years after the end of the fiscal year in which the employee is
23 appointed to retirement in an amount equal to
24 (i) the actuarial equivalent of the difference
25 between the benefits the participant receives after the
26 addition of the retirement incentive under this section and
27 the amount the participant would have received without the
28 incentive, less the amount the participant has paid on the
29 indebtedness determined under (d) of this section; and

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

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

(d) A member who participates in the retirement incentive program is indebted to the system. The amount of indebtedness is equal to 22-1/2 percent for a peace officer or fireman, and 20-1/4 percent for other members, of the member's actual annual compensation, or the calculated annual compensation for a member who works fewer than 12 months, for the year in which the member terminates employment to participate in the program. An outstanding indebtedness at the time a participant is appointed to retirement will require an actuarial adjustment to the benefits payable.

(e) A participant in the retirement incentive program receives a credit of three years. The three years must be applied in the following order until exhausted:

(1) to meet the age or service required for eligibility for normal retirement under AS 39.35.370;

(2) to meet the age required for early retirement under AS 39.35.370;

(3) to reduce the actuarial adjustment required for early retirement under AS 39.35.370;

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

(f) Except as provided in (g) of this section, in the determination of whether a member will qualify to retire under this section, credited service may include only service credit for employment rendered to an employer.

(g) Notwithstanding other provision of law, a vested member who is a state employee and is participating in the retirement incentive program may receive credit for municipal employment before the municipality became an employer under the system for purposes of determining eligibility for retirement under AS 39.35.370. The member may not receive credit for those years under this subsection for purposes of determining benefits. In order for an employee to receive credit under this subsection, the employee's participation in the program must contribute to the overall cost savings of the agency.

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

(1) bring an action against the employer; or

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

(i) If a participant in the retirement incentive program is reemployed as a member of the Public Employees' Retirement System under this chapter or the Teachers' Retirement System under AS 14.25 after appointment to retirement under the program, the participant loses the incentive credit received under (e) of this section and is indebted to the system. The amount of the indebtedness is equal to 110 percent of the amount the participant received as a result of participation in the program to which the participant was not otherwise entitled, including the cost of health insurance. The participant is entitled to a credit to be applied against the reemployment indebtedness in the amount the participant has paid under (d) of this section. Interest accrues on the indebtedness at the rate established

by regulation from the date of reemployment until the member is appointed to retirement and accepts an actuarial adjustment to the member's future benefits or until the amount is paid in full.

(j) When designating an organizational unit for participation in the retirement incentive program, the executive head of a state agency shall describe in detail the expected effect of the program on the agency's personal services cost and operation. This report shall be filed with the Office of Management and Budget. For each employee who will receive credit for municipal employment under (g) of this section, the agency head shall establish to the satisfaction of the office that the proposed participation contributes to the overall agency cost savings. A state agency that is participating in the retirement incentive program shall report as required by the Office of Management and Budget on the cost of each member's participation and the effect on the agency's personal services cost and operation. The Office of Management and Budget shall report to the legislature in January each year on the effect of the retirement incentive program on state operation and personal services costs.

(k) An employee does not have a vested or contractual right to any benefit under this section until an agreement is executed with the administrator that permits the benefits to be offered to an organizational unit of which the employee is a member. The legislature reserves the right to change any aspect of the incentive program as it relates to members of organizational units for which participation agreements are executed by the administrator after the effective date of the changes.

* Sec. 4. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE. (a) A state agency is authorized to adopt a retirement incentive plan for its employees. A plan adopted under this section shall permit a designated

employee to apply to the retirement incentive program under AS 14.25.128 or AS 39.35.375 only during January, February, and March 1990.

(b) The plan may not permit an employee who is the commissioner or a deputy commissioner of a state department to participate.

(c) A plan adopted under this section may only permit participation by an employee who is otherwise qualified and who

(1) has been continuously employed by the state since January 1, 1989;

(2) was laid off from state employment on or after January 1, 1989;

(3) is a permanent seasonal employee continuously employed by the state in the permanent seasonal position during all of the time since January 1, 1989, in which the position normally was filled;

(4) has a job sharing agreement with a state agency in which two or more employees share a single position identified by a single position control number and in which the employee choosing to participate was continuously employed by the agency during all of the time since January 1, 1989, in which the employee normally worked under the job sharing agreement; or

(5) meets a combination of the requirements of this subsection.

(d) Under a plan adopted under this section, the administrator may not accept the application of an employee unless the employee will be appointed to retirement on or before May 1, 1990.

(e) In this section,

(1) "administrator" has the meaning given

(A) in AS 14.25.220 when the section is applied to the teachers' retirement system;

(B) in AS 39.35.680 when the section is applied to the public employees' retirement system;

(2) "state agency" does not include the University of Alaska or an entity covered by sec. 5 of this Act.

* Sec. 5. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The governing body of a political subdivision of the state or a public organization that has elected to participate in the public employees' retirement system under AS 39.-35.550 - 39.35.650 is authorized to adopt a retirement incentive plan for its employees under AS 39.35.375. A plan adopted under this section shall permit designated employees to apply to the retirement incentive program under AS 39.35.375 only during July, August, and September 1990.

(b) Under a plan adopted under this section, the administrator may not accept the application of an employee unless the employee will be appointed to retirement on or before November 1, 1990. In this subsection, "administrator" has the meaning given in AS 39.35.680.

* Sec. 6. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR THE EMPLOYEES OF THE UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of Alaska is authorized to adopt a retirement incentive plan for its employees. A plan adopted under this section shall permit designated employees to apply to the retirement incentive program under AS 14.25.128 or AS 39.-35.375 only during May, June, and July 1990.

(b) Under a plan adopted under this section, the administrator may not accept the application of an employee unless the employee will be appointed to retirement on or before September 1, 1990.

(c) In this section, "administrator" has the meaning given

(1) in AS 14.25.220 when the section is applied to the teachers' retirement system;

(2) in AS 39.35.680 when the section is applied to the public employees' retirement system.

* Sec. 7. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN

THE TEACHERS' RETIREMENT SYSTEM. (a) An employer under the teachers' retirement system who is not otherwise covered by secs. 4 or 6 of this Act is authorized to adopt a retirement incentive plan for its employees under AS 14.25.128. A plan adopted under this section shall permit designated employees to apply to the retirement incentive program under AS 14.25.128 only during March, April, and May 1990.

(b) Under a plan adopted under this section, the administrator may not accept the application of an employee unless the employee will be appointed to retirement on or before July 1, 1990.

(c) In this subsection, "administrator" and "employer" have the meanings given in AS 14.25.220.

* Sec. 8. This Act takes effect January 1, 1990.