

CS FOR SENATE BILL NO. 337 (FINANCE)
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 2/26/92
Referred: Rules

Sponsor(s): SENATORS DUNCAN, Kerttula, Sturgulewski, Rodey

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to retirement incentive programs for the public employees' retirement
 2 system, the teachers' retirement system and certain persons under the judicial retirement
 3 system; and providing for an effective date."

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

5 * **Section 1. PURPOSE.** Since it may be necessary for state agencies and other employers who
 6 participate in the state retirement systems to reduce their personal services costs because of declining
 7 state revenue, reimplementation of the retirement incentive programs established by ch. 26, SLA 1986,
 8 as amended by ch. 76, SLA 1988, and ch. 89, SLA 1989, as amended by ch. 18, SLA 1990, encouraging
 9 employees to retire voluntarily, will reduce the hardship of layoffs. This program is intended to realize
 10 sufficient economies to offset the cost of administration and benefits to state agencies and other
 11 employers resulting from the award of retirement credits and to result in a net reduction in personal
 12 services costs to the state or other public employers during a period of declining revenue.

13 * **Sec. 2. RETIREMENT INCENTIVE PROGRAM.** (a) An employer may adopt a retirement
 14 incentive plan under secs. 3 - 6 of this Act, as appropriate, to designate organizational units of employees

1 eligible to participate in the retirement incentive program.

2 (b) The organizational units of a plan must be selected so that implementation of the plan results
3 in maximum savings to the employer in personal services costs within five years after the
4 commencement of the plan. A plan that results in savings in personal services costs in any amount that
5 is in excess of all costs to the employer qualifies under this section. The designation may include only
6 representatives from job classifications whose inclusion contributes to the overall cost savings.

7 (c) A member is eligible to participate in the retirement incentive program only if the member
8 is vested, is employed in a position in a designated organizational unit, and will be qualified to retire
9 under AS 14.25.110 or AS 39.35.370 after receipt of the retirement incentive. To participate, a member
10 shall apply on a form provided by the administrator.

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

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

17 (2) include a reimbursement agreement that

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

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

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

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

29 (e) A member of the teachers' retirement system who participates in the retirement incentive
30 program is indebted to the system. The amount of indebtedness is equal to 25.95 percent of the
31 member's actual compensation for the school year, or the calculated school year compensation for a

1 member who works less than the entire school year, for the school year in which the member terminates
2 employment to participate in the program. An outstanding indebtedness at the time a participant is
3 appointed to retirement will require an actuarial adjustment to the benefits payable.

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

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

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

15 (2) to meet the age required for early retirement under AS 14.25.110 or AS 39.35.370,
16 as appropriate;

17 (3) to reduce the actuarial adjustment required for early retirement under AS 14.25.110
18 or AS 39.35.370, as appropriate;

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

20 (h) Except as provided in sec. 7 of this Act, in the determination of whether a member will
21 qualify to retire under this section, credited service may include only,

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

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

27 (i) In order to establish eligibility for participation under (b) of this section, and in addition to
28 the employee indebtedness under (e) or (f) of this section, an employee may elect to assume a portion
29 of the employer liability calculated under (d) of this section. An outstanding indebtedness at the time
30 the employee is appointed to retirement will require an actuarial adjustment to the employee's benefits.

31 * Sec. 3. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE. (a) A state

1 agency is authorized to adopt a retirement incentive plan for its employees. A plan adopted under this
2 section must permit a designated employee to apply to the retirement incentive program under sec. 2 of
3 this Act only from July 31, 1992, through October 31, 1992.

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

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

8 (1) has been continuously employed by the state since November 1, 1991;

9 (2) is a permanent seasonal employee continuously employed by the state in the
10 permanent seasonal position during all of the time since November 1, 1991, in which the position
11 normally was filled;

12 (3) has a job sharing agreement with a state agency in which two or more employees
13 share a single position identified by a single position control number and in which the employee
14 choosing to participate was continuously employed by the agency during all of the time since
15 November 1, 1991, in which the employee normally worked under the job sharing agreement; or

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

17 (d) Under a plan adopted under this section, the administrator may not accept the application
18 of an employee unless the employee will be appointed to retirement on or before July 1, 1993.

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

21 * Sec. 4. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN
22 THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The governing body of a political
23 subdivision of the state or a public organization that has elected to participate in the public employees'
24 retirement system under AS 39.35.550 - 39.35.650 is authorized to adopt a retirement incentive plan for
25 its employees under sec. 2 of this Act. A plan adopted under this section must permit designated
26 employees to apply to the retirement incentive program under sec. 2 of this Act only from December 31,
27 1992, through no later than June 30, 1993.

28 (b) Under a plan adopted under this section, the administrator may not accept the application
29 of an employee unless the employee will be appointed to retirement on or before February 1, 1994. The
30 employer may set an earlier date by which employees of the employer must be appointed to retirement
31 in order to participate.

1 * **Sec. 5. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF THE**
2 **UNIVERSITY OF ALASKA.** (a) The Board of Regents of the University of Alaska is authorized to
3 adopt a retirement incentive plan for its employees. A plan adopted under this section must permit
4 designated employees to apply to the retirement incentive program under sec. 2 of this Act only from
5 June 30, 1992, through no later than December 31, 1992.

6 (b) Under a plan adopted under this section, the administrator may not accept the application
7 of an employee unless the employee will be appointed to retirement on or before August 1, 1993. The
8 Board of Regents may set an earlier date by which employees of the university must be appointed to
9 retirement in order to participate.

10 (c) Notwithstanding the exclusion of members of the optional university retirement program from
11 participation in the teachers' retirement system under AS 14.25.040(a), 14.25.220(40), and AS 14.40,
12 or in the public employees' retirement system under AS 14.40, AS 39.35.120, and 39.35.680(21), a
13 participant in the optional university retirement program who is vested in one of those retirement systems
14 may participate in the retirement incentive program if the individual meets the other qualifications of
15 this Act.

16 * **Sec. 6. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN**
17 **THE TEACHERS' RETIREMENT SYSTEM.** (a) An employer under the teachers' retirement system
18 who is not otherwise covered by secs. 3 or 5 of this Act is authorized to adopt a retirement incentive
19 plan for its employees under sec. 2 of this Act. A plan adopted under this section must permit des-
20 ignated employees to apply to the retirement incentive program under sec. 2 of this Act only from
21 June 30, 1992, through no later than December 31, 1992.

22 (b) Under a plan adopted under this section, the administrator may not accept the application
23 of an employee unless the employee will be appointed to retirement on or before August 1, 1993. The
24 employer may set an earlier date by which employees of the employer must be appointed to retirement
25 in order to participate.

26 * **Sec. 7. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.**
27 Notwithstanding other provisions of law, a vested member who is a state employee and is participating
28 in the retirement incentive program may receive credit for employment with a political subdivision or
29 public organization before the political subdivision or organization became an employer under the system
30 for purposes of determining the years of service requirements for retirement under AS 14.25.110 or
31 AS 39.35.370, as appropriate. The member may not receive credit for those years under this subsection

1 for purposes of determining benefits. In order for a state employee to receive credit under this
2 subsection, the employee's participation in the program must contribute to the overall cost savings of
3 the agency.

4 * **Sec. 8. PROVISION AND AUTHORIZATION FOR ADMINISTRATIVE DIRECTOR OF**
5 **COURT.** (a) The chief justice of the state supreme court may adopt a retirement incentive plan for an
6 administrative director of the Alaska Court System who is a member of the judicial retirement system
7 under AS 22.25.012 if participation in the plan will result in savings to the court system in personal
8 services costs within five years after the commencement of the plan. The administrative director may
9 participate only if the administrative director is vested in the judicial retirement system and will be
10 qualified to retire under AS 22.25.010 after receipt of the retirement incentive. To participate, the
11 administrative director shall apply on a form provided by the administrator of the public employees'
12 retirement system.

13 (b) The court system shall include in the retirement incentive plan a reimbursement agreement
14 that requires the court system, for each administrative director of the Alaska Court System who is retired
15 under the plan, to reimburse the judicial retirement system within three years after the end of the fiscal
16 year in which the administrative director is appointed to retirement in an amount equal to

17 (1) the actuarial equivalent of the difference between the benefits the administrative
18 director receives after the addition of the retirement incentive under this section and the amount the
19 participant would have received without the incentive, less the total of the amount the participant has
20 paid on the indebtedness determined under (d) of this section and the amount paid under (f) of this
21 section, if any; and

22 (2) an appropriate share of the administrative costs of the program.

23 (c) A retirement incentive plan adopted under this section must provide that contributions from
24 the court system under (b) of this section take priority over other obligations of the court system to the
25 maximum extent permitted by law.

26 (d) An administrative director of the Alaska Court System who participates in the retirement
27 incentive program is indebted to the system. The amount of indebtedness is equal to 21 percent of the
28 director's actual annual compensation, or the calculated annual compensation for a member who works
29 fewer than 12 months, for the year in which the director terminates employment to participate in the
30 program. An outstanding indebtedness at the time the administrative director is appointed to retirement
31 will require an actuarial adjustment to the benefits payable.

1 (e) Notwithstanding sec. 2(g) of this Act, an administrative director of the Alaska Court System
2 who participates in the retirement incentive program receives a credit of three years which may only be
3 used to meet the age requirements for normal or early retirement under AS 22.25.010(d).

4 (f) In order to establish eligibility for participation under (a) of this section, and in addition to
5 the employee indebtedness under (d) of this section, an administrative director may elect to assume a
6 portion of the employer liability calculated under (b) of this section. An outstanding indebtedness at the
7 time the employee is appointed to retirement will require an actuarial adjustment to the employee's
8 benefits.

9 (g) The chief justice of the Alaska Court System is authorized to adopt a retirement incentive
10 plan for the administrative director of the court system. A plan adopted under this subsection must
11 permit an administrative director to apply to the retirement incentive program only from December 31,
12 1992, through June 30, 1993. The administrator of the public employees' retirement system may not
13 accept the application of the administrative director of the Alaska Court System unless the administrative
14 director will be appointed to retirement on or before February 1, 1994.

15 * Sec. 9. RECOVERY OF EMPLOYER DELINQUENCIES. To recover a delinquency owed by an
16 employer other than the state under an agreement entered under sec. 2(d)(2) of this Act, the Department
17 of Administration may

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

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

22 * Sec. 10. REEMPLOYMENT INDEBTEDNESS. (a) If a participant in the retirement incentive
23 program is reemployed after appointment to retirement under the program as a member of the public em-
24 ployees' retirement system under AS 39.35, the teachers' retirement system under AS 14.25, or the
25 judicial retirement system under AS 22.25, the participant loses the incentive credit received under
26 sec. 2(g) or sec. 8(e) of this Act and is indebted to the system. The amount of the indebtedness is equal
27 to 110 percent of the amount the participant received as a result of participation in the program to which
28 the participant was not otherwise entitled, including the cost of health insurance. The participant is
29 entitled to a credit to be applied against the reemployment indebtedness in the amount the participant
30 has paid under sec. 2(e), (f), and (i) or sec. 8(d) and (f) of this Act. Interest accrues on the indebtedness
31 at the rate established by regulation from the date of reemployment until the member is appointed to

1 retirement and accepts an actuarial adjustment to the member's future benefits or until the amount is paid
2 in full.

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

9 * **Sec. 11. OFFICE OF MANAGEMENT AND BUDGET.** (a) When designating an organizational
10 unit for participation in the retirement incentive program, the executive head of a state agency shall
11 describe in detail the expected effect of the program on the agency's personal services cost and
12 operation. This report shall be filed with the office of management and budget. For each employee who
13 will receive credit for employment under sec. 7 of this Act, the agency head shall establish to the
14 satisfaction of the office that the proposed participation contributes to the overall agency cost savings.
15 The agency shall report as required by the office of management and budget on the cost of each
16 member's participation and the effect on the agency's personal services cost and operation.

17 (b) The office of management and budget shall develop and implement a method to document
18 in the governor's annual budget request the net reduction in personal services costs for each agency that
19 adopts a retirement incentive plan.

20 (c) The office of management and budget shall submit to the legislature annual reports on the
21 retirement incentive program beginning on January 15, 1994, and continuing through January 15, 1996,
22 and shall submit a final report on January 15, 1997. Each report must provide the information necessary
23 for the legislature to evaluate the effectiveness of the program in achieving its objectives. The report
24 must include information on the designated organizational units under the retirement incentive plans
25 including the cost of the retirement incentive program per participant, the cost to the state, the cost to
26 the employee, the annual budgeted amount by agency for the retirement incentive, and the projected or
27 actual net savings over the five-year period.

28 * **Sec. 12. PROGRAM CHANGES.** An employee does not have a vested or contractual right to a
29 benefit under this Act until an agreement is executed with the administrator that permits the benefits to
30 be offered to an organizational unit of which the employee is a member. The legislature reserves the
31 right to change any aspect of the incentive program as it relates to members of organizational units for

- 1 which participation agreements are executed by the administrator after the effective date of the changes.
- 2 * **Sec. 13. DEFINITIONS.** The definitions set out in AS 14.25.220 apply to this Act for members
- 3 of the teachers' retirement system. The definitions set out in AS 39.35.680 apply to this Act for
- 4 members of the public employees' retirement system.
- 5 * **Sec. 14.** Sections 1 - 8 of this Act are repealed July 1, 1994.
- 6 * **Sec. 15.** This Act takes effect immediately under AS 01.10.070(c).