

**HOUSE CS FOR CS FOR SENATE BILL NO. 337 (FINANCE)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**SEVENTEENTH LEGISLATURE - SECOND SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered: 5/10/92**

**Referred: Rules**

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

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

14 Sec. 14.25.128. RETIREMENT INCENTIVE PROGRAM. (a) When the commissioner

1 of administration determines that economic conditions warrant, the commissioner may authorize  
2 implementation of a retirement incentive program for employers in the system under this section.

3 (b) When a retirement incentive program has been authorized, an employer may adopt  
4 a retirement incentive plan. The plan must

5 (1) designate organizational units of employees eligible to participate in the  
6 retirement incentive program;

7 (2) establish application periods of no more than six months within which eligible  
8 employees must apply to participate;

9 (3) require that employees who participate be appointed to retirement no later than  
10 eight months after the end of the application period; the plan may require appointment to  
11 retirement by an earlier date.

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

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

22 (e) An employer adopting a retirement incentive plan shall prepare and file the plan with  
23 the administrator. The administrator shall approve the plan if it meets the requirements of this  
24 section. The plan must

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

27 (2) include a reimbursement agreement that

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

31 (i) the actuarial equivalent of the difference between the benefits

1 the participant receives after the addition of the retirement incentive under this  
2 section and the amount the participant would have received without the incentive,  
3 less the amount the participant has paid on the indebtedness determined under (f)  
4 of this section and the amount paid under (n) of this section, if any; and

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

6 and

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

9 (f) A member who participates in the retirement incentive program is indebted to the  
10 system. The amount of indebtedness is equal to 25.95 percent of the member's actual  
11 compensation for the school year, or the calculated school year compensation for a member who  
12 works less than the entire school year, for the school year in which the member terminates  
13 employment to participate in the program. An outstanding indebtedness at the time a participant  
14 is appointed to retirement will require an actuarial adjustment to the benefits payable.

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

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

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

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

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

23 (h) Except as provided in (i) of this section, in the determination of whether a member  
24 will qualify to retire under this section, credited service may include only service credit for  
25 employment rendered to an employer, service under AS 14.25.060, territorial service under  
26 AS 14.25.105, and Alaska BIA service under AS 14.25.107.

27 (i) Notwithstanding other provisions of law, a vested member who is a state employee  
28 and is participating in the retirement incentive program may receive credit for employment with  
29 a political subdivision or public organization before the political subdivision or organization  
30 became an employer under the system for purposes of determining years of service requirements  
31 for retirement under AS 14.25.110. The member may not receive credit for those years under

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

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

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

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

10 (k) If a participant in the retirement incentive program is reemployed after appointment  
11 to retirement under the program as a member of the public employees' retirement system under  
12 AS 39.35, the teachers' retirement system under this chapter, or the judicial retirement system  
13 under AS 22.25, the participant loses the incentive credit received under (g) of this section and  
14 is indebted to the system. The amount of the indebtedness is equal to 110 percent of the amount  
15 the participant received as a result of participation in the program to which the participant was  
16 not otherwise entitled, including the cost of health insurance. The participant is entitled to a  
17 credit to be applied against the reemployment indebtedness in the amount the participant has paid  
18 under (f) and (n) of this section. Interest accrues on the indebtedness at the rate established by  
19 regulation from the date of reemployment until the member is appointed to retirement and accepts  
20 an actuarial adjustment to the member's future benefits or until the amount is paid in full.

21 (l) When designating an organizational unit for participation in the retirement incentive  
22 program, the executive head of a state agency shall describe in detail the expected effect of the  
23 program on the agency's personal services cost and operation. This report shall be filed with the  
24 office of management and budget. For each employee who will receive credit for employment  
25 under (i) of this section, the agency head shall establish to the satisfaction of the office that the  
26 proposed participation contributes to the overall agency cost savings. The agency shall report  
27 as required by the office of management and budget on the cost of each member's participation  
28 and the effect on the agency's personal services cost and operation. The office of management  
29 and budget shall report to the legislature in January each year on the effect of the retirement  
30 incentive program on state operation and personal services costs.

31 (m) An employee does not have a vested or contractual right to any benefit under this

1 section until an agreement is executed with the administrator that permits the benefits to be  
2 offered to an organizational unit of which the employee is a member. The legislature reserves  
3 the right to change any aspect of the incentive program as it relates to members of organizational  
4 units for which participation agreements are executed by the administrator after the effective date  
5 of the changes.

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

11 (o) Except as provided in this subsection, for one year after the date on which an  
12 employee who participated in the program retired, the participant may not be employed by or  
13 enter into a contract for personal services with a state department or agency. This subsection  
14 does not prohibit

15 (1) the University of Alaska, during the year immediately following the  
16 employee's retirement, from entering into a personal services contract with an employee who has  
17 participated in the program; or

18 (2) a participant in the program from accepting employment with the legislature  
19 during the legislative session if the employment is on an hourly basis and if the employment does  
20 not entitle the employee to receive retirement, health, or leave benefits.

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

22 Sec. 39.35.375. RETIREMENT INCENTIVE PROGRAM. (a) When the commissioner  
23 of administration determines that economic conditions warrant, the commissioner may authorize  
24 implementation of a retirement incentive program for employers in the system under this section.

25 (b) When a retirement incentive program has been authorized, an employer may adopt  
26 a retirement incentive plan. The plan must

27 (1) designate organizational units of employees eligible to participate in the  
28 retirement incentive program;

29 (2) establish application periods of no more than six months within which eligible  
30 employees must apply to participate;

31 (3) require that employees who participate be appointed to retirement no later than

1 eight months after the end of the application period; the plan may require appointment to  
2 retirement by an earlier date.

3 (c) The organizational units must be selected so that implementation of the plan results  
4 in maximum savings to the employer in personal services costs within five years after the  
5 commencement of the plan. A plan that results in savings in personal services costs in any  
6 amount that is in excess of all costs to the employer qualifies under this section. The designation  
7 may include only representatives from job classifications whose inclusion contributes to the  
8 overall cost savings. The plan adopted for the state may not permit an employee who is the  
9 commissioner, a deputy commissioner, or assistant commissioner of a state department to  
10 participate.

11 (d) A member is eligible to participate in the retirement incentive program only if the  
12 member is vested, is employed in a position in a designated organizational unit, and will be  
13 qualified to retire under AS 39.35.370 after receipt of the retirement incentive. To participate  
14 a member shall apply on a form provided by the administrator.

15 (e) An employer adopting a retirement incentive plan shall prepare and file the plan with  
16 the administrator. For state employees other than university employees, the administrator may  
17 approve a designated organizational unit only if the office of management and budget certifies  
18 that the unit's participation in the plan meets the requirements of (c) of this section. The  
19 administrator shall approve the plan if it meets the requirements of this section. The plan must

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

22 (2) include a reimbursement agreement that

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

26 (i) the actuarial equivalent of the difference between the benefits  
27 the participant receives after the addition of the retirement incentive under this  
28 section and the amount the participant would have received without the incentive,  
29 less the amount the participant has paid on the indebtedness determined under (f)  
30 of this section and the amount paid under (n) of this section, if any; and

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

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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.

(f) 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.

(g) 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.

(h) Except as provided in (i) 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.

(i) 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 employment with a political subdivision or public organization before the political subdivision or organization became an employer under the system for purposes of determining the years of service requirements 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.

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

- 1 (1) bring an action against the employer; or  
2 (2) direct that the amount of the delinquency or a lesser amount be withheld from  
3 any money payable to the employer by a state department or agency and that the amount  
4 withheld be credited to the delinquency.

5 (k) If a participant in the retirement incentive program is reemployed as a member of the  
6 public employees' retirement system under this chapter or the teachers' retirement system under  
7 AS 14.25 after appointment to retirement under the program, the participant loses the incentive  
8 credit received under (g) of this section and is indebted to the system. The amount of the  
9 indebtedness is equal to 110 percent of the amount the participant received as a result of  
10 participation in the program to which the participant was not otherwise entitled, including the cost  
11 of health insurance. The participant is entitled to a credit to be applied against the reemployment  
12 indebtedness in the amount the participant has paid under (f) of this section. Interest accrues on  
13 the indebtedness at the rate established by regulation from the date of reemployment until the  
14 member is appointed to retirement and accepts an actuarial adjustment to the member's future  
15 benefits or until the amount is paid in full.

16 (l) When designating an organizational unit for participation in the retirement incentive  
17 program, the executive head of a state agency shall describe in detail the expected effect of the  
18 program on the agency's personal services cost and operation. This report shall be filed with the  
19 office of management and budget. For each employee who will receive credit for employment  
20 under (i) of this section, the agency head shall establish to the satisfaction of the office that the  
21 proposed participation contributes to the overall agency cost savings. A state agency that is  
22 participating in the retirement incentive program shall report as required by the office of  
23 management and budget on the cost of each member's participation and the effect on the  
24 agency's personal services cost and operation. The office of management and budget shall report  
25 to the legislature in January each year on the effect of the retirement incentive program on state  
26 operation and personal services costs.

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

1 of the changes.

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

7 (o) Except as provided in this subsection, for one year after the date on which an  
8 employee who participated in the program retired, the participant may not be employed by or  
9 enter into a contract for personal services with a state department or agency. This subsection  
10 does not prohibit

11 (1) the University of Alaska, during the year immediately following the  
12 employee's retirement, from entering into a personal services contract with an employee who has  
13 participated in the program; or

14 (2) a participant in the program from accepting employment with the legislature  
15 during the legislative session if the employment is on an hourly basis and if the employment does  
16 not entitle the employee to receive retirement, health, or leave benefits.

17 \* Sec. 4. RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a retirement  
18 incentive plan under secs. 5 - 8 of this Act, as appropriate, to designate organizational units of employees  
19 eligible to participate in the retirement incentive program.

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

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

29 (d) A participating employer shall prepare and file the retirement incentive plan with the  
30 administrator. For state employees other than university employees, the administrator may approve a  
31 designated organizational unit only if the office of management and budget certifies that the unit's

1 participation in the plan meets the requirements of (b) of this section. The administrator shall approve  
2 the plan if it meets the requirements of this section. The plan must

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

4 (2) include a reimbursement agreement that

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

8 (i) the actuarial equivalent of the difference between the benefits the  
9 participant receives after the addition of the retirement incentive under this section and  
10 the amount the participant would have received without the incentive, less the total of the  
11 amount the participant has paid on the indebtedness determined under (e) or (f) of this  
12 section and the amount paid under (i) of this section, if any; and

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

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

16 (e) A member of the teachers' retirement system who participates in the retirement incentive  
17 program is indebted to the system. The amount of indebtedness is equal to 25.95 percent of the  
18 member's actual compensation for the school year, or the calculated school year compensation for a  
19 member who works less than the entire school year, for the school year in which the member terminates  
20 employment to participate in the program. An outstanding indebtedness at the time a participant is  
21 appointed to retirement will require an actuarial adjustment to the benefits payable.

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

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

31 (1) to meet the age or service required for eligibility for normal retirement under

1 AS 14.25.110 or AS 39.35.370, as appropriate;

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

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

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

7 (h) Except as provided in sec. 9 of this Act, in the determination of whether a member will  
8 qualify to retire under this section, credited service may include only,

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

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

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

18 \* Sec. 5. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE. (a) A state  
19 agency is authorized to adopt a retirement incentive plan for its employees. A plan adopted under this  
20 section must permit a designated employee to apply to the retirement incentive program under sec. 4 of  
21 this Act only from July 31, 1992, through October 31, 1992.

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

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

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

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

30 (3) has a job sharing agreement with a state agency in which two or more employees  
31 share a single position identified by a single position control number and in which the employee

1 choosing to participate was continuously employed by the agency during all of the time since  
2 November 1, 1991, in which the employee normally worked under the job sharing agreement; or

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

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

6 (e) In this section, "state agency" does not include the University of Alaska or an entity covered  
7 by sec. 6 of this Act.

8 \* **Sec. 6. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN**  
9 **THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM.** (a) The governing body of a political  
10 subdivision of the state or a public organization that has elected to participate in the public employees'  
11 retirement system under AS 39.35.550 - 39.35.650 is authorized to adopt a retirement incentive plan for  
12 its employees under sec. 4 of this Act. A plan adopted under this section must permit designated  
13 employees to apply to the retirement incentive program under sec. 4 of this Act only from December 31,  
14 1992, through no later than June 30, 1993.

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

19 \* **Sec. 7. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF THE**  
20 **UNIVERSITY OF ALASKA.** (a) The Board of Regents of the University of Alaska is authorized to  
21 adopt a retirement incentive plan for its employees. A plan adopted under this section must permit  
22 designated employees to apply to the retirement incentive program under sec. 4 of this Act only from  
23 June 30, 1992, through no later than December 31, 1992.

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

28 (c) Notwithstanding the exclusion of members of the optional university retirement program from  
29 participation in the teachers' retirement system under AS 14.25.040(a), 14.25.220(40), and AS 14.40,  
30 or in the public employees' retirement system under AS 14.40, AS 39.35.120, and 39.35.680(21), a  
31 participant in the optional university retirement program who is vested in one of those retirement systems

1 may participate in the retirement incentive program if the individual meets the other qualifications of  
2 this Act.

3 \* **Sec. 8. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN**  
4 **THE TEACHERS' RETIREMENT SYSTEM.** (a) An employer under the teachers' retirement system  
5 who is not otherwise covered by secs. 5 or 7 of this Act is authorized to adopt a retirement incentive  
6 plan for its employees under sec. 4 of this Act. A plan adopted under this section must permit des-  
7 ignated employees to apply to the retirement incentive program under sec. 4 of this Act only from  
8 June 30, 1992, through no later than December 31, 1992.

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

13 \* **Sec. 9. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.**  
14 Notwithstanding other provisions of law, a vested member who is a state employee and is participating  
15 in the retirement incentive program may receive credit for employment with a political subdivision or  
16 public organization before the political subdivision or organization became an employer under the system  
17 for purposes of determining the years of service requirements for retirement under AS 14.25.110 or  
18 AS 39.35.370, as appropriate. The member may not receive credit for those years under this subsection  
19 for purposes of determining benefits. In order for a state employee to receive credit under this  
20 subsection, the employee's participation in the program must contribute to the overall cost savings of  
21 the agency.

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

31 (b) The court system shall include in the retirement incentive plan a reimbursement agreement

1 that requires the court system, for each administrative director of the Alaska Court System who is retired  
2 under the plan, to reimburse the judicial retirement system within three years after the end of the fiscal  
3 year in which the administrative director is appointed to retirement in an amount equal to

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

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

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

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

19 (e) Notwithstanding sec. 4(g) of this Act, an administrative director of the Alaska Court System  
20 who participates in the retirement incentive program receives a credit of three years which may only be  
21 used to meet the age requirements for normal or early retirement under AS 22.25.010(d).

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

27 (g) The chief justice of the Alaska Court System is authorized to adopt a retirement incentive  
28 plan for the administrative director of the court system. A plan adopted under this subsection must  
29 permit an administrative director to apply to the retirement incentive program only from December 31,  
30 1992, through June 30, 1993. The administrator of the public employees' retirement system may not  
31 accept the application of the administrative director of the Alaska Court System unless the administrative

1 director will be appointed to retirement on or before February 1, 1994.

2 \* **Sec. 11. RECOVERY OF EMPLOYER DELINQUENCIES.** To recover a delinquency owed by  
3 an employer other than the state under an agreement entered under sec. 4(d)(2) of this Act, the  
4 Department of Administration may

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

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

9 \* **Sec. 12. REEMPLOYMENT INDEBTEDNESS.** (a) If a participant in the retirement incentive  
10 program is reemployed after appointment to retirement under the program as a member of the public em-  
11 ployees' retirement system under AS 39.35, the teachers' retirement system under AS 14.25, or the  
12 judicial retirement system under AS 22.25, the participant loses the incentive credit received under  
13 sec. 4(g) or sec. 10(e) of this Act and is indebted to the system. The amount of the indebtedness is  
14 equal to 110 percent of the amount the participant received as a result of participation in the program  
15 to which the participant was not otherwise entitled, including the cost of health insurance. The partici-  
16 pant is entitled to a credit to be applied against the reemployment indebtedness in the amount the  
17 participant has paid under sec. 4(e), (f), and (i) or sec. 10(d) and (f) of this Act. Interest accrues on the  
18 indebtedness at the rate established by regulation from the date of reemployment until the member is  
19 appointed to retirement and accepts an actuarial adjustment to the member's future benefits or until the  
20 amount is paid in full.

21 (b) Except as provided in this subsection, for one year after the date on which an employee who  
22 participated in the program retired, the participant may not be employed by or enter into a contract for  
23 personal services with a state department or agency. This subsection does not prohibit

24 (1) the University of Alaska, during the year immediately following the employee's  
25 retirement, from entering into a personal services contract with an employee who has participated in the  
26 program; or

27 (2) a participant in the program from accepting employment with the legislature during  
28 the legislative session if the employment is on an hourly basis and if the employment does not entitle  
29 the employee to receive retirement, health, or leave benefits.

30 \* **Sec. 13. OFFICE OF MANAGEMENT AND BUDGET.** (a) When designating an organizational  
31 unit for participation in the retirement incentive program, the executive head of a state agency shall

1 describe in detail the expected effect of the program on the agency's personal services cost and  
2 operation. This report shall be filed with the office of management and budget. For each employee who  
3 will receive credit for employment under sec. 9 of this Act, the agency head shall establish to the  
4 satisfaction of the office that the proposed participation contributes to the overall agency cost savings.  
5 The agency shall report as required by the office of management and budget on the cost of each  
6 member's participation and the effect on the agency's personal services cost and operation.

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

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

18 \* Sec. 14. PROGRAM CHANGES. An employee does not have a vested or contractual right to a  
19 benefit under this Act until an agreement is executed with the administrator that permits the benefits to  
20 be offered to an organizational unit of which the employee is a member. The legislature reserves the  
21 right to change any aspect of the incentive program as it relates to members of organizational units for  
22 which participation agreements are executed by the administrator after the effective date of the changes.

23 \* Sec. 15. DEFINITIONS. The definitions set out in AS 14.25.220 apply to secs. 4 - 15 of this Act  
24 for members of the teachers' retirement system. The definitions set out in AS 39.35.680 apply to secs.  
25 4 - 15 of this Act for members of the public employees' retirement system.

26 \* Sec. 16. Sections 4 - 10 of this Act are repealed July 1, 1994.

27 \* Sec. 17. Sections 2 and 3 of this Act take effect July 1, 1994.

28 \* Sec. 18. Sections 1 and 4 - 16 of this Act take effect immediately under AS 01.10.070(c).