

HOUSE BILL NO. 36

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES MACKIE, Ulmer

Introduced: 1/11/93

Referred: State Affairs, Labor & Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to retirement incentive programs for the public employees'
2 retirement system, the teachers' retirement system, and certain persons under the
3 judicial retirement 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
6 who participate in the state retirement systems to reduce their personal services costs because
7 of declining state revenue, reimplementation of the retirement incentive programs established
8 by ch. 26, SLA 1986, as amended by ch. 76, SLA 1988, and ch. 89, SLA 1989, as amended
9 by ch. 18, SLA 1990, encouraging employees to retire voluntarily, will reduce the hardship
10 of layoffs. This program is intended to realize sufficient economies to offset the cost of
11 administration and benefits to state agencies and other employers resulting from the award of
12 retirement credits and to result in a net reduction in personal services costs to the state or
13 other public employers during a period of declining revenue.

14 * Sec. 2. RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a

1 retirement incentive plan under secs. 3 - 6 of this Act, as appropriate, to designate organiza-
2 tional units of employees eligible to participate in the retirement incentive program.

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

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

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

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

20 (2) include a reimbursement agreement that

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

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

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

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

4 (e) A member of the teachers' retirement system who participates in the retirement
5 incentive program is indebted to the system. The amount of indebtedness is equal to 25.95
6 percent of the member's actual compensation for the school year, or the calculated school year
7 compensation for a member who works less than the entire school year, for the school year
8 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
10 adjustment to the benefits payable.

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

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

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

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

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

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

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

30 (1) for members of the teachers' retirement system, service credit for
31 employment rendered to an employer, territorial service under AS 14.25.105, outside service

1 and military service under AS 14.25.060, and Alaska BIA service under AS 14.25.107;

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

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

9 * Sec. 3. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE.

10 (a) A state agency is authorized to adopt a retirement incentive plan for its employees. A
11 plan adopted under this section must permit a designated employee to apply to the retirement
12 incentive program under sec. 2 of this Act only from July 31, 1993, through no later than
13 October 31, 1993.

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

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

18 (1) has been continuously employed by the state since November 1, 1992;

19 (2) is a permanent seasonal employee continuously employed by the state in
20 the permanent seasonal position during all of the time since November 1, 1992, in which the
21 position normally was filled;

22 (3) has a job sharing agreement with a state agency in which two or more
23 employees share a single position identified by a single position control number and in which
24 the employee choosing to participate was continuously employed by the agency during all of
25 the time since November 1, 1992, in which the employee normally worked under the job
26 sharing agreement; or

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

28 (d) Under a plan adopted under this section, the administrator may not accept the
29 application of an employee unless the employee will be appointed to retirement on or before
30 July 1, 1994.

31 (e) In this section, "state agency" does not include the University of Alaska or an

1 entity covered by sec. 4 of this Act.

2 * **Sec. 4. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER**
3 **EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM.** (a) The
4 governing body of a political subdivision of the state or a public organization that has elected
5 to participate in the public employees' retirement system under AS 39.35.550 - 39.35.650 is
6 authorized to adopt a retirement incentive plan for its employees under sec. 2 of this Act. A
7 plan adopted under this section must permit designated employees to apply to the retirement
8 incentive program under sec. 2 of this Act only from December 31, 1993, through no later
9 than June 30, 1994.

10 (b) Under a plan adopted under this section, the administrator may not accept the
11 application of an employee unless the employee will be appointed to retirement on or before
12 February 1, 1995. The employer may set an earlier date by which employees of the employer
13 must be appointed to retirement in order to participate.

14 * **Sec. 5. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF**
15 **THE UNIVERSITY OF ALASKA.** (a) The Board of Regents of the University of Alaska
16 is authorized to adopt a retirement incentive plan for its employees. A plan adopted under this
17 section must permit designated employees to apply to the retirement incentive program under
18 sec. 2 of this Act only from June 30, 1993, through no later than December 31, 1993.

19 (b) Under a plan adopted under this section, the administrator may not accept the
20 application of an employee unless the employee will be appointed to retirement on or before
21 August 1, 1994. The Board of Regents may set an earlier date by which employees of the
22 university must be appointed to retirement in order to participate.

23 (c) Notwithstanding the exclusion of members of the optional university retirement
24 program from participation in the teachers' retirement system under AS 14.25.040(a),
25 14.25.220(40), and AS 14.40, or in the public employees' retirement system under AS 14.40,
26 AS 39.35.120, and 39.35.680(21), a participant in the optional university retirement program
27 who is vested in one of those retirement systems may participate in the retirement incentive
28 program if the individual meets the other qualifications of this Act.

29 * **Sec. 6. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER**
30 **EMPLOYEES IN THE TEACHERS' RETIREMENT SYSTEM.** (a) An employer under the
31 teachers' retirement system who is not otherwise covered by secs. 3 or 5 of this Act is

1 authorized to adopt a retirement incentive plan for its employees under sec. 2 of this Act. A
2 plan adopted under this section must permit designated employees to apply to the retirement
3 incentive program under sec. 2 of this Act only from June 30, 1993, through no later than
4 December 31, 1993.

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

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

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

29 (b) The court system shall include in the retirement incentive plan a reimbursement
30 agreement that requires the court system, for each administrative director of the Alaska Court
31 System who is retired under the plan, to reimburse the judicial retirement system within three

1 years after the end of the fiscal year in which the administrative director is appointed to
2 retirement in an amount equal to

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

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

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

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

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

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

28 (g) The chief justice of the Alaska Court System is authorized to adopt a retirement
29 incentive plan for the administrative director of the court system. A plan adopted under this
30 subsection must permit an administrative director to apply to the retirement incentive program
31 only from December 31, 1993, through June 30, 1994. The administrator of the public

1 employees' retirement system may not accept the application of the administrative director of
2 the Alaska Court System unless the administrative director will be appointed to retirement on
3 or before February 1, 1995.

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

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

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

11 * **Sec. 10. REEMPLOYMENT INDEBTEDNESS.** (a) If a participant in the retirement
12 incentive program is reemployed after appointment to retirement under the program as a
13 member of the public employees' retirement system under AS 39.35, the teachers' retirement
14 system under AS 14.25, or the judicial retirement system under AS 22.25, the participant loses
15 the incentive credit received under sec. 2(g) or sec. 8(e) of this Act and is indebted to the
16 system. The amount of the indebtedness is equal to 110 percent of the amount the participant
17 received as a result of participation in the program to which the participant was not otherwise
18 entitled, including the cost of health insurance. The participant is entitled to a credit to be
19 applied against the reemployment indebtedness in the amount the participant has paid under
20 sec. 2(e), (f), and (i) or sec. 8(d) and (f) of this Act. Interest accrues on the indebtedness at
21 the rate established by regulation from the date of reemployment until the member is
22 appointed to retirement and accepts an actuarial adjustment to the member's future benefits
23 or until the amount is paid in full.

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

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

31 (2) a participant in the program from accepting employment with the

1 legislature during the legislative session if the employment is on an hourly basis and if the
2 employment does not entitle the employee to receive retirement, health, or leave benefits.

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

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

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

21 (c) The office of management and budget shall submit to the legislature annual reports
22 on the retirement incentive program beginning on January 15, 1995, and continuing through
23 January 15, 1997, and shall submit a final report on January 15, 1998. Each report must
24 provide the information necessary for the legislature to evaluate the effectiveness of the
25 program in achieving its objectives. The report must include information on the designated
26 organizational units under the retirement incentive plans including the cost of the retirement
27 incentive program per participant, the cost to the state, the cost to the employee, the annual
28 budgeted amount by agency for the retirement incentive, and the projected or actual net
29 savings over the five-year period.

30 * Sec. 12. PROGRAM CHANGES. An employee does not have a vested or contractual
31 right to a benefit under this Act until an agreement is executed with the administrator that

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

5 * Sec. 13. DEFINITIONS. The definitions set out in AS 14.25.220 apply to secs. 2 - 13
6 of this Act for members of the teachers' retirement system. The definitions set out in
7 AS 39.35.680 apply to secs. 2 - 13 of this Act for members of the public employees'
8 retirement system.

9 * Sec. 14. Sections 2 - 8 of this Act are repealed July 1, 1995.

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