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Original sponsors: Duncan and Kerttula

1 IN THE SENATE

BY THE CONFERENCE COMMITTEE

2

CONFERENCE CS FOR 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. 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 maximum savings to the employer in
27 personal services costs within three years after the commencement of the
28 plan. A plan that results in savings in personal services costs in any
29 amount that is in excess of all costs to the employer qualifies under this

1 section. The designation may include only representatives from job class-
2 ifications whose inclusion contributes to the overall cost savings.

3 (c) A member is eligible to participate in the retirement incentive
4 program only if the member is vested, is employed in a position in a des-
5 ignated organizational unit, and will be qualified to retire under AS 14.-
6 25.110 or AS 39.35.370 after receipt of the retirement incentive. To
7 participate, a member shall apply on a form provided by the administrator.

8 (d) A participating employer shall prepare and file the retirement
9 incentive plan with the administrator. For state employees other than
10 university employees, the administrator may approve a designated orga-
11 nizational unit only if the office of management and budget certifies that
12 the unit's participation in the plan meets the requirements of (b) of this
13 section. The administrator shall approve the plan if it meets the require-
14 ments of this section. The plan must

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

17 (2) include a reimbursement agreement that

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

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

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

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

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

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

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

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

26 (2) to meet the age required for early retirement under AS 14.-
27 25.110 or AS 39.35.370, as appropriate;

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

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

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

6 (1) for members of the teachers' retirement system, service
7 credit for employment rendered to an employer, territorial service under
8 AS 14.25.105, outside service and military service under AS 14.25.060, and
9 Alaska BIA service under AS 14.25.107;

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

12 * Sec. 3. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE. (a)
13 A state agency is authorized to adopt a retirement incentive plan for its
14 employees. A plan adopted under this section shall permit a designated
15 employee to apply to the retirement incentive program under sec. 2 of this
16 Act only from September 30, 1989, through March 31, 1990.

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

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

22 (1) has been continuously employed by the state since
23 November 1, 1988;

24 (2) is a permanent seasonal employee continuously employed by
25 the state in the permanent seasonal position during all of the time since
26 November 1, 1988, in which the position normally was filled;

27 (3) 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
2 November 1, 1988, in which the employee normally worked under the job
3 sharing agreement; or

4 (4) 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 November 1, 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 September 30, 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 November 1, 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 June 30, 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 August 1, 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 June 30, 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 August 1, 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. REEMPLOYMENT INDEBTEDNESS AND REEMPLOYMENT PROHIBITION. (a)
2 If a participant in the retirement incentive program is reemployed as a
3 member of the public employees' retirement system under AS 39.35 or the
4 teachers' retirement system under AS 14.25 after appointment to retirement
5 under the program, the participant loses the incentive credit received
6 under sec. 2(g) of this Act and is indebted to the system. The amount of
7 the indebtedness is equal to 110 percent of the amount the participant
8 received as a result of participation in the program to which the partici-
9 pant was not otherwise entitled, including the cost of health insurance.
10 The participant is entitled to a credit to be applied against the reemploy-
11 ment indebtedness in the amount the participant has paid under sec. 2(e) or
12 (f) of this Act. Interest accrues on the indebtedness at the rate estab-
13 lished by regulation from the date of reemployment until the member is ap-
14 pointed to retirement and accepts an actuarial adjustment to the member's
15 future benefits or until the amount is paid in full.

16 (b) For one year after the date on which an employee who participated
17 in the program retired, the participant may not be employed by or enter
18 into a contract for personal services with a state department or agency
19 other than a personal services contract with the University of Alaska.
20 This subsection does not prohibit the university from entering into a
21 personal services contract with an employee who has participated in the
22 program during the year immediately following the employee's retirement.

23 * Sec. 10. OFFICE OF MANAGEMENT AND BUDGET. When designating an orga-
24 nizational unit for participation in the retirement incentive program, the
25 executive head of a state agency shall describe in detail the expected
26 effect of the program on the agency's personal services cost and operation.
27 This report shall be filed with the office of management and budget. For
28 each employee who will receive credit for employment under sec. 7 of this
29 Act, the agency head shall establish to the satisfaction of the office that

1 the proposed participation contributes to the overall agency cost savings.
2 The agency shall report as required by the office of management and budget
3 on the cost of each member's participation and the effect on the agency's
4 personal services cost and operation. The office of management and budget
5 shall submit to the legislature annual reports on the retirement incentive
6 program beginning on January 15, 1991, and continuing through January 15,
7 1993, and shall submit a final report on January 15, 1994. Each report
8 shall provide the information necessary for the legislature to evaluate the
9 effectiveness of the program in achieving its objectives. The report
10 should include information on the designated organizational units under the
11 retirement incentive plans including the cost of the retirement incentive
12 program per participant, the cost to the state, the cost to the employee,
13 the annual budgeted amount by agency for the retirement incentive, and the
14 projected or actual net savings over the three-year period.

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

23 * Sec. 12. TIMELY APPLICATION. A member who is eligible under secs.
24 2 - 7 of this Act and who has submitted a timely application for participa-
25 tion in the retirement incentive program may be considered for participa-
26 tion in the program notwithstanding sec. 14 of this Act.

27 * Sec. 13. DEFINITIONS. The definitions set out in AS 14.25.220 apply
28 to this Act for members of the teachers' retirement system. The defini-
29 tions set out in AS 39.35.680 apply to this Act for members of the public

1 employees' retirement system.

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

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