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1 IN THE SENATE

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2

SENATE BILL NO. 73

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

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

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

11 \* Section 1. PURPOSE. Since it may be necessary for state agencies and  
12 other employers who participate in the state retirement systems to reduce  
13 their personal services costs because of declining state revenue, reimple-  
14 mentation of the retirement incentive program established by ch. 26, SLA  
15 1986, as amended by ch. 76, SLA 1988, encouraging employees to retire  
16 voluntarily, will reduce the hardship of layoffs. This program is intended  
17 to realize sufficient economies to offset the cost of administration and  
18 benefits to state agencies and other employers resulting from the award of  
19 retirement credits and to result in a net reduction in personal services  
20 costs to the state or other employers during a period of declining revenue.

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

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

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

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

4 (c) 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 14.25.110 after receipt of the retirement incentive. To  
8 participate, a member shall apply on a form provided by the adminis-  
9 trator.

10 (d) A participating employer shall prepare and file the re-  
11 tirement incentive plan with the administrator. The administrator  
12 shall approve the plan if it meets the requirements of this section.  
13 The plan must

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

16 (2) include a reimbursement agreement that

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

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

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

29 (B) provides that contributions from the employer

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

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

11 (f) A participant in the retirement incentive program receives a  
12 credit of three years. The three years must be applied in the follow-  
13 ing order until exhausted:

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

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

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

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

22 (g) Except as provided in (h) of this section, in the determina-  
23 tion of whether a member will qualify to retire under this section,  
24 credited service may include only service credit for employment ren-  
25 dered to an employer, territorial service under AS 14.25.105, and  
26 Alaska BIA service under AS 14.25.107.

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

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

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

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

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

15 (j) If a participant in the retirement incentive program is  
16 reemployed as a member of the Public Employees' Retirement System  
17 under AS 39.35 or the Teachers' Retirement System under this chapter  
18 after appointment to retirement under the program, the participant  
19 loses the incentive credit received under (f) of this section and is  
20 indebted to the system. The amount of the indebtedness is equal to  
21 110 percent of the amount the participant received as a result of  
22 participation in the program to which the participant was not other-  
23 wise entitled, including the cost of health insurance. The partici-  
24 pant is entitled to a credit to be applied against the reemployment  
25 indebtedness in the amount the participant has paid under (e) of this  
26 section. Interest accrues on the indebtedness at the rate established  
27 by regulation from the date of reemployment until the member is ap-  
28 pointed to retirement and accepts an actuarial adjustment to the  
29 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.

(1) 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

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

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

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

15 (e) A participant in the retirement incentive program receives a  
16 credit of three years. The three years must be applied in the follow-  
17 ing order until exhausted:

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

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

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

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

26 (f) Except as provided in (g) of this section, in the determina-  
27 tion of whether a member will qualify to retire under this section,  
28 credited service may include only service credit for employment ren-  
29 dered to an employer.

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

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

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

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

18 (i) If a participant in the retirement incentive program is  
19 reemployed as a member of the Public Employees' Retirement System  
20 under this chapter or the Teachers' Retirement System under AS 14.25  
21 after appointment to retirement under the program, the participant  
22 loses the incentive credit received under (e) of this section and is  
23 indebted to the system. The amount of the indebtedness is equal to  
24 110 percent of the amount the participant received as a result of  
25 participation in the program to which the participant was not other-  
26 wise entitled, including the cost of health insurance. The partici-  
27 pant is entitled to a credit to be applied against the reemployment  
28 indebtedness in the amount the participant has paid under (d) of this  
29 section. Interest accrues on the indebtedness at the rate established

1 by regulation from the date of reemployment until the member is ap-  
2 pointed to retirement and accepts an actuarial adjustment to the  
3 member's future benefits or until the amount is paid in full.

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

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

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

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

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

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

7 (1) has been continuously employed by the state since January 1,  
8 1989;

9 (2) was laid off from state employment on or after January 1,  
10 1989;

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

14 (4) has a job sharing agreement with a state agency in which two  
15 or more employees share a single position identified by a single position  
16 control number and in which the employee choosing to participate was con-  
17 tinuously employed by the agency during all of the time since January 1,  
18 1989, in which the employee normally worked under the job sharing agree-  
19 ment; or

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

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

24 (e) In this section,

25 (1) "administrator" has the meaning given

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

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

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

3 \* Sec. 5. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN  
4 THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The governing body of a  
5 political subdivision of the state or a public organization that has elect-  
6 ed to participate in the public employees' retirement system under AS 39.-  
7 35.550 - 39.35.650 is authorized to adopt a retirement incentive plan for  
8 its employees under AS 39.35.375. A plan adopted under this section shall  
9 permit designated employees to apply to the retirement incentive program  
10 under AS 39.35.375 only during July, August, and September 1990.

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

15 \* Sec. 6. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR THE EMPLOYEES OF  
16 THE UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of  
17 Alaska is authorized to adopt a retirement incentive plan for its employ-  
18 ees. A plan adopted under this section shall permit designated employees  
19 to apply to the retirement incentive program under AS 14.25.128 or AS 39.-  
20 35.375 only during May, June, and July 1990.

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

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

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

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

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

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

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

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

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