

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

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

**SEVENTEENTH LEGISLATURE - SECOND SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Amended: 5/11/92**

**Offered: 5/10/92**

**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) The commissioner of

1 Administration may authorize implementation of a retirement incentive program for employers  
2 in the system under this section if the commissioner of administration determines that

3 (1) employers in the system face a significant reduction in revenue within the next  
4 fiscal year or other comparable serious economic conditions that may require those employers  
5 to lay off a significant number of employees; and

6 (2) implementation of the retirement incentive program will reduce the hardship  
7 of layoffs."

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

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

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

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

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

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

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

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

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(2) include a reimbursement agreement that

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

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

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

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 25.95 percent of the member's actual compensation for the school year, or the calculated school year compensation for a member who works less than the entire school year, for the school 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 14.25.110;

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

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

(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, service under AS 14.25.060, territorial service under AS 14.25.105, and Alaska BIA service under AS 14.25.107.

1 (i) Notwithstanding other provisions of law, a vested member who is a state employee  
2 and is participating in the retirement incentive program may receive credit for employment with  
3 a political subdivision or public organization before the political subdivision or organization  
4 became an employer under the system for purposes of determining years of service requirements  
5 for retirement under AS 14.25.110. The member may not receive credit for those years under  
6 this subsection for purposes of determining benefits. In order for a state employee to receive  
7 credit under this subsection, the employee's participation in the program must contribute to the  
8 overall cost savings of the agency.

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

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

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

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

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

1 as required by the office of management and budget on the cost of each member's participation  
2 and the effect on the agency's personal services cost and operation. The office of management  
3 and budget shall report to the legislature in January each year on the effect of the retirement  
4 incentive program on state operation and personal services costs.

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

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

16 (o) Except as provided in this subsection, for three years after the date on which an  
17 employee who participated in the program retired, the participant may not be employed by or  
18 enter into a contract for personal services with a state department or agency. This subsection  
19 does not prohibit

20 (1) the University of Alaska, during the three years immediately following the  
21 employee's retirement, from entering into a personal services contract for the performance of  
22 teaching or research duties with an employee who has participated in the program; or

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

26 (p) Notwithstanding the prohibition in (o) of this section, an employer may enter into a  
27 personal services contract with an employee who has participated in the program if the employer  
28 establishes to the satisfaction of the Board of Regents for the University of Alaska or the  
29 commissioner of administration for all other employers that the employer has a compelling reason  
30 to do so because of the employee's specialized or extensive experience that relates to a particular  
31 program or project of the employer.

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

2           **Sec. 39.35.375. RETIREMENT INCENTIVE PROGRAM.** (a) The commissioner of  
3 Administration may authorize implementation of a retirement incentive program for employers  
4 in the system under this section if the commissioner of administration determines that

5                   (1) employers in the system face a significant reduction in revenue within the next  
6 fiscal year or other comparable serious economic conditions that may require those employers  
7 to lay off a significant number of employees; and

8                   (2) implementation of the retirement incentive program will reduce the hardship  
9 of layoffs.

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

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

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

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

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

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

31           (e) An employer adopting a retirement incentive plan shall prepare and file the plan with

1 the administrator. For state employees other than university employees, the administrator may  
2 approve a designated organizational unit only if the office of management and budget certifies  
3 that the unit's participation in the plan meets the requirements of (c) of this section. The  
4 administrator shall approve the plan if it meets the requirements of this section. The plan must

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

7 (2) include a reimbursement agreement that

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

11 (i) the actuarial equivalent of the difference between the benefits  
12 the participant receives after the addition of the retirement incentive under this  
13 section and the amount the participant would have received without the incentive,  
14 less the amount the participant has paid on the indebtedness determined under (f)  
15 of this section and the amount paid under (n) of this section, if any; and

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

17 and

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

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

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

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

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

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

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

4 (h) Except as provided in (i) of this section, in the determination of whether a member  
5 will qualify to retire under this section, credited service may include only service credit for  
6 employment rendered to an employer.

7 (i) Notwithstanding other provision of law, a vested member who is a state employee and  
8 is participating in the retirement incentive program may receive credit for employment with a  
9 political subdivision or public organization before the political subdivision or organization  
10 became an employer under the system for purposes of determining the years of service  
11 requirements for retirement under AS 39.35.370. The member may not receive credit for those  
12 years under this subsection for purposes of determining benefits. In order for an employee to  
13 receive credit under this subsection, the employee's participation in the program must contribute  
14 to the overall cost savings of the agency.

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

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

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

21 (k) If a participant in the retirement incentive program is reemployed as a member of the  
22 public employees' retirement system under this chapter or the teachers' retirement system under  
23 AS 14.25 after appointment to retirement under the program, the participant loses the incentive  
24 credit received under (g) of this section and is indebted to the system. The amount of the  
25 indebtedness is equal to 110 percent of the amount the participant received as a result of  
26 participation in the program to which the participant was not otherwise entitled, including the cost  
27 of health insurance. The participant is entitled to a credit to be applied against the reemployment  
28 indebtedness in the amount the participant has paid under (f) of this section. Interest accrues on  
29 the indebtedness at the rate established by regulation from the date of reemployment until the  
30 member is appointed to retirement and accepts an actuarial adjustment to the member's future  
31 benefits or until the amount is paid in full.

1 (l) When designating an organizational unit for participation in the retirement incentive  
2 program, the executive head of a state agency shall describe in detail the expected effect of the  
3 program on the agency's personal services cost and operation. This report shall be filed with the  
4 office of management and budget. For each employee who will receive credit for employment  
5 under (i) of this section, the agency head shall establish to the satisfaction of the office that the  
6 proposed participation contributes to the overall agency cost savings. A state agency that is  
7 participating in the retirement incentive program shall report as required by the office of  
8 management and budget on the cost of each member's participation and the effect on the  
9 agency's personal services cost and operation. The office of management and budget shall report  
10 to the legislature in January each year on the effect of the retirement incentive program on state  
11 operation and personal services costs.

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

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

23 (o) Except as provided in this subsection, for three years after the date on which an  
24 employee who participated in the program retired, the participant may not be employed by or  
25 enter into a contract for personal services with a state department or agency. This subsection  
26 does not prohibit

27 (1) the University of Alaska, during the three years immediately following the  
28 employee's retirement, from entering into a personal services contract for the performance of  
29 teaching or research duties with an employee who has participated in the program; or

30 (2) a participant in the program from accepting employment with the legislature  
31 during the legislative session if the employment is on an hourly basis and if the employment does

1 not entitle the employee to receive retirement, health, or leave benefits.

2 (p) Notwithstanding the prohibition in (o) of this section, an employer may enter into a  
3 personal services contract with an employee who has participated in the program if the employer  
4 establishes to the satisfaction of the Board of Regents for the University of Alaska or the  
5 commissioner of administration for all other employers that the employer has a compelling reason  
6 to do so because of the employee's specialized or extensive experience that relates to a particular  
7 program or project of the employer.

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

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

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

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

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

26 (2) include a reimbursement agreement that

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

30 (i) the actuarial equivalent of the difference between the benefits the  
31 participant receives after the addition of the retirement incentive under this section and

1 the amount the participant would have received without the incentive, less the total of the  
2 amount the participant has paid on the indebtedness determined under (e) or (f) of this  
3 section and the amount paid under (i) of this section, if any; and

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

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

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

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

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

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

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

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

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

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

31 (1) for members of the teachers' retirement system, service credit for employment

1 rendered to an employer, territorial service under AS 14.25.105, outside service and military service  
2 under AS 14.25.060, and Alaska BIA service under AS 14.25.107;

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

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

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

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

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

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

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

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

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

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

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

30 \* **Sec. 6. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN**  
31 **THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM.** (a) The governing body of a political

1 subdivision of the state or a public organization that has elected to participate in the public employees'  
2 retirement system under AS 39.35.550 - 39.35.650 is authorized to adopt a retirement incentive plan for  
3 its employees under sec. 4 of this Act. A plan adopted under this section must permit designated  
4 employees to apply to the retirement incentive program under sec. 4 of this Act only from December 31,  
5 1992, through no later than June 30, 1993.

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 February 1, 1994. The  
8 employer may set an earlier date by which employees of the employer must be appointed to retirement  
9 in order to participate.

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

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 August 1, 1993. The  
17 Board of Regents may set an earlier date by which employees of the university must be appointed to  
18 retirement in order to participate.

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

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

31 (b) Under a plan adopted under this section, the administrator may not accept the application

1 of an employee unless the employee will be appointed to retirement on or before August 1, 1993. The  
2 employer may set an earlier date by which employees of the employer must be appointed to retirement  
3 in order to participate.

4 \* **Sec. 9. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.**

5 Notwithstanding other provisions of law, a vested member who is a state employee and is participating  
6 in the retirement incentive program may receive credit for employment with a political subdivision or  
7 public organization before the political subdivision or organization became an employer under the system  
8 for purposes of determining the years of service requirements for retirement under AS 14.25.110 or  
9 AS 39.35.370, as appropriate. The member may not receive credit for those years under this subsection  
10 for purposes of determining benefits. In order for a state employee to receive credit under this  
11 subsection, the employee's participation in the program must contribute to the overall cost savings of  
12 the agency.

13 \* **Sec. 10. PROVISION AND AUTHORIZATION FOR ADMINISTRATIVE DIRECTOR OF**

14 **COURT.** (a) The chief justice of the state supreme court may adopt a retirement incentive plan for an  
15 administrative director of the Alaska Court System who is a member of the judicial retirement system  
16 under AS 22.25.012 if participation in the plan will result in savings to the court system in personal  
17 services costs within five years after the commencement of the plan. The administrative director may  
18 participate only if the administrative director is vested in the judicial retirement system and will be  
19 qualified to retire under AS 22.25.010 after receipt of the retirement incentive. To participate, the  
20 administrative director shall apply on a form provided by the administrator of the public employees'  
21 retirement system.

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

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

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

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

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

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

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

18 (g) The chief justice of the Alaska Court System is authorized to adopt a retirement incentive  
19 plan for the administrative director of the court system. A plan adopted under this subsection must  
20 permit an administrative director to apply to the retirement incentive program only from December 31,  
21 1992, through June 30, 1993. The administrator of the public employees' retirement system may not  
22 accept the application of the administrative director of the Alaska Court System unless the administrative  
23 director will be appointed to retirement on or before February 1, 1994.

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

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

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

31 \* Sec. 12. REEMPLOYMENT INDEBTEDNESS. (a) If a participant in the retirement incentive

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

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

15 (1) the University of Alaska, during the three years immediately following the  
16 employee's retirement, from entering into a personal services contract for the performance of  
17 teaching or research duties with an employee who has 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 (c) Notwithstanding the prohibition in (b) of this section, an employer may enter into a  
22 personal services contract with an employee who has participated in the program if the employer  
23 establishes to the satisfaction of the Board of Regents for the University of Alaska or the  
24 commissioner of administration for all other employers that the employer has a compelling reason  
25 to do so because of the employee's specialized or extensive experience that relates to a particular  
26 program or project of the employer.

27 \* Sec. 13. OFFICE OF MANAGEMENT AND BUDGET. (a) When designating an organizational  
28 unit for participation in the retirement incentive program, the executive head of a state agency shall  
29 describe in detail the expected effect of the program on the agency's personal services cost and  
30 operation. This report shall be filed with the office of management and budget. For each employee who  
31 will receive credit for employment under sec. 9 of this Act, the agency head shall establish to the

1 satisfaction of the office that the proposed participation contributes to the overall agency cost savings.  
2 The agency shall report as required by the office of management and budget on the cost of each  
3 member's participation and the effect on the agency's personal services cost and operation.

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

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

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

20 \* Sec. 15. DEFINITIONS. The definitions set out in AS 14.25.220 apply to secs. 4 - 15 of this Act  
21 for members of the teachers' retirement system. The definitions set out in AS 39.35.680 apply to secs.  
22 4 - 15 of this Act for members of the public employees' retirement system.

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

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

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