

Offered: 3/7/89  
Referred: Health, Education and  
Social Services and Finance

6-0287H

Original sponsors: Duncan and Kerttula

1 IN THE SENATE BY THE STATE AFFAIRS COMMITTEE  
2 CS FOR SENATE BILL NO. 73 (State Affairs)  
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. RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a  
22 retirement incentive plan under secs. 3 - 6 of this Act, as appropriate, to  
23 designate organizational units of employees eligible to participate in the  
24 retirement incentive program.  
25 (b) The organizational units of a plan must be selected so that  
26 implementation of the plan results in a savings to the employer in personal  
27 services costs within three years after the commencement of the plan. The  
28 designation may include only representatives from job classifications whose  
29 inclusion contributes to the overall cost savings.

1 (c) A member is eligible to participate in the retirement incentive  
2 program only if the member is vested, is employed in a position in a des-  
3 ignated organizational unit, and will be qualified to retire under AS 14.-  
4 25.110 or AS 39.35.370 after receipt of the retirement incentive. To  
5 participate, a member shall apply on a form provided by the administrator.

6 (d) A participating employer shall prepare and file the retirement  
7 incentive plan with the administrator. The administrator shall approve the  
8 plan if it meets the requirements of this section. For state employees  
9 other than university employees, the administrator may approve a designated  
10 organizational unit only if the Office of Management and Budget certifies  
11 that the unit's participation in the plan meets the requirements of (b) of  
12 this section. The administrator shall approve the plan if it meets the  
13 requirements of this section. 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 retired  
18 under the plan, to reimburse the system within three years after the  
19 end of the fiscal year in which the employee is appointed to retire-  
20 ment in an amount equal to

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

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

29 (B) provides that contributions from the employer under

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

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

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

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

23 (1) to meet the age or service required for eligibility for  
24 normal retirement under AS 14.25.110 or AS 39.35.370, as appropriate;

25 (2) to meet the age required for early retirement under AS 14.-  
26 25.110 or AS 39.35.370, as appropriate;

27 (3) to reduce the actuarial adjustment required for early re-  
28 tirement under AS 14.25.110 or AS 39.35.370, as appropriate;

29 (4) as years of credited service for calculating retirement

1 benefits.

2 (h) Except as provided in sec. 7 of this Act, in the determination of  
3 whether a member will qualify to retire under this section, credited ser-  
4 vice may include only,

5 (1) for members of the teachers' retirement system, service  
6 credit for employment rendered to an employer, territorial service under  
7 AS 14.25.105, and Alaska BIA service under AS 14.25.107;

8 (2) for members of the public employees' retirement system,  
9 service credit for employment rendered to an employer.

10 \* Sec. 3. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE. (a)  
11 A state agency is authorized to adopt a retirement incentive plan for its  
12 employees. A plan adopted under this section shall permit a designated  
13 employee to apply to the retirement incentive program under sec. 2 of this  
14 Act only from October 1, 1989, through March 31, 1990.

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

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

20 (1) has been continuously employed by the state since January 1,  
21 1989;

22 (2) was laid off from state employment on or after January 1,  
23 1989;

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

27 (4) has a job sharing agreement with a state agency in which two  
28 or more employees share a single position identified by a single position  
29 control number and in which the employee choosing to participate was

1 continuously employed by the agency during all of the time since January 1,  
2 1989, in which the employee normally worked under the job sharing agree-  
3 ment; or

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

5 (d) Under a plan adopted under this section, the administrator may  
6 not accept the application of an employee unless the employee will be  
7 appointed to retirement on or before October 31, 1990.

8 (e) In this section "state agency" does not include the University of  
9 Alaska or an entity covered by sec. 4 of this Act.

10 \* Sec. 4. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN  
11 THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The governing body of a  
12 political subdivision of the state or a public organization that has elect-  
13 ed to participate in the public employees' retirement system under AS 39.-  
14 35.550 - 39.35.650 is authorized to adopt a retirement incentive plan for  
15 its employees under sec. 2 of this Act. A plan adopted under this section  
16 shall permit designated employees to apply to the retirement incentive  
17 program under sec. 2 of this Act from October 1, 1989, through March 31,  
18 1990.

19 (b) Under a plan adopted under this section, the administrator may  
20 not accept the application of an employee unless the employee will be  
21 appointed to retirement on or before October 31, 1990.

22 \* Sec. 5. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR THE EMPLOYEES OF  
23 THE UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of  
24 Alaska is authorized to adopt a retirement incentive plan for its employ-  
25 ees. A plan adopted under this section shall permit designated employees  
26 to apply to the retirement incentive program under sec. 2 of this Act from  
27 July 1, 1989, through December 31, 1989.

28 (b) Under a plan adopted under this section, the administrator may  
29 not accept the application of an employee unless the employee will be

1 appointed to retirement on or before July 31, 1990.

2 \* Sec. 6. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN  
3 THE TEACHERS' RETIREMENT SYSTEM. (a) An employer under the teachers'  
4 retirement system who is not otherwise covered by secs. 3 or 5 of this Act  
5 is authorized to adopt a retirement incentive plan for its employees under  
6 sec. 2 of this Act. A plan adopted under this section shall permit des-  
7 ignated employees to apply to the retirement incentive program under sec. 2  
8 of this Act only from July 1, 1989, through December 31, 1989.

9 (b) Under a plan adopted under this section, the administrator may  
10 not accept the application of an employee unless the employee will be  
11 appointed to retirement on or before July 31, 1990.

12 \* Sec. 7. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.  
13 Notwithstanding other provisions of law, a vested member who is a state  
14 employee and is participating in the retirement incentive program may  
15 receive credit for employment with a political subdivision or public orga-  
16 nization before the political subdivision or organization became an em-  
17 ployer under the system for purposes of determining eligibility for retire-  
18 ment under AS 14.25.110 or AS 39.35.370, as appropriate. The member may  
19 not receive credit for those years under this subsection for purposes of  
20 determining benefits. In order for a state employee to receive credit  
21 under this subsection, the employee's participation in the program must  
22 contribute to the overall cost savings of the agency.

23 \* Sec. 8. RECOVERY OF EMPLOYER DELINQUENCIES. To recover a delinquency  
24 owed by an employer other than the state under an agreement entered under  
25 sec. 2(d)(2) of this Act, the Department of Administration may

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

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

1     \* Sec. 9. INDEBTEDNESS ON REEMPLOYMENT. If a participant in the re-  
2     tirement incentive program is reemployed as a member of the public em-  
3     ployees' retirement system under AS 39.35 or the teachers' retirement  
4     system under AS 14.25 after appointment to retirement under the program,  
5     the participant loses the incentive credit received under sec. 2(g) of this  
6     Act and is indebted to the system. The amount of the indebtedness is equal  
7     to 110 percent of the amount the participant received as a result of par-  
8     ticipation in the program to which the participant was not otherwise enti-  
9     tled, including the cost of health insurance. The participant is entitled  
10    to a credit to be applied against the reemployment indebtedness in the  
11    amount the participant has paid under sec. 2(e) or (f) of this Act. Inter-  
12    est accrues on the indebtedness at the rate established by regulation from  
13    the date of reemployment until the member is appointed to retirement and  
14    accepts an actuarial adjustment to the member's future benefits or until  
15    the amount is paid in full.

16    \* Sec. 10. OFFICE OF MANAGEMENT AND BUDGET. When designating an orga-  
17    nizational unit for participation in the retirement incentive program, the  
18    executive head of a state agency shall describe in detail the expected  
19    effect of the program on the agency's personal services cost and operation.  
20    This report shall be filed with the Office of Management and Budget. For  
21    each employee who will receive credit for employment under sec. 7 of this  
22    Act, the agency head shall establish to the satisfaction of the office that  
23    the proposed participation contributes to the overall agency cost savings.  
24    The agency shall report as required by the Office of Management and Budget  
25    on the cost of each member's participation and the effect on the agency's  
26    personal services cost and operation. The Office of Management and Budget  
27    shall submit to the legislature annual reports on the retirement incentive  
28    program beginning on January 15, 1991, and continuing through January 15,  
29    1993, and shall submit a final report on January 15, 1994. Each report

1 shall provide the information necessary for the legislature to evaluate the  
2 effectiveness of the program in achieving its objectives. The report  
3 should include information on the designated organizational units under the  
4 retirement incentive plans including the cost of the retirement incentive  
5 program per participant, the cost to the state, the cost to the employee,  
6 the annual budgeted amount by agency for the retirement incentive, and the  
7 projected or actual net savings over the three-year period.

8 \* Sec. 11. PROGRAM CHANGES. An employee does not have a vested or  
9 contractual right to any benefit under this Act until an agreement is  
10 executed with the administrator that permits the benefits to be offered to  
11 an organizational unit of which the employee is a member. The legislature  
12 reserves the right to change any aspect of the incentive program as it  
13 relates to members of organizational units for which participation agree-  
14 ments are executed by the administrator after the effective date of the  
15 changes.

16 \* Sec. 12. TIMELY APPLICATION. A member who is eligible under secs.  
17 2 - 7 of this Act and who has submitted a timely application for participa-  
18 tion in the retirement incentive program may be considered for participa-  
19 tion in the program notwithstanding sec. 14 of this Act.

20 \* Sec. 13. DEFINITIONS. The definitions set out in AS 14.25.220 apply  
21 to this Act for members of the teachers' retirement system. The defini-  
22 tions set out in AS 39.35.680 apply to this Act for members of the public  
23 employees' retirement system.

24 \* Sec. 14. Sections 1 - 7 of this Act are repealed July 1, 1991.

25 \* Sec. 15. This Act takes effect immediately under AS 01.10.070(c).