

**HOUSE BILL NO. 57**

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

**EIGHTEENTH LEGISLATURE - FIRST SESSION**

**BY REPRESENTATIVES HUDSON, Grussendorf, Ulmer, Bunde**

**Introduced: 1/14/93**

**Referred: State Affairs, Labor & Commerce, Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to a retirement incentive program for the teachers' retirement  
2 system; and providing for an effective date."

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

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

13 \* **Sec. 2. RETIREMENT INCENTIVE PROGRAM.** (a) An employer may adopt a  
14 retirement incentive plan under secs. 3 - 5 of this Act, as appropriate, to designate

1 organizational units of employees eligible to participate in the retirement incentive program.

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

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

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

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

19 (2) include a reimbursement agreement that

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

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

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

31 (B) provides that contributions from the employer under this section

1 take priority over other obligations of the employer to the maximum extent permitted  
2 by law.

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

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

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

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

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

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

18 (g) Except as provided in sec. 6 of this Act, in the determination of whether a member  
19 will qualify to retire under this section, credited service may include only service credit for  
20 employment rendered to an employer, territorial service under AS 14.25.105, outside service  
21 and military service under AS 14.25.060, and Alaska BIA service under AS 14.25.107.

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

27 \* Sec. 3. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE.

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

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

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

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

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

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

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

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

18 (e) In this section, "state agency" does not include the University of Alaska.

19 \* Sec. 4. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF  
20 THE UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of Alaska  
21 is authorized to adopt a retirement incentive plan for its employees. A plan adopted under this  
22 section must permit designated employees to apply to the retirement incentive program under  
23 sec. 2 of this Act only from June 30, 1993, through no later than December 31, 1993.

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

28 (c) Notwithstanding the exclusion of members of the optional university retirement  
29 program from participation in the teachers' retirement system under AS 14.25.040(a),  
30 14.25.220(40), and AS 14.40, a participant in the optional university retirement program who  
31 is vested in the teachers' retirement system may participate in the retirement incentive

1 program if the individual meets the other qualifications of this Act.

2 \* **Sec. 5. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER**  
3 **EMPLOYEES IN THE TEACHERS' RETIREMENT SYSTEM.** (a) An employer under the  
4 teachers' retirement system who is not otherwise covered by secs. 3 or 4 of this Act is  
5 authorized to adopt a retirement incentive plan for its employees under sec. 2 of this Act. A  
6 plan adopted under this section must permit designated employees to apply to the retirement  
7 incentive program under sec. 2 of this Act only from June 30, 1993, through no later than  
8 December 31, 1993.

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

13 \* **Sec. 6. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.**  
14 Notwithstanding other provisions of law, a vested member who is a state employee and is  
15 participating in the retirement incentive program may receive credit for employment with a  
16 political subdivision or public organization before the political subdivision or organization  
17 became an employer under the system for purposes of determining the years of service  
18 requirements for retirement under AS 14.25.110. The member may not receive credit for  
19 those years under this section for purposes of determining benefits. In order for a state  
20 employee to receive credit under this section, the employee's participation in the program  
21 must contribute to the overall cost savings of the agency.

22 \* **Sec. 7. RECOVERY OF EMPLOYER DELINQUENCIES.** To recover a delinquency  
23 owed by an employer other than the state under an agreement entered under sec. 2(d)(2) of  
24 this Act, the Department of Administration may

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

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

29 \* **Sec. 8. REEMPLOYMENT INDEBTEDNESS.** (a) If a participant in the retirement  
30 incentive program is reemployed after appointment to retirement under the program as a  
31 member of the public employees' retirement system under AS 39.35, the teachers' retirement

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

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

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

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

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

26 \* **Sec. 9. OFFICE OF MANAGEMENT AND BUDGET.** (a) When designating an orga-  
27 nizational unit for participation in the retirement incentive program, the executive head of a  
28 state agency shall describe in detail the expected effect of the program on the agency's  
29 personal services cost and operation. This report shall be filed with the office of management  
30 and budget. For each employee who will receive credit for employment under sec. 6 of this  
31 Act, the agency head shall establish to the satisfaction of the office that the proposed

1 participation contributes to the overall agency cost savings. The agency shall report as  
2 required by the office of management and budget on the cost of each member's participation  
3 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  
5 document in the governor's annual budget request the net reduction in personal services costs  
6 for each agency that adopts a retirement incentive plan.

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

16 \* Sec. 10. PROGRAM CHANGES. An employee does not have a vested or contractual  
17 right to a benefit under this Act until an agreement is executed with the administrator that  
18 permits the benefits to be offered to an organizational unit of which the employee is a  
19 member. The legislature reserves the right to change any aspect of the incentive program as  
20 it relates to members of organizational units for which participation agreements are executed  
21 by the administrator after the effective date of the changes.

22 \* Sec. 11. DEFINITIONS. The definitions set out in AS 14.25.220 apply to secs. 2 - 11  
23 of this Act.

24 \* Sec. 12. Sections 2 - 6 of this Act are repealed July 1, 1995.

25 \* Sec. 13. This Act takes effect immediately under AS 01.10.070(c).