

SENATE BILL NO. 10  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
EIGHTEENTH LEGISLATURE - FIRST SESSION

BY SENATORS KERTTULA, Lincoln

Introduced: 1/11/93  
Referred: STA, L&C, FIN

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing a retirement incentive program for certain employees; and  
2 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 state agencies and other employers  
5 who participate in the state retirement systems to reduce their personal services costs because  
6 of declining state revenue, reimplementation of the retirement incentive 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 state agencies and other employers resulting from the award of  
11 retirement credits and to result in a net reduction in personal services costs to the state or  
12 other employers during a period of declining revenue.

13 \* Sec. 2. RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a  
14 retirement incentive plan under secs. 3 - 6 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 or AS 39.35.370 after receipt of the retirement  
11 incentive. To participate, 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) or (f) of this section and the amount paid  
28 under (i) 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 member of the public employees' retirement system who participates in the**  
11 **retirement incentive program is indebted to the system. The amount of indebtedness is equal**  
12 **to 22-1/2 percent for a peace officer or firefighter, and 20-1/4 percent for other members, of**  
13 **the member's actual annual compensation, or the calculated annual compensation for a**  
14 **member who works fewer than 12 months, for the year in which the member terminates**  
15 **employment to participate in the program. An outstanding indebtedness at the time a**  
16 **participant is appointed to retirement will require an actuarial adjustment to the benefits**  
17 **payable.**

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

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

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

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

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

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

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

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

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

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

9       (a) A state agency is authorized to adopt a retirement incentive plan for its employees. A  
10 plan adopted under this section must permit a designated employee to apply to the retirement  
11 incentive program under sec. 2 of this Act only from September 30, 1993, through March 31,  
12 1994.

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

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

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

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

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

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

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

30           (e) In this section, "state agency" does not include the University of Alaska or an  
31 entity covered by sec. 4 of this Act.

1 \* **Sec. 4. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER**  
2 **EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM.** (a) The  
3 governing body of a political subdivision of the state or a public organization that has elected  
4 to participate in the public employees' retirement system under AS 39.35.550 - 39.35.650 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 from September 30, 1993, through March 31, 1994.

8 (b) Under a plan adopted under this section, the administrator may not accept the  
9 application of an employee unless the employee will be appointed to retirement on or before  
10 November 1, 1994.

11 \* **Sec. 5. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF**  
12 **THE UNIVERSITY OF ALASKA.** (a) The Board of Regents of the University of Alaska  
13 is authorized to adopt a retirement incentive plan for its employees. A plan adopted under this  
14 section must permit designated employees to apply to the retirement incentive program under  
15 sec. 2 of this Act only from June 30, 1993, through December 31, 1993.

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

19 \* **Sec. 6. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER**  
20 **EMPLOYEES IN THE TEACHERS' RETIREMENT SYSTEM.** (a) An employer under the  
21 teachers' retirement system who is not otherwise covered by secs. 3 or 5 of this Act is  
22 authorized to adopt a retirement incentive plan for its employees under sec. 2 of this Act. A  
23 plan adopted under this section must permit designated employees to apply to the retirement  
24 incentive program under sec. 2 of this Act only from June 30, 1993, through December 31,  
25 1993.

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

29 \* **Sec. 7. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.**  
30 Notwithstanding other provisions of law, a vested member who is a state employee and is  
31 participating in the retirement incentive program may receive credit for employment with a

1 political subdivision or public organization before the political subdivision or organization  
2 became an employer under the system for purposes of determining eligibility for retirement  
3 under AS 14.25.110 or AS 39.35.370, as appropriate. The member may not receive credit for  
4 those years under this subsection for purposes of determining benefits. In order for a state  
5 employee to receive credit under this subsection, the employee's participation in the program  
6 must contribute to the overall cost savings of the agency.

7 \* **Sec. 8. RECOVERY OF EMPLOYER DELINQUENCIES.** To recover a delinquency  
8 owed by an employer other than the state under an agreement entered under sec. 2(d)(2) of  
9 this Act, the Department of Administration may

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

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

14 \* **Sec. 9. REEMPLOYMENT INDEBTEDNESS AND REEMPLOYMENT PROHIBITION.**

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

26 (b) For one year after the date on which an employee who participated in the program  
27 retired, the participant may not be employed by or enter into a contract for personal services  
28 with a state department or agency other than a personal services contract with the University  
29 of Alaska. This subsection does not prohibit the university from entering into a personal  
30 services contract with an employee who has participated in the program during the year  
31 immediately following the employee's retirement.

1     \* **Sec. 10. OFFICE OF MANAGEMENT AND BUDGET.** When designating an orga-  
2 nizational unit for participation in the retirement incentive program, the executive head of a  
3 state agency shall describe in detail the expected effect of the program on the agency's  
4 personal services cost and operation. This report shall be filed with the office of management  
5 and budget. For each employee who will receive credit for employment under sec. 7 of this  
6 Act, the agency head shall establish to the satisfaction of the office that the proposed  
7 participation contributes to the overall agency cost savings. The agency shall report as  
8 required by the office of management and budget on the cost of each member's participation  
9 and the effect on the agency's personal services cost and operation. The office of  
10 management and budget shall submit to the legislature annual reports on the retirement  
11 incentive program beginning January 15, 1995, and continuing through January 15, 1997, and  
12 shall submit a final report on January 15, 1998. Each report must provide the information  
13 necessary for the legislature to evaluate the effectiveness of the program in achieving its  
14 objectives. The report must include information on the designated organizational units under  
15 the retirement incentive plans including the cost of the retirement incentive program per  
16 participant, the cost to the state, the cost to the employee, the annual budgeted amount by  
17 agency for the retirement incentive, and the projected or actual net savings over the five-year  
18 period.

19     \* **Sec. 11. PROGRAM CHANGES.** An employee does not have a vested or contractual  
20 right to a benefit under this Act until an agreement is executed with the administrator that  
21 permits the benefits to be offered to an organizational unit of which the employee is a  
22 member. The legislature reserves the right to change any aspect of the incentive program as  
23 it relates to members of organizational units for which participation agreements are executed  
24 by the administrator after the effective date of the changes.

25     \* **Sec. 12. TIMELY APPLICATION.** A member who is eligible under secs. 2 - 7 of this  
26 Act and who has submitted a timely application for participation in the retirement incentive  
27 program may be considered for participation in the program notwithstanding sec. 14 of this  
28 Act.

29     \* **Sec. 13. DEFINITIONS.** The definitions set out in AS 14.25.220 apply to this Act for  
30 members of the teachers' retirement system. The definitions set out in AS 39.35.680 apply  
31 to this Act for members of the public employees' retirement system.

1 • **Sec. 14. Sections 1 - 7 of this Act are repealed July 1, 1995.**

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