

**HOUSE BILL NO. 215****IN THE LEGISLATURE OF THE STATE OF ALASKA****EIGHTEENTH LEGISLATURE - FIRST SESSION****BY REPRESENTATIVE BUNDE****Introduced: 3/10/93****Referred: State Affairs, Health, Education & Social Services, 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 up to three  
11 years. The credit 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 (g) In the determination of whether a member will qualify to retire under this section,  
18 credited service may include only service credit for employment rendered to an employer,  
19 territorial service under AS 14.25.105, outside service and military service under  
20 AS 14.25.060, and Alaska BIA service under AS 14.25.107.

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

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

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

31 (b) A plan adopted under this section may only permit participation by an employee

1 who is otherwise qualified and who

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

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

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

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

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

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

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

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

25 (c) Notwithstanding the exclusion of members of the optional university retirement  
26 program from participation in the teachers' retirement system under AS 14.25.040(a),  
27 14.25.220(40), and AS 14.40, a participant in the optional university retirement program who  
28 is vested in the teachers' retirement system may participate in the retirement incentive  
29 program if the individual meets the other qualifications of this Act.

30 \* Sec. 5. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER  
31 EMPLOYEES IN THE TEACHERS' RETIREMENT SYSTEM. (a) An employer under the

1 teachers' retirement system who is not otherwise covered by secs. 3 or 4 of this Act is  
2 authorized to adopt a retirement incentive plan for its employees under sec. 2 of this Act. A  
3 plan adopted under this section must permit designated employees to apply to the retirement  
4 incentive program under sec. 2 of this Act only from June 30, 1993, through no later than  
5 December 31, 1993.

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

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

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

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

17 \* Sec. 7. REEMPLOYMENT INDEBTEDNESS. (a) If a participant in the retirement  
18 incentive program is reemployed after appointment to retirement under the program as a  
19 member of the public employees' retirement system under AS 39.35, the teachers' retirement  
20 system under AS 14.25, or the judicial retirement system under AS 22.25, the participant loses  
21 the incentive credit received under sec. 2(f) of this Act and is indebted to the system. The  
22 amount of the indebtedness is equal to 110 percent of the amount the participant received as  
23 a result of participation in the program to which the participant was not otherwise entitled,  
24 including the cost of health insurance. The participant is entitled to a credit to be applied  
25 against the reemployment indebtedness in the amount the participant has paid under sec. 2(e)  
26 and (h) of this Act. Interest accrues on the indebtedness at the rate established by regulation  
27 from the date of reemployment until the member is appointed to retirement and accepts an  
28 actuarial adjustment to the member's future benefits or until the amount is paid in full.

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

1 does not prohibit

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

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

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

14 \* Sec. 8. OFFICE OF MANAGEMENT AND BUDGET. When designating an  
15 organizational unit for participation in the retirement incentive program, the executive head  
16 of a state agency shall describe in detail the expected effect of the program on the agency's  
17 personal services cost and operation. This report shall be filed with the office of management  
18 and budget.

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

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

31 \* Sec. 9. PROGRAM CHANGES. An employee does not have a vested or contractual

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

6 \* Sec. 10. DEFINITIONS. The definitions set out in AS 14.25.220 apply to secs. 2 - 10  
7 of this Act.

8 \* Sec. 11. Sections 2 - 5 of this Act are repealed July 1, 1995.

9 \* Sec. 12. This Act takes effect immediately under AS 01.10.070(c).