

ALASKA LEGISLATURE

1523

HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19

(A) means

(i) the legislative branch of state government;

(ii) the judicial branch of state government;

(iii) a principal department of the executive branch of state government; an independent state entity that is attached to a principal department of the executive branch for administrative purposes but that is not a public organization as defined in AS 39.35.680 is part of that department for purposes of this clause; and

(iv) the Office of the Governor;

(B) does not include

(i) the University of Alaska;

(ii) a political subdivision of the state; or

(iii) a public organization as defined in AS 39.35.680;

(5) "teachers' retirement system" means the Teachers' Retirement System of Alaska (AS 14.25).

- Sec. 41. AS 14.25.045 is repealed.
- Sec. 42. Sections 27, 28, and 36 of this Act are repealed July 1, 1999.
- Sec. 43. Sections 29 - 32 and 34 of this Act are repealed July 1, 1997.
- Sec. 44. Sections 26 - 40 of this Act take effect immediately under AS 01.10.070(c).

4/23/95 pm  
StalnoKer

• Section 1. AS 14.25.050 is amended to read:

(a) A teacher who is first hired after March 31, 1996,  
shall contribute to the system an amount equal to 5.5  
percent of the teacher's base salary accrued from July 1 to  
the following June 30. A teacher who is first hired on or  
before March 31, 1996, [BEGINNING JANUARY 1, 1991, EACH  
TEACHER] shall contribute to the system an amount equal to  
3.25 percent of the teacher's base salary accrued from July  
1 to the following June 30. The employer shall deduct the  
contribution from the teacher's salary at the end of each  
payroll period. The contributions shall be deducted from  
employee compensation before the computation of applicable  
federal taxes and shall be treated as employer contributions  
under 26 U.S.C. 414(h)(2).

(b) Each teacher is entitled to receive credit for  
unrefunded contributions paid into the retirement fund of  
1945.

• Sec. 2. AS 14.25.110(a) is amended to read:

(a) Subject to AS 14.25.167, a member is eligible for  
a normal retirement benefit if the member

(1) was first hired before July 1, 1975, has  
attained the age of 55 years, and has at least 15 years of  
credited service, the last five of which have been  
membership service or is otherwise vested in the system;

(2) has attained the age of 60 years, [AND] has at  
least eight years of membership service, and was first hired

on or before March 31, 1996;

(3) was first hired after March 31, 1996, and  
(A) has attained the age of 60 years, and has  
at least five years of membership service; or  
(B) the sum of age plus years of membership  
service equals or exceeds 85 [AND HAS AT  
LEAST THREE YEARS OF ALASKA BIA SERVICE];

[(4) HAS AT LEAST 25 YEARS OF CREDITED SERVICE,  
THE LAST FIVE OF WHICH HAVE BEEN MEMBERSHIP SERVICE;

(5) HAS AT LEAST 20 YEARS OF MEMBERSHIP SERVICE;

(6) HAS AT LEAST 20 YEARS OF COMBINED MEMBERSHIP  
SERVICE AND ALASKA BIA SERVICE, THE LAST FIVE OF WHICH HAVE  
BEEN MEMBERSHIP SERVICE; OR

(7) HAS, FOR EACH OF 20 SCHOOL YEARS;

(A) AT LEAST ONE-HALF YEAR OF MEMBERSHIP  
SERVICE AS A PART-TIME TEACHER;

(B) ONE FULL YEAR OF MEMBERSHIP SERVICE AS A  
PART-TIME TEACHER; OR

(C) ANY COMBINATION OF SERVICE QUALIFIED  
UNDER THIS PARAGRAPH).

• Sec. 3. AS 14.25.110(d) is amended to read:

(d) The monthly amount of a retirement benefit for a  
member who has paid the full amount of any indebtedness is  
one-twelfth of the member's average base salary during any  
three school years of membership service multiplied by

(1) one and one-half [TWO] percent of the years of

credited service [EARNED BEFORE JUNE 30, 1990, INCLUDING CREDITED FRACTIONAL YEARS, AND THE YEARS OF CREDITED SERVICE THROUGH A TOTAL OF 20 YEARS; PLUS

(2) TWO AND ONE-HALF PERCENT OF THE YEARS OF CREDITED SERVICE EARNED AFTER JUNE 30, 1991, THAT ARE MORE THAN 20 YEARS OF TOTAL CREDITED SERVICE].

• Sec. 4. AS 14.25.110(j) is amended to read:

(j) For teachers first hired on or before March 31, 1996, an [AN] actuarial adjustment must be made to benefits payable under (d) of this section for early retirement. For teachers first hired after March 31, 1996, the monthly amount of a retirement benefit that would be due under (d) of this section will be reduced by the multiplying one-half of one percent times the number of months, to the nearest month, by which the retirement date of the teacher falls short of the date that the teacher reaches age 60.

• Sec. 5. AS 14.25.143(a) is amended to read:

(a) Once each year, the administrator shall increase benefit payments to

(1) disabled members;

(2) [, TO] persons age 60 or older receiving benefits under this system in the preceding calendar year;

(3) members who were first hired on or before March 31, 1996, [AND TO PERSONS] who have received benefits under this system for at least eight years and who are not otherwise eligible for an increase under this section; and

(4) survivors of members described in paragraph (3) of this subsection when the member and the survivor have together received benefits under this system for at least eight years.

- Sec. 6. AS 14.25.143(b) is amended to read:

(b) The increase in benefit payments applies to total benefit payments except for the cost-of-living allowance under AS 14.25.142. The amount of the increase is a percentage of the current benefit equal to [(1)] the lesser of 50 [75] percent of the increase in the cost of living in the preceding calendar year or six [NINE] percent[, FOR RECIPIENTS WHO ON JULY 1 ARE AT LEAST 55 YEARS OLD, AND FOR MEMBERS RECEIVING DISABILITY BENEFITS; AND

(2) THE LESSER OF 50 PERCENT OF THE INCREASE IN THE COST OF LIVING IN THE PRECEDING CALENDAR YEAR OR SIX PERCENT, FOR RECIPIENTS WHO ON JULY 1 ARE AT LEAST 60 YEARS OLD BUT LESS THAN 65 AND FOR RECIPIENTS WHO ON JULY 1 ARE LESS THAN 60 YEARS OLD BUT WHO HAVE RECEIVED BENEFITS FROM THE SYSTEM FOR AT LEAST EIGHT YEARS].

- Sec. 7. AS 14.25.168(d) is amended by adding a new paragraph to read:

(4) A benefit recipient electing major medical insurance coverage for dependents eligible under (a)(2) and (3) of this section shall pay the full cost of that insurance.

- Sec. 8. AS 14.25.220(42) is amended to read:

(42) "vested member" or "vested teacher" means an active member who has completed either

(A) 15 years of service, the last five of which have been membership service, for a member first hired before July 1, 1975;

(B) eight years of membership service, or ;  
C) five years of membership and three years of BIA service.

if first hired on or before March 31, 1996;

(C) five years of membership service if first hired after March 31, 1996; or

(D) 12 school years of part-time membership service or 12 school years in each of which the member earned either part-time or full-time membership service;

\* Sec. 9. AS 39.35.160(a) is amended to read:

(a) A peace officer or fire fighter who is first hired after March 31, 1996, shall contribute to the system an amount equal to six percent of the peace officer's or fire fighter's compensation. A peace officer or fire fighter who is first hired on or before March 31, 1996 [BEGINNING JANUARY 1, 1987, EACH PEACE OFFICER OR FIRE FIGHTER] shall contribute to the system an amount equal to seven and one-half percent of the peace officer's or fire fighter's compensation. Each other employee who is first hired after March 31, 1996, shall contribute to the system an amount equal to five and one-half percent of the employee's compensation. Each other employee who is first hired on or before March 31, 1996 [BEGINNING JANUARY 1, 1987, EACH OTHER EMPLOYEE] shall contribute to the system an amount equal to six and three-quarters percent of the employee's compensation. The contributions shall be deducted by the employer at the end of each payroll period. The contributions shall be deducted from employee compensation before computation of applicable federal taxes, and the contributions shall be treated as employer contributions under 26 U.S.C. 414(h)(2).

\* Sec. 10. AS 39.35.170(a) is amended to read:

(a) Subject to AS 39.35.450, a terminated employee is eligible for a normal retirement benefit

(1) at age 60 with at least five years credited service, or

(2) with at least 25 [20] years of credited service as a peace officer or fire fighter, or

(3) with a combination of age and years of credited service equal to or greater than 85 [AT LEAST 30 YEARS OF CREDITED SERVICE] for all other employees.

\* Sec. 11. AS 39.35.370(b) is amended to read:

(b) Subject to AS 39.35.450, a terminated employee is eligible for an early retirement benefit at age 55 with at least five years credited service. For employees first hired on or before March 31, 1996, an [AN] actuarial adjustment must be made to retirement benefits paid under this section for an early retirement benefit. For employees first hired after March 31, 1996, the monthly amount of a retirement benefit that would be due under (c) of this section will be reduced by the multiplying one-half of one percent times the number of months, to the nearest month, by which the retirement date of the employee falls short of the date that the teacher reaches age 60.

\* Sec. 12. AS 39.35.370(c) is amended to read:

(c) The monthly amount of a retirement benefit [FOR A PEACE OFFICER OR FIRE FIGHTER] is one and one-half [TWO] percent of the average monthly compensation times the years of credited service [THROUGH 10 YEARS, PLUS TWO AND ONE-HALF PERCENT OF THE AVERAGE MONTHLY COMPENSATION TIMES THE YEARS OF SERVICE OVER 10 YEARS. FOR ALL OTHER EMPLOYEES IT IS

(1) TWO PERCENT OF THE AVERAGE MONTHLY COMPENSATION TIMES ALL YEARS OF SERVICE BEFORE JULY 1, 1986, AND FOR YEARS OF SERVICE THROUGH A TOTAL OF 10 YEARS; PLUS

(2) TWO AND ONE-QUARTER PERCENT OF THE AVERAGE MONTHLY COMPENSATION TIMES ALL YEARS OF SERVICE AFTER JUNE 30, 1986, OVER 10 YEARS OF TOTAL SERVICE THROUGH 20 YEARS; PLUS

(3) TWO AND ONE-HALF PERCENT OF THE AVERAGE MONTHLY COMPENSATION TIMES ALL YEARS OF SERVICE AFTER June 30, 1986, OVER 20 YEARS OF TOTAL SERVICE].

\* Sec. 13. AS 39.35.475(a) is amended to read:

(a) Once each year the administrator shall increase benefit payments to

(1) eligible disabled members;

(2) [, TO] persons age 60 or older receiving benefits under this system in the preceding calendar year;

(3) members who were first hired on or before March 31, 1996, [AND TO PERSONS] who have received benefits under this system for at least five years and who are not otherwise eligible for an increase under this section; and

(4) survivors of members described in paragraph (3) of this subsection when the member and the survivor have together received benefits under this system for at least five years.

\* Sec. 14. AS 39.35.475(b) is amended to read:

(b) The increase in benefit payments applies to total benefit payments except for the cost-of-living allowance under AS 39.35.480. The amount of the increase is a percentage of the current benefit equal to [(1)] the lesser

of 50 [75] percent of the increase in the cost of living in the preceding calendar year or six [NINE] percent[, FOR RECIPIENTS WHO ON JULY 1 ARE AT LEAST 65 YEARS OLD, AND FOR MEMBERS RECEIVING DISABILITY BENEFITS; AND

(2) THE LESSER OF 50 PERCENT OF THE INCREASE IN THE COST OF LIVING IN THE PRECEDING CALENDAR YEAR OR SIX PERCENT, FOR RECIPIENTS WHO ON JULY 1 ARE AT LEAST 60 YEARS OLD BUT LESS THAN 65 AND FOR RECIPIENTS WHO ON JULY 1 ARE LESS THAN 60 YEARS OLD BUT WHO HAVE RECEIVED BENEFITS FROM THE SYSTEM FOR AT LEAST EIGHT YEARS].

\* **Sec. 15.** AS 39.35.535(c) is amended by adding a new paragraph to read:

(4) a benefit recipient electing major medical insurance coverage for dependents eligible under (a)(2) and (3) of this section shall pay the full cost of that insurance.

\* **Sec. 16.** AS 14.25.045 and 14.25.167(a)(3), and AS 39.35.450(a)(3) and 39.35.460 are repealed.

Comparison of Tier II and Proposed Tier III

Tier II	Tier III	Tier III Cost Savings	
		PERS	TRS
Pre-tax employee contribution rates of: 8.65% for teachers 6.75% for 'all others' 7.5% for peace officers	Pre-tax employee contribution rates of: 5.5% for teachers and 'all others' in PERS 6% for peace officers and fire fighters These rates will be for new hires <u>only</u> .	+1.20%	+3.12%
Normal retirement age is 60, teachers, peace officers and fire fighters are eligible to retire after 20 years of service. 'All others' in PERS are eligible to retire after 30 years.	Sets normal retirement age to 60; peace officers and fire fighters are eligible to retire after 25 years of service. 'All others' in PERS and teachers are eligible to retire utilizing the "rule of 85".	-0.25%	-0.85%
Early retirement is allowed at age 55.	Sets the age for early retirement to age 55. The actuarial reduction will be 1/2% per month; 6% per year.	n/a	n/a
Grants PRPA increases to disabled members, retirees 60 and over and those who have received benefits for 8 years in the TRS and 5 years in the PERS	Grants PRPA increases of 50% CPI to disabled members and retirees 60 and over.	-0.50%	-0.50%
Major medical insurance is provided free of charge to disabled members and retirees over the age of 65. Retirees under age 60 must pay the full cost of the insurance, while those between the ages of 60 and 65 must pay one-half the premium cost. Health also includes dependents.	Major medical insurance will be provided free of charge to disabled members and retirees at least age 65. Retirees under age 60 must pay the full cost of the insurance, while those between the ages of 60 and 65 must pay one-half the premium cost. Health coverage is for the retiree only. Dependent coverage is optional and may be purchased by the retiree.	-2.20%	-1.40%
PERS members vest with 5 years of service; TRS members vest with 8 years of service	All members will vest with 5 years of credited service.	n/a	-0.04%
PERS 'all others' and elected officials formula is 2% for the first 10 years of service, 2.25% for the next 10 years and 2.5% per year thereafter. PERS peace officer & fire fighter formula is 2% for the first 10 years and 2.5% thereafter; TRS benefit formula is 2% for the first 20 years, & 2.5% thereafter.	The benefit formula for all employees will be 1.5% for all years of service.	-2.97%	-3.35%
Disability benefits for teachers are paid at 50% of the teacher's base salary with an additional 10% added for each dependent child, up to a maximum of 4 children	Disability benefits will be paid at 40% of a teacher's base salary. This brings the TRS into accord with the PERS disability statute.	n/a	-0.09%
		-4.72%	-3.11%

5-2-95

Val -

Attached are two fiscal notes for the Rules Committee Substitute for SB 148. I understand from Ann Ringstad that these notes more properly apply to our Senate Finance Committee Substitute reported out of committee yesterday than did the 4/20/95 department note which accompanied the bill. The 4/20/95 note was the only fiscal note we had in the file to send along with the bill when it left committee. I am capturing these Rules notes within the growing packet of fiscal notes for conference committee funding in the budget, with an attached note indicating their application. Please advise if Senator Halford wishes me to proceed otherwise.

Kathy  
2618

*Discussed with Kelly & Val. Directed to proceed as proposed. JH*

Failed

SENATE FINANCE  
COMMITTEE

Amendment Number: Am # 2  
Bill Number: SB 148 Amendment  
Sponsor: R. Phillips Date: 5/1/95  
Logged In By: RP

TO: CS SB148 (FIN)

By R. Phillips

24 7 24 20  
Page ~~24~~. Line 22 to Page ~~25~~. Line ~~4~~: Delete all material

*This amendment would eliminate all exceptions to the prohibition against re-employment for three years after a person has RIP'ed.*

*Amend #4 - Daily*

*exceed 70*

*to #1*

*Failed*

Adopted

WORK DRAFT 4/29/95

WORK DRAFT

WORK DRAFT

Additional changes:

p. 19 line 11 - change July 1, 1995

p. 20 line 16 " to June 30, 1995"

p. 21 lines 6-8 delete & insert Amendment.

p. 23 line 21 (July 1 changed to June 30)

p. 25 line 24 " " " "

Add Tier III provisions, in lieu of defined contribution

Tighten Title CS FOR SENATE BILL NO. 148( )

9-LS094110

Cramer

4/27/95

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

Extend municipal option for extending the RIP to 1998.

BY

Offered:

Referred:

Sponsors: SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to state employee compensation and to state retirement systems;  
2 and providing for an effective date."

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

4 • Section 1. AS 14.25.040(a) is amended to read:

6 (a) ~~A~~ [UNLESS A TEACHER OR MEMBER HAS ELECTED TO  
7 PARTICIPATE IN THE OPTIONAL UNIVERSITY RETIREMENT PROGRAM  
8 UNDER AS 14.40.661 - 14.40.799, A] teacher or member contracting for service with  
9 a participating employer is subject to this chapter unless the

10 (1) employer has elected to participate in the defined contribution  
retirement plan as provided in (c) of this section; or

11 (2) teacher or member has elected to participate in the optional  
12 university retirement program under AS 14.40.661 - 14.40.799.

13 • Sec. 2. AS 14.25.040(c) is amended to read:

14 (c) A state legislator is not entitled to elect membership under (b) of this

1 section if the state legislator is covered for the same period of service under the public  
2 employees' retirement system (AS 39.35) or the defined contribution retirement  
3 system (AS 39.38). An election of membership under (b) of this section is retroactive  
4 to the date the state legislator took the oath of office. A state legislator may not  
5 receive membership credit under (b) of this section for legislative service performed  
6 before the legislative session during which the state legislator elected membership  
7 under (b) of this section. In order to continue in membership service under (b) of this  
8 section, the state legislator must earn at least 0.3 years of membership service under  
9 other sections of this chapter during each five-year period.

10 • Sec. 3. AS 14.25.040 is amended by adding a new subsection to read:

11 (e) A public school district may elect to participate in the defined contribution  
12 retirement system under AS 39.38 for teachers first hired on or after January 1, 1996.  
13 Employment that is covered by AS 39.38 may not be considered to be credited service  
14 under this chapter. A public school district that elects to be covered by AS 39.38 for  
15 teachers who are not members of this system may not later elect to return to coverage  
16 under this system.

17 • Sec. 4. AS 14.25.220(16) is amended to read:

18 (16) "employer" means a public school district, the Board of Regents  
19 of the University of Alaska, the Department of Education, [THE NATIONAL  
20 EDUCATION ASSOCIATION OF ALASKA.] the Regional Resource Centers, or the  
21 state legislature with respect to a state legislator who elects membership under  
22 AS 14.25.040(b) that has not elected to participate in the defined contribution  
23 retirement system under AS 39.38;

24 • Sec. 5. AS 14.25.220(21) is amended to read:

25 (21) "membership service" means

26 (A) full or part-time service as a teacher in a public school in  
27 the Territory or State of Alaska, or both, under the supervision and control of  
28 the Territorial Board of Education or the Department of Education or the  
29 school board of a city, regional educational attendance area, or borough school  
30 district so long as the person is not participating in the defined contribution  
31 retirement system under AS 39.38 for that service;

1 (B) full-time or part-time teaching at the University of Alaska  
 2 or a full-time administrative position at the University of Alaska that requires  
 3 academic standing and that has been approved for inclusion in the system by  
 4 the director so long as the person is not participating in the defined  
 5 contribution retirement system under AS 39.38 for that service;

6 (C) any period during which the teacher receives a disability  
 7 benefit under this system or is on an approved sabbatical leave granted in  
 8 accordance with AS 14.20.310;

9 (D) continuous service as a state legislator when performed by  
 10 a state legislator who elects membership under AS 14.25.040(b), subject to the  
 11 requirements of AS 14.25.040(c);

12 (E) full-time or part-time service as an employee of the Special  
 13 Education Service Agency, subject to the requirements of AS 14.25.047 so long  
 14 as the person is not participating in the defined contribution retirement  
 15 system under AS 39.38 for that service; or

16 (F) full-time or part-time service as an Alaska Native language  
 17 or culture expert, subject to the requirements of AS 14.25.048 so long as the  
 18 person is not participating in the defined contribution retirement system  
 19 under AS 39.38 for that service;

20 \* Sec. 6. AS 22.25.012(a) is amended to read:

21 (a) An administrative director of the Alaska Court System appointed under  
 22 art. IV, sec. 16 of the state constitution is entitled to retirement benefits under

23 (1) this chapter, if the administrative director was first appointed  
 24 before January 1, 1996, on the terms and conditions applicable to a superior court  
 25 judge appointed after July 1, 1978, except that an administrative director may receive  
 26 retirement benefits only with service as administrative director for 10 or more years;  
 27 or

28 (2) AS 39.38 if the administrative director was first appointed on  
 29 or after January 1, 1996.

30 \* Sec. 7. AS 22.25.012(c) is amended to read:

31 (c) An administrative director first hired before January 1, 1996, who

1 withdraws from the judicial retirement system under (b) of this section is eligible for  
2 membership in the public employees' retirement system (AS 39.35) and shall receive  
3 credited service in that system for service rendered as administrative director. To be  
4 eligible for membership in the public employees' retirement system under this  
5 subsection, the administrative director must contribute to the public employees'  
6 retirement system

7 (1) the amount that would have been contributed if the administrative  
8 director had been a member during the period of the membership in the judicial  
9 retirement system; and

10 (2) any contributions for service as administrative director refunded  
11 from the public employees' retirement system at the time the administrative director  
12 became a member of the judicial retirement system.

13 \* Sec. 8. AS 37.10.390(2) is amended to read:

14 (2) "retirement systems" means the teachers' retirement system, the  
15 judicial retirement system, the Alaska National Guard and Alaska Naval Militia  
16 retirement system, the defined contribution retirement plan, and the public  
17 employees' retirement system.

18 \* Sec. 9. AS 39.25.120(c) is amended by adding a new paragraph to read:

19 (24) director of the defined contribution retirement plan.

20 \* Sec. 10. AS 39.35.120 is amended to read:

21 Sec. 39.35.120. COMMENCEMENT OF PARTICIPATION. (a) A  
22 employee of the state who was first hired before January 1, 1996, shall be included  
23 in this system upon commencement of employment with the state, or on January 1,  
24 1961, whichever is later. Unless an employee has elected to participate in the optional  
25 university retirement program under AS 14.40.661 - 14.40.799, an employee of a  
26 political subdivision or public organization that becomes an employer who was first  
27 hire; before January 1, 1996, shall be included in the system on the effective date  
28 of the employer's participation or the date of the employee's commencement of  
29 employment with the employer, whichever is later.

30 (b) Inclusion in the system is a condition of employment for an employee who  
31 was first hired before January 1, 1996, except as otherwise provided for an elected

1 official and for an employee of the university who has elected to participate in the  
2 optional university retirement program under AS 14.40.661 - 14.40.799.

3 \* Sec. 11. AS 39.35.158 is amended to read:

4 Sec. 39.35.158. ADMINISTRATIVE DIRECTOR OF COURTS. An  
5 administrative director of the Alaska court system first hired before January 1, 1996,  
6 who withdraws from the judicial retirement system under AS 22.25.012 is eligible for  
7 membership in the system and shall receive credited service in the system for service  
8 rendered as administrative director. To be eligible for membership in the system under  
9 this subsection, the administrative director must contribute to the system

10 (1) the amount the director would have contributed if the director had  
11 been a member during the director's period of membership in the judicial retirement  
12 system; and

13 (2) any contributions for services as administrative director refunded  
14 by the system at the time the director became a member of the judicial retirement  
15 system.

16 \* Sec. 12. AS 39.35.550 is amended to read:

17 Sec. 39.35.550. REQUEST BY POLITICAL SUBDIVISION TO  
18 PARTICIPATE AND ADOPTION OF RESOLUTION. A municipality or other  
19 political subdivision of the state may, before January 1, 1996, request to become an  
20 employer in this system. The request shall be made after adoption of a resolution by  
21 the legislative body of the political subdivision and after approval of the resolution by  
22 the person required by law to approve the resolution. A certified copy of the  
23 resolution shall be filed with the administrator. If the administrator approves the  
24 request for participation, the political subdivision is an employer of the system.

25 \* Sec. 13. AS 39.35.560 is amended to read:

26 Sec. 39.35.560. REQUEST BY PUBLIC ORGANIZATION TO  
27 PARTICIPATE AND ADOPTION OF RESOLUTION. A public organization may,  
28 before January 1, 1996, request to become an employer in this system. The request  
29 shall be made after adoption of a resolution by the governing body of the public  
30 organization. A certified copy of the resolution shall be filed with the administrator.  
31 If the administrator approves the request for participation, the public organization is

1 an employer of the system.

2 \* Sec. 14. AS 39.35.680(21) is amended to read:

3 (21) "member" or "employee"

4 (A) means a person eligible to participate in the system and  
5 who is covered by the system;

6 (B) includes

7 (i) active member;

8 (ii) inactive member;

9 (iii) vested member;

10 (iv) deferred vested member;

11 (v) non-vested member;

12 (vi) disabled member;

13 (vii) retired member;

14 (viii) an elected public officer under AS 39.35.381;

15 (C) does not include

16 (i) former members;

17 (ii) persons compensated on a contractual or fee basis;

18 (iii) casual or emergency workers or nonpermanent  
19 employees as defined in AS 39.25.200;

20 (iv) persons covered by the Alaska Teachers' Retirement  
21 System except as provided under AS 39.35.131 and 39.35.381, persons  
22 covered by the defined contribution retirement plan, or persons  
23 covered by the optional university retirement program;

24 (v) employees of the division of marine transportation  
25 engaged in operating the state ferry system who are covered by a union  
26 or group retirement system to which the state makes contributions;

27 (vi) justices of the supreme court or judges of the court  
28 of appeals or of the superior or district courts of Alaska;

29 (vii) the administrative director of courts appointed  
30 under art. IV, sec. 16 of the state constitution unless the director  
31 becomes a member under AS 39.35.158; and

1 (viii) members of the elected public officers' retirement  
2 system (former AS 39.37);

3 (D) may include employees of the division of marine  
4 transportation excluded under (C)(v) of this paragraph provided that

5 (i) the State of Alaska formally agrees to their inclusion  
6 through the process of collective bargaining; and

7 (ii) no collective bargaining agreement has the effect of  
8 obligating contributions made by the state under AS 39.30.150 in the  
9 event the state resumes participation in the federal social security  
10 system;

11 • Sec. 15. AS 39 is amended by adding a new chapter to read:

12 CHAPTER 38. DEFINED CONTRIBUTION RETIREMENT PLAN.

13 ARTICLE 1. PLAN ESTABLISHED.

14 Sec. 39.38.010. PLAN ESTABLISHED. The Public Employees Retirement  
15 Board shall establish a defined contribution retirement plan for state employees first  
16 hired on or after January 1, 1996, in which retirement and death benefits are provided  
17 through the purchase of annuity contracts or other benefit contracts, either fixed,  
18 variable, or a combination of fixed and variable.

19 Sec. 39.38.020. DUTIES OF THE RETIREMENT BOARD AND THE  
20 INVESTMENT BOARD. (a) The retirement board shall

21 (1) provide for the administration of the plan, including procedures for  
22 resolving complaints from participating employees;

23 (2) establish policies for the proper operation of the plan and carry on  
24 other activities necessary to implement this chapter;

25 (3) take other actions required to ensure that the plan qualifies under  
26 the Internal Revenue Code as a qualified plan or nonqualified plan or both.

27 (b) The Alaska State Pension Investment Board established under  
28 AS 37.10.210 is the fiduciary of the fund. The investment board shall designate at  
29 least four investment options for employees. The investment board shall select the  
30 companies or other entities to which payment of the contributions required by this  
31 chapter may be made, after considering the

1 (1) nature and extent of the rights and benefits that the contracts will  
2 provide to employees who participate and to their beneficiaries;

3 (2) relation of the contractual rights and benefits to the contributions  
4 to be made under this chapter;

5 (3) suitability of the contractual rights and benefits to the needs and  
6 interests of participating employees and to the interest of the employer in the  
7 employment and retention of employees; and

8 (4) ability of the designated company or other entity to provide rights  
9 and benefits under the contracts;

10 (5) requirements of the Internal Revenue Code for remaining a qualified  
11 plan or nonqualified plan or both.

12 Sec. 39.38.030. DIRECTOR. The administrator of the public employees'  
13 retirement system shall serve as director of the plan.

14 Sec. 39.38.040. REGULATIONS. The board may adopt regulations to  
15 implement this chapter under the procedures set out in AS 39.35.042.

16 Sec. 39.38.050. DUTY OF EMPLOYERS TO FURNISH RECORDS. Each  
17 employer shall furnish the director with records concerning the periods of service,  
18 dates of birth, compensation, new entrants into service, death, withdrawals, and other  
19 employee data necessary for the proper and effective operation of the plan.

20 Sec. 39.38.060. ATTORNEY GENERAL. The attorney general of the state  
21 is the attorney for the plan and shall represent it in a legal proceeding.

22 Sec. 39.38.070. ADMINISTRATIVE EXPENSES. Expenses of the plan shall  
23 be paid from employer and employee contributions to the plan in proportion to the  
24 amount of the contribution.

## 25 ARTICLE 2: PARTICIPATION.

26 Sec. 39.38.100. PARTICIPATION. (a) An employee of the state first hired  
27 on or after January 1, 1996, shall be included in the plan upon commencement of  
28 employment with the state. Unless the employee has elected to participate in the  
29 optional university retirement program, or was first hired before January 1, 1996, an  
30 employee of a political subdivision, including a school district, regional educational  
31 attendance area, and the University of Alaska, or a public organization that becomes

1 an employer shall be included in the plan on the effective date of the employer's  
2 participation or the date of the employee's commencement of employment with the  
3 employer, whichever is later, if the employee is in a position that the employer has  
4 designated to participate in the plan.

5 (b) Inclusion in the plan is a condition of employment for a state employee  
6 first hired on or after January 1, 1996, and for an employee designated by another  
7 employer to participate in the plan except as otherwise provided for an elected official  
8 and for an employee of the university who has elected to participate in the optional  
9 university retirement program.

10 Sec. 39.38.110. ADMINISTRATIVE DIRECTOR OF COURTS. (a) An  
11 administrative director of the Alaska Court System first hired on or after January 1,  
12 1996, is a member of the plan.

13 (b) An administrative director who was hired before January 1, 1996, and who  
14 withdraws from the judicial retirement system under AS 22.25.012 on or after  
15 January 1, 1996, may participate in the plan.

16 Sec. 39.38.120. PARTICIPATION OF ELECTED OFFICIALS. (a) Service  
17 as an elected official with an employer constitutes employment as a member in the  
18 plan as long as the elected official has not filed a written waiver of coverage with the  
19 director. Unless revoked, a waiver under this subsection waives coverage of future  
20 employment as an elected official, regardless of any change of employer. An elected  
21 official may file a waiver under this subsection at any time after election to office,  
22 including the period before taking the oath of office. An elected official may revoke  
23 a waiver under this subsection by filing a written revocation with the director. A  
24 revocation under this subsection operates prospectively only, and the elected official  
25 may not participate in the plan for service as an elected official while the waiver was  
26 in effect. There is no limit on the number of times an elected official may file a  
27 waiver or revocation under this subsection.

28 (b) An elected official included in the plan and that person's employer are  
29 liable for contributions whenever that person is an elected official unless a waiver of  
30 coverage under (a) of this section is in effect.

31 ARTICLE 3. CONTRIBUTIONS, RIGHTS, AND BENEFITS.

1           Sec. 39.38.200. EMPLOYMENT CONTRIBUTIONS MANDATORY.

2           Contributions of employees shall be made by payroll deductions. Every included  
3           employee is considered to consent to payroll deductions. It is of no consequence that  
4           a payroll deduction may cause the compensation paid in cash to an employee to be  
5           reduced below the minimum required by law. Payment of an employee's  
6           compensation, less payroll deductions, is a full and complete discharge and satisfaction  
7           of all claims and demands by the employee relating to remuneration of services during  
8           the period covered by the payment.

9           Sec. 39.38.210. CONTRIBUTIONS. (a) An employer shall contribute on  
10          behalf of each employee participating in the plan an amount equal to six percent of the  
11          employee's compensation payable at the end of each payroll period.

12          (b) An employee participating in the plan shall contribute to the plan an  
13          amount equal to five percent of the employee's compensation. The contributions shall  
14          be deducted by the employer at the end of each payroll period. The contributions shall  
15          be deducted from employee compensation before computation of applicable federal  
16          taxes, and the contributions shall be treated as employer contributions under 26 U.S.C.  
17          414(h)(2) (Internal Revenue Code).

18          (c) Contributions vest on receipt by the plan director.

19          (d) The director of the plan shall pay the contributions required by this section  
20          to the company or companies selected by the employee for the benefit of the  
21          employee.

22          Sec. 39.38.220. BENEFITS. Payment of benefits to participants of the plan  
23          is the responsibility of the company or companies designated by the investment board  
24          and is not the responsibility of the investment board, the retirement board, or the  
25          employer. The benefits are payable to participants or beneficiaries of participants in  
26          accordance with the terms of the annuity contract or contracts and benefit contractor  
27          contracts.

28          Sec. 39.38.230. RIGHTS UNDER QUALIFIED DOMESTIC RELATIONS  
29          ORDER. A former spouse shall be treated as a spouse or surviving spouse to the  
30          extent required by a qualified domestic relations order. Rights under the order do not  
31          take effect until the order is filed with the director.

1           Sec. 39.38.240. SAFEGUARD OF EMPLOYEE FUNDS HELD BY THE  
2           PLAN. Employee contributions and other amounts held in the plan are exempt from  
3           Alaska state and local taxes. Amounts held on behalf of, or payable to, any employee  
4           or other person who is or may become eligible for benefits under the plan are not  
5           subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or  
6           charge of any kind, either voluntary or involuntary, before being received by the  
7           person entitled to the amount under the terms of the plan. An attempt to anticipate,  
8           alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of a right  
9           to amounts held under the plan is void. However, an employee's right to receive  
10          benefits may be assigned under a qualified domestic relations order.

11          Sec. 39.38.250. EXEMPTION OF EMPLOYEE FUNDS AND BENEFITS.  
12          Employee contributions and other amounts held in the plan and retirement benefits  
13          payable under the plan are exempt from levy to enforce the collection of a debt as  
14          provided in AS 09.38 (exemptions).

#### 15          ARTICLE 4. POLITICAL SUBDIVISIONS AND PUBLIC ORGANIZATIONS.

16          Sec. 39.38.300. REQUEST TO PARTICIPATE. (a) A municipality or other  
17          political subdivision of the state may request to become an employer in the plan. The  
18          request shall be made after adoption of a resolution by the legislative body of the  
19          political subdivision and after approval of the resolution by the person required by law  
20          to approve it. A certified copy of the resolution shall be filed with the director. If the  
21          director approves the request for participation, the political subdivision is an employer  
22          of the plan.

23          (b) A public organization may request to become an employer in the plan.  
24          The request shall be made after adoption of a resolution by the governing body of the  
25          public organization. A certified copy of the resolution shall be filed with the director.  
26          If the director approves the request for participation, the public organization is an  
27          employer of the plan.

28          Sec. 39.38.310. PARTICIPATION. (a) The effective date of participation in  
29          the plan by a political subdivision or public organization is the first day of any month  
30          acceptable to the governing body of the political subdivision or public organization and  
31          to the board.

1 (b) The political subdivision or public organization shall designate the  
2 departments, groups, or other classifications of employees eligible to participate in the  
3 plan, and shall agree to make the contributions that are required by this chapter.

4 (c) The eligible employees of a participating political subdivision or public  
5 organization are bound by the provisions of this plan and are entitled to the benefits  
6 provided under it.

7 Sec. 39.38.320. CONTRIBUTIONS AND TERMINATION OF  
8 PARTICIPATION FOR NONPAYMENT. (a) The contributions of an employer that  
9 is a participating political subdivision or public organization and the contributions of  
10 its employees shall be transmitted to the director as soon as practicable after the close  
11 of the payroll period for which the contributions are made. If the employer is  
12 delinquent in transferring the contributions for more than 15 days, interest and other  
13 penalties shall be assessed on the outstanding contributions at the rate and in the  
14 amount established by the board.

15 (b) If the contributions are not transmitted to the director within the 15 days,  
16 the director may grant an extension. If the political subdivision or public organization  
17 is in default at the end of the extension, participation in the plan is terminated, and the  
18 employer shall be sent notice of termination.

19 (c) Termination of an employer's participation in the plan does not bar future  
20 participation in the plan by that employer.

21 Sec. 39.38.330. EFFECT OF AMENDMENT OF AGREEMENT. (a) A  
22 political subdivision or public organization may request that its participation agreement  
23 be amended. The request may be made only after adoption of a resolution by the  
24 legislative body of the political subdivision and approval of the resolution by the  
25 person required by law to approve the resolution, or, in the case of a public organi-  
26 zation, after adoption of a resolution by the governing body of that public organization.  
27 A certified copy of the resolution shall be filed with the director.

28 (b) Termination of coverage of a department, group, or other classification of  
29 employees does not bar future coverage of that department, group, or classification.

### 30 ARTICLE 5. GENERAL PROVISIONS.

31 Sec. 39.38.450. NONGUARANTEEN OF EMPLOYMENT. This chapter is not

1 a contract of employment between an employer and an employee, nor does it confer  
2 a right of an employee to be continued in the employment of an employer, nor is it a  
3 limitation of the right of an employer to discharge an employee with or without cause.

4 Sec. 39.38.460. FRAUD. A person who knowingly makes a false statement,  
5 or knowingly falsifies or permits to be falsified a record of the plan, in an attempt to  
6 defraud the plan, is guilty of a Class A misdemeanor.

7 Sec. 39.38.990. DEFINITIONS. In this chapter,

8 (1) "board" or "retirement board" means the Public Employees Retirement  
9 Board established under AS 39.35.030;

10 (2) "compensation" means the total remuneration earned by an employee  
11 for personal services rendered to an employer, and

12 (A) includes employee contributions under AS 39.38.210,  
13 payments for leave that is actually used by the employee, the amount by which  
14 the employee's wages are reduced under AS 39.30.150(c), and any amount  
15 deferred under an employer-sponsored deferred compensation plan; but

16 (B) does not include cost-of-living differentials, retirement  
17 benefits, severance pay or other separation bonuses, welfare benefits, per diem,  
18 expense allowances, workers' compensation payments, incentive cash awards, or  
19 payments for leave not used by the employee whether those leave payments are  
20 scheduled payments, lump-sum payments, donations, or cash-ins;

21 (3) "director" means the director of the defined contribution retirement  
22 plan under AS 39.38.030;

23 (4) "elected official" means a person whose compensation results from  
24 personal services rendered to an employer as an elected representative;

25 (5) "employer" means the State of Alaska or a political subdivision or  
26 public organization of the state that participates in the plan;

27 (6) "investment board" means the Alaska State Pension Investment  
28 Board established under AS 37.10.210;

29 (7) "member" or "employee" means a person who is eligible to  
30 participate in the plan and who is covered by the plan; and

31 (A) includes an

1 (i) employee who is employed by an employer, is  
2 receiving compensation for services, is making contributions to the plan,  
3 and is not excluded under (B) of this paragraph; and

4 (ii) elected official, if the elected official has chosen to  
5 participate under AS 39.38.120; but

6 (B) does not include

7 (i) former members;

8 (ii) persons compensated on a contractual or fee basis;

9 (iii) casual or emergency workers or nonpermanent  
10 employees as defined in AS 39.25.200;

11 (iv) members of the Alaska teachers' retirement system  
12 under AS 14.25, the judicial retirement system under AS 22.25, the public  
13 employees' retirement system under AS 39.35, the elected public officers'  
14 retirement system under former AS 39.37, or the optional university  
15 retirement program;

16 (v) employees of the division of marine transportation  
17 engaged in operating the state ferry system who are covered by a union or  
18 group retirement system to which the state makes contributions; and

19 (vi) the administrative director of courts appointed under  
20 art. IV, sec. 16 of the state constitution first hired before January 1, 1996,  
21 unless the director becomes a member under AS 39.38.110(b);

22 (C) may include employees of the division of marine  
23 transportation excluded under (B)(v) of this paragraph if

24 (i) the State of Alaska formally agrees to their inclusion  
25 through the process of collective bargaining; and

26 (ii) no collective bargaining agreement has the effect of  
27 obligating contributions made by the state under AS 39.30.150 in the  
28 event the state resumes participation in the federal social security system;

29 (8) "plan" means the defined contribution retirement plan established  
30 under this chapter;

31 (9) "public organization" means an organization or entity

1 (A) created by the constitution or laws of the state for the purpose  
2 of administering state programs;

3 (B) whose officers and employees are paid by a method other than  
4 by the state payroll prepared by the Department of Administration; and

5 (C) whose employees are not required by law to participate in the  
6 plan;

7 (10) "qualified domestic relations order" has the meaning given in  
8 AS 39.35.680.

9 • Sec. 16. Section 7, ch. 26, SLA 1986, as amended by sec. 7, ch. 104, SLA 1989, is  
10 further amended to read:

11 Sec. 7. INDEBTEDNESS ON REEMPLOYMENT. If a participant in the  
12 retirement incentive program is reemployed as a member of the Public Employees'  
13 Retirement System under AS 39.35, the optional university retirement program under  
14 AS 14.40.661 - 14.40.799, the defined contribution retirement plan under  
15 AS 39.38, or the Teachers' Retirement System under AS 14.25 after appointment to  
16 retirement under the program, the participant loses the incentive credit received under  
17 sec. 5 (c) of this Act and is indebted to the system. The amount of the indebtedness  
18 is equal to 110 percent of the amount the participant received as a result of  
19 participation in the program for which the participant was not otherwise entitled, in-  
20 cluding the cost of health insurance. The participant is entitled to a credit to be  
21 applied against the reemployment indebtedness in the amount the participant has paid  
22 under sec. 5 (d) of this Act. Interest accrues on the indebtedness at the rate established  
23 by regulation from the date of reemployment until the member is appointed to  
24 retirement and accepts an actuarial adjustment to the member's future benefits or until  
25 the amount is paid in full.

26 • Sec. 17. Section 9(a), ch. 89, SLA 1989, as amended by sec. 6, ch. 18, SLA 1990, is  
27 amended to read:

28 (a) If a participant in the retirement incentive program is reemployed as a  
29 member of the public employees' retirement system under AS 39.35, [OR] the teachers'  
30 retirement system under AS 14.25, or the defined contribution retirement plan  
31 under AS 39.38, after appointment to retirement under the retirement incentive

1 program, the participant loses the incentive credit received under sec. 2(g) of this Act  
2 and is indebted to the system. The amount of the indebtedness is equal to 110 percent  
3 of the amount the participant received as a result of participation in the program to  
4 which the participant was not otherwise entitled, including the cost of health insurance.  
5 The participant is entitled to a credit to be applied against the reemployment  
6 indebtedness in the amount the participant has paid under sec. 2(e), (f), and (i) of this  
7 Act. Interest accrues on the indebtedness at the rate established by regulation from the  
8 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 \* Sec. 18. FINDINGS AND PURPOSE AS TO SECS. 18 - 32. The State of Alaska and  
11 many local governments and school districts are facing the need to restructure their operations  
12 and their work forces in order to reduce expenditures and balance budgets. Retirement and  
13 separation incentives are management tools that have been used extensively by the private  
14 sector, the federal government, and other state and local governments across the country. The  
15 purpose of secs. 18 - 32 of this Act is to make these management tools temporarily available  
16 to the state and to the municipalities and school districts of the state. Sections 18 - 32 of this  
17 Act will enable these entities to be more efficient and cost-effective by eliminating certain  
18 nonessential positions, and producing a net reduction in personnel costs.

19 \* Sec. 19. RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a  
20 retirement incentive plan under secs. 20 - 23 of this Act, as appropriate, and designate  
21 categories of employees eligible to participate in that plan. An employer need not extend the  
22 incentive plan to all employees who would otherwise be eligible, but may choose to extend  
23 the plan only to employees

24 (1) in specific budget or administrative components of the employer;

25 (2) in specific job classifications;

26 (3) in specific geographic locations; or

27 (4) on the basis of any combination of factors under (1) - (3) of this

28 subsection.

29 (b) An employee is eligible to participate in a retirement incentive plan under secs.  
30 18 - 32 of this Act only if the

31 (1) employee is a vested member of the public employees' retirement system

1 or the teachers' retirement system;

2 (2) employee will be qualified to retire under AS 14.25.110 or AS 39.35.370  
3 after receipt of the credit described in (f) of this section;

4 (3) savings to the employer in personal services costs for the employee's  
5 position will exceed the costs to the employer for that position within three years after the  
6 employee is appointed to retirement.

7 (c) An employer shall file its proposed retirement incentive plan with the  
8 commissioner of administration. The commissioner shall approve the plan if the plan meets  
9 the requirements of secs. 18 - 32 of this Act, except that the commissioner may approve a  
10 state agency's retirement incentive plan only if the office of management and budget approves  
11 the calculation of savings under (b)(3) of this section. A proposed plan filed under this  
12 section must

13 (1) identify job classifications of employees, and specific budget or  
14 administrative components, eligible to participate in the plan;

15 (2) include a reimbursement agreement that

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

20 (i) the actuarial equivalent of the difference between the benefits  
21 the participant receives after the addition of the credit under (f) of this section  
22 and the amount the participant would have received without the credit, less the  
23 amount the participant has paid on the indebtedness determined under (d) or (e)  
24 of this section; and

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

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

30 (d) A member of the teachers' retirement system who participates in an approved  
31 retirement incentive plan under secs. 18 - 32 of this Act is indebted to that system for an

1 amount calculated under this subsection. The indebtedness is 25.95 percent of the member's  
2 actual compensation for the school year in which the member terminates employment, or the  
3 calculated school year compensation for a member who works less than the entire school year.  
4 An outstanding indebtedness at the time a member is appointed to retirement under an  
5 approved retirement incentive plan requires an actuarial adjustment to the benefits payable to  
6 that member.

7 (e) A member of the public employees' retirement system who participates in an  
8 approved retirement incentive plan under secs. 18 - 32 of this Act is indebted to that system  
9 for an amount calculated under this subsection. The indebtedness is 22-1/2 percent for a  
10 peace officer or fire fighter, and 20-1/4 percent for other members, of the member's actual  
11 annual compensation for the year in which the member terminates employment, or the  
12 calculated annual compensation for a member who works fewer than 12 months. An  
13 outstanding indebtedness at the time a member is appointed to retirement under an approved  
14 retirement incentive plan requires an actuarial adjustment to the benefits payable to that  
15 member.

16 (f) An employee who participates in an approved retirement incentive plan under secs.  
17 18 - 32 of this Act receives a credit of three years. The three years must be applied in the  
18 following order until exhausted:

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

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

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

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

26 (g) In this section,

27 (1) "department" means

28 (A) a principal department of the executive branch of state government;  
29 an independent state entity that is attached to a principal department of the executive  
30 branch for administrative purposes but that is not a public organization as defined in  
31 AS 39.35.680 is part of that department for purposes of this paragraph; and

1 (B) the Office of the Governor;

2 (2) "employer" has the meaning given in AS 14.25.220 and AS 39.35.680 and  
3 includes a department.

4 \* Sec. 20. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE.

5 (a) A state agency may adopt, and file with the commissioner of administration for approval,  
6 a proposed retirement incentive plan for its employees.

7 (b) Upon the request of a state agency, the commissioner of administration shall  
8 establish one or more periods during which the employees of that state agency who are  
9 eligible under sec. 19(b) of this Act to participate in a retirement incentive plan may apply to  
10 the commissioner of administration to participate in the state agency's approved plan. The  
11 periods shall begin no earlier than <sup>June 30</sup> July 1, 1995, and end no later than June 30, 1998. The  
12 periods shall be no less than 30 days and no more than 60 days in duration, and may not  
13 begin less than 30 days after their establishment. A state agency is not required to request an  
14 application period, and may request more than one application period.

15 (c) A proposed retirement incentive plan adopted under this section may not permit  
16 an employee who is the governor, the lieutenant governor, or a commissioner, deputy  
17 commissioner, or assistant commissioner of a principal department of the executive branch to  
18 participate in the plan.

19 (d) A proposed retirement incentive plan adopted under this section may permit  
20 participation only by an employee who is eligible to participate under sec. 19(b) of this Act  
21 and who

22 (1) has been continuously employed by the state for at least one year before  
23 the employee applies to participate in the state agency's approved plan;

24 (2) is a permanent seasonal employee who has been continuously employed  
25 by the state in a permanent seasonal position during all of the time in the one year before the  
26 employee's application to participate in which the position normally is filled;

27 (3) has a job sharing agreement with a state agency in which two or more  
28 employees share a single position identified by a single position control number and in which  
29 the employee who applies to participate in the plan was continuously employed by the agency  
30 during the portion of the one year before the employee's application in which the employee  
31 normally worked under the job sharing agreement; or

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

2 (e) The commissioner of administration may not accept the application of an employee  
3 to participate in an approved retirement incentive plan adopted under this section unless the  
4 employee will be appointed to retirement not later than the first day of the month that is six  
5 months after the last day of the application period established by the commissioner under (b)  
6 of this section. A state agency, in a plan adopted under this section, may set an earlier date  
7 by which an employee must be appointed to retirement in order to participate in the plan.

8 \* Sec. 21. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF  
9 THE UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of Alaska  
10 may adopt, and file with the commissioner of administration for approval, a proposed  
11 retirement incentive plan for university employees.

12 (b) Upon the request of the Board of Regents, the commissioner of administration  
13 shall establish one or more periods during which the employees of the university who are  
14 eligible under sec. 19(b) of this Act to participate in a retirement incentive plan may apply to  
15 the commissioner of administration to participate in the university's approved plan. The  
16 periods shall begin no earlier than <sup>June 30</sup> July 1, 1995, and end no later than June 30, 1998. The  
17 periods shall be no less than 30 days and no more than 60 days in duration, and may not  
18 begin less than 30 days after their establishment. The Board of Regents is not required to  
19 request an application period, and may request more than one application period.

20 (c) The commissioner of administration may not accept the application of an employee  
21 to participate in an approved retirement incentive plan adopted under this section unless the  
22 employee will be appointed to retirement not later than the first day of the month that is six  
23 months after the last day of the application period established by the commissioner under (b)  
24 of this section. The Board of Regents, in a plan adopted under this section, may set an earlier  
25 date by which an employee of the University of Alaska must be appointed to retirement in  
26 order to participate in the plan.

27 (d) A participant in the optional university retirement program under AS 14.40.661 -  
28 14.40.799 who is vested in the public employees' retirement system or the teachers' retirement  
29 system may participate in a retirement incentive plan for that system if the participant meets  
30 the other qualifications of secs. 18 - 32 of this Act. If a provision of this subsection is  
31 inconsistent with another provision of law, the provision of this subsection governs.

*Del. Ins. Amend.*

1       • Sec. 22. 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 public organization that has elected  
 4 to participate in the public employees' retirement system under AS 39.35.550 - 39.35.650 may  
 5 adopt, and file with the commissioner of administration for approval, a proposed retirement  
 6 incentive plan for its employees. A plan adopted under this section must provide that the  
 7 application period for participation in the retirement incentive plan is December 31, 1995  
 8 through June 30, 1996.

9           (b) The commissioner of administration may accept the application of an employee  
 10 to participate in an approved retirement incentive plan adopted under this section unless the  
 11 employee will be appointed to retirement on or before February 1, 1997. The governing body  
 12 of the political subdivision or public organization, in a plan adopted under this section, may  
 13 set an earlier date by which an employee must be appointed to retirement in order to  
 14 participate in the plan.

15       • Sec. 23. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER  
 16 EMPLOYEES IN THE TEACHERS' RETIREMENT SYSTEM. (a) An employer under the  
 17 teachers' retirement system who is not otherwise covered by secs. 20 or 21 of this Act may  
 18 adopt, and file with the commissioner of administration for approval, a proposed retirement  
 19 incentive plan for its employees. A plan adopted under this section must provide that the  
 20 application period for participation in the retirement incentive plan is June 30, 1995 through  
 21 December 31, 1995.

22           (b) The commissioner of administration may not accept the application of an employee  
 23 to participate in an approved retirement incentive plan adopted under this section unless the  
 24 employee will be appointed to retirement on or before August 1, 1996. The employer, in a  
 25 plan adopted under this section, may set an earlier date by which an employee must be  
 26 appointed to retirement in order to participate in the plan.

27       • Sec. 24. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.  
 28 For purposes of determining the years of service requirements for retirement under  
 29 AS 14.25.110 or AS 39.35.370, as appropriate, a vested member who is a state employee and  
 30 who applies to participate in a retirement incentive plan approved under secs. 18 - 32 of this  
 31 Act may receive credit for employment with a political subdivision or public organization

1 before the political subdivision or organization became an employer under the public  
2 employees' retirement system. The member may not receive credit for those years under this  
3 subsection for purposes of determining benefits. If a provision of this section is inconsistent  
4 with any other provision of law, the provision of this section governs.

5 • Sec. 25. RECOVERY OF EMPLOYER DELINQUENCIES. To recover a delinquency  
6 owed by an employer other than the state under an agreement entered into under sec. 19(c)(2)  
7 of this Act, the Department of Administration may

8 (1) 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; and

11 (2) bring an action against the employer.

12 • Sec. 26. PROVISION AND AUTHORIZATION FOR ADMINISTRATIVE DIRECTOR  
13 OF COURT. (a) The chief justice of the state supreme court may adopt a retirement  
14 incentive plan for an administrative director of the Alaska Court System who is a member of  
15 the judicial retirement system under AS 22.25.012 if participation in the plan will result in  
16 savings to the court system in personal services costs within three years after the  
17 commencement of the plan. The administrative director may participate only if the  
18 administrative director is vested in the judicial retirement system and will be qualified to retire  
19 under AS 22.25.010 after receipt of the retirement incentive. To participate, the administrative  
20 director shall apply to the commissioner of administration to participate in the approved court  
21 system plan.

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

27 (1) the actuarial equivalent of the difference between the benefits the  
28 administrative director receives after the addition of the credit under (e) of this section and  
29 the amount the participant would have received without the credit, less the total of the amount  
30 the participant has paid on the indebtedness determined under (d) of this section; 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  
2 contributions from the court system under (b) of this section take priority over other  
3 obligations of the court system to the maximum extent permitted by law.

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

12 (e) An administrative director of the Alaska Court System who participates in an  
13 approved retirement incentive plan receives a credit of three years that may only be used to  
14 meet the age requirements for normal or early retirement under AS 22.25.010(d).

15 (f) The chief justice of the Alaska Court System may adopt, and file with the  
16 commissioner of administration for approval, a proposed retirement incentive plan for the  
17 administrative director of the court system who is a member of the judicial retirement system.  
18 Upon the request of the chief justice, the commissioner of administration shall establish a  
19 period during which an administrative director eligible to participate in the retirement incentive  
20 plan of the court system may apply to the commissioner of administration to participate in the  
21 court system's approved plan. The period shall begin no earlier than ~~July 1, 1995~~ <sup>June 30</sup>, and end  
22 no later than June 30, 1998. The period shall be no less than 30 days and no more than 60  
23 days in duration and may not begin less than 30 days after establishment. The chief justice  
24 is not required to request an application period.

25 (g) The commissioner of administration may not accept the application of an  
26 administrative director of the court system to participate in an approved retirement incentive  
27 plan adopted under this section unless the administrative director will be appointed to  
28 retirement not later than the first day of the month that is six months after the last day of the  
29 application period established by the commissioner under (f) of this section. The chief justice,  
30 in a plan adopted under this section, may set an earlier date by which an administrative  
31 director must be appointed to retirement in order to participate in the plan.

1     • **Sec. 27. REEMPLOYMENT INDEBTEDNESS; PROHIBITION ON REEMPLOYMENT.**

2     (a) If an individual is reemployed as a member of the public employees' retirement system  
3     under AS 39.35, the teachers' retirement system under AS 14.25, the judicial retirement system  
4     under AS 22.25, or the optional university retirement program under AS 14.40.661 - 14.40.799  
5     after appointment to retirement under secs. 18 - 32 of this Act, that individual forfeits the  
6     incentive credit received under sec. 19(f) or 26(e) of this Act and is indebted to the system  
7     under which the individual took retirement. The indebtedness is 110 percent of the amount  
8     the individual received as a result of participation in a retirement incentive plan under secs.  
9     18 - 32 of this Act and to which the individual would not otherwise have been entitled,  
10    including the cost of health insurance. The amount that the individual has paid under sec.  
11    19(d) or (e) or sec. 26(d) of this Act will be applied as a credit toward the reemployment  
12    indebtedness. Interest on the reemployment indebtedness accrues from the date of  
13    reemployment until the date that the individual either is appointed to retirement and accepts  
14    an actuarial adjustment to the individual's future benefits or repays the indebtedness in full.  
15    The rate of interest is that established by regulation for the public employees' retirement  
16    system by the public employees' retirement board and for the teachers' retirement system by  
17    the teachers' retirement board.

18       (b) An individual who was appointed to retirement under secs. 18 - 32 of this Act may  
19    not be employed by, or enter into a contract for personal services with, a state agency or the  
20    University of Alaska within the three years after the date of appointment to retirement, except  
21    that

22           (1) the University of Alaska may enter into a personal services contract with  
23    the individual for teaching or research; and

24           (2) the individual may accept employment with the legislature during a  
25    legislative session if the employment is on an hourly basis and does not entitle the individual  
26    to receive retirement, health, or leave benefits.

27       (c) Notwithstanding the prohibition in (b) of this section, a state agency or the  
28    University of Alaska may enter into a personal services contract with an individual who was  
29    appointed to retirement under secs. 18 - 32 of this Act if the Board of Regents, for the  
30    University of Alaska, or the commissioner of administration, for a state agency, determines  
31    that there is a compelling reason to do so because of the individual's specialized or extensive

1 experience that relates to a particular program or project of the state agency or university.  
2 However, a state agency may not enter into a contract with an individual under this subsection  
3 if the individual was employed by that state agency at the time of the individual's appointment  
4 to retirement.

5 \* Sec. 28. SEPARATION INCENTIVE PROGRAM. (a) A state agency may, with the  
6 approval of the director of the office of management and budget, establish a separation  
7 incentive program for its employees. The program may be offered in combination with an  
8 approved retirement incentive plan adopted under sec. 20 of this Act, or may be offered  
9 separately from such a plan. A state agency need not extend an incentive program under this  
10 section to all employees who would otherwise be eligible to participate, but may choose to  
11 extend the program only to employees

12 (1) in specific budget or administrative components of the state agency;

13 (2) in specific job classifications;

14 (3) on the basis of any combination of factors under (1) and (2) of this  
15 subsection.

16 (b) A separation incentive payment under this section shall be paid in a lump sum  
17 after the employee's separation from state service, and shall be equal to the lesser of an  
18 amount equaling six months of the employee's base salary, or \$25,000. However, a state  
19 agency or the office of management and budget may set a lower separation incentive payment  
20 in the state agency's separation incentive program.

21 (c) Upon the request of a state agency, the commissioner of administration shall  
22 establish one or more periods during which the employees of that state agency may apply to  
23 the commissioner of administration to participate in the state agency's approved separation  
24 incentive program. The periods shall begin no earlier than <sup>JULY 30</sup> July 1, 1995, and end no later than  
25 June 30, 1998. The periods shall be no less than 30 days and no more than 60 days in  
26 duration, and may not begin less than 30 days after their establishment. A state agency is not  
27 required to request an application period, and may request more than one application period.  
28 If the commissioner of administration has established one or more application periods for a  
29 state agency under sec. 20(b) of this Act, the application period or periods established under  
30 this subsection must coincide with the period or periods established under sec. 20(b) of this  
31 Act.

1 (d) A separation incentive program established under this section must provide that  
2 a separation incentive payment to an employee may be made only if

3 (1) the employee is a permanent full-time or permanent full-time seasonal  
4 employee with at least five years of service with the state; and

5 (2) the savings to the state agency in personal services costs for the position  
6 occupied by that employee would exceed, in the three years after the employee separates, the  
7 amount of the separation incentive payment.

8 (e) If an individual who received a separation incentive payment under this section  
9 subsequently is reemployed by a state agency or the University of Alaska within the three  
10 years after the date that the individual received the separation incentive payment, the  
11 individual is liable to the state in an amount equal to 110 percent of the amount of the  
12 separation incentive payment, plus interest at the rate prescribed by AS 45.45.010,  
13 commencing on the date that the individual received the separation incentive payment.

14 (f) If an employee is eligible to participate in an approved retirement incentive plan  
15 adopted under sec. 20 of this Act,

16 (1) a separation incentive payment to that employee may not exceed the  
17 amount that the state agency would be obligated to pay to the appropriate retirement system,  
18 notwithstanding (b) of this section; and

19 (2) the employee may participate in either the separation incentive program  
20 under this section or the retirement incentive plan adopted under sec. 20 of this Act, but not  
21 both.

22 (g) In this section, "base salary" means the monthly salary paid to an employee under  
23 the applicable collective bargaining agreement, AS 39.27.011, or another applicable pay  
24 schedule, and includes geographic differential; if an employee is paid on an hourly basis, the  
25 employee's base salary is the employee's hourly rate, including geographic differential,  
26 multiplied by the number of hours in the employee's regular work week, multiplied by 4.35.

27 • Sec. 29. OFFICE OF MANAGEMENT AND BUDGET. (a) When designating an  
28 employee category for participation in a retirement incentive plan or a separation incentive  
29 program under secs. 18 - 32 of this Act, the executive head of the relevant state agency shall  
30 describe in detail the expected effect of the plan or program on the agency's personal services  
31 cost and operation. This financial report must be approved by the director of the office of

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services  
Department of Education  
State of Alaska

1 (d) A separation incentive program established under this section must provide that  
2 a separation incentive payment to an employee may be made only if

3 (1) the employee is a permanent full-time or permanent full-time seasonal  
4 employee with at least five years of service with the state; and

5 (2) the savings to the state agency in personal services costs for the position  
6 occupied by that employee would exceed, in the three years after the employee separates, the  
7 amount of the separation incentive payment.

8 (e) If an individual who received a separation incentive payment under this section  
9 subsequently is reemployed by a state agency or the University of Alaska within the three  
10 years after the date that the individual received the separation incentive payment, the  
11 individual is liable to the state in an amount equal to 110 percent of the amount of the  
12 separation incentive payment, plus interest at the rate prescribed by AS 45.45.010,  
13 commencing on the date that the individual received the separation incentive payment.

14 (f) If an employee is eligible to participate in an approved retirement incentive plan  
15 adopted under sec. 20 of this Act,

16 (1) a separation incentive payment to that employee may not exceed the  
17 amount that the state agency would be obligated to pay to the appropriate retirement system,  
18 notwithstanding (b) of this section; and

19 (2) the employee may participate in either the separation incentive program  
20 under this section or the retirement incentive plan adopted under sec. 20 of this Act, but not  
21 both.

22 (g) In this section, "base salary" means the monthly salary paid to an employee under  
23 the applicable collective bargaining agreement, AS 39.27.011, or another applicable pay  
24 schedule, and includes geographic differential; if an employee is paid on an hourly basis, the  
25 employee's base salary is the employee's hourly rate, including geographic differential,  
26 multiplied by the number of hours in the employee's regular work week, multiplied by 4.35.

27 \* Sec. 29. OFFICE OF MANAGEMENT AND BUDGET. (a) When designating an  
28 employee category for participation in a retirement incentive plan or a separation incentive  
29 program under secs. 18 - 32 of this Act, the executive head of the relevant state agency shall  
30 describe in detail the expected effect of the plan or program on the agency's personal services  
31 cost and operation. This financial report must be approved by the director of the office of

1 management and budget before the commissioner of administration may approve the proposed  
2 plan or program. The state agency shall report each year to the office of management and  
3 budget on the cost of each employee's participation and the effect on the agency's personal  
4 services cost and operation.

5 (b) The office of management and budget shall submit to the legislature annual reports  
6 on the retirement incentive and separation incentive programs under secs. 18 - 32 of this Act  
7 beginning January 15, 1997, and continuing through January 15, 1999, and shall submit a final  
8 report January 15, 2000. Each report must provide the information necessary for the  
9 legislature to evaluate the effectiveness of the programs in achieving their objectives. The  
10 report must include information on the designated employee categories under the incentive  
11 programs, including the cost of each incentive program per participant, the cost to the state,  
12 the cost to the employee, the annual budgeted amount, by state agency, for the incentives, the  
13 number of positions deleted or left vacant, and the projected or actual net savings over the  
14 three-year period.

15 \* Sec. 30. PROGRAM CHANGES. (a) An individual employee does not have a vested  
16 or contractual right to a benefit under secs. 18 - 32 of this Act until an agreement is executed  
17 with the administrator that specifically authorizes that employee to participate in the retirement  
18 incentive program under secs. 18 - 32 of this Act or until an agreement is executed with the  
19 commissioner of administration to participate in the separation incentive program under secs.  
20 18 - 32 of this Act. The legislature reserves the right to change any aspect of either incentive  
21 program as it relates to employees for whom participation agreements have not yet been  
22 executed with the administrator or with the commissioner of administration.

23 (b) In this section, "administrator" means the administrator of the public employees'  
24 retirement system for employees who are members of that system, and the administrator of  
25 the teachers' retirement system for employees who are members of that system.

26 \* Sec. 31. REGULATIONS. The commissioner of the Department of Administration may  
27 adopt regulations under AS 44.62 (Administrative Procedure Act) to implement and interpret  
28 secs. 18 - 32 of this Act.

29 \* Sec. 32. DEFINITIONS. (a) Unless provided otherwise in secs. 18 - 32 of this Act, the  
30 definitions set out in AS 14.25.220 apply to provisions in secs. 19 - 27 of this Act that relate  
31 to the teachers' retirement system and members of the teachers' retirement system.

1 (b) Unless provided otherwise in secs. 18 - 32 of this Act, the definitions set out in  
2 AS 39.35.680 apply to provisions in secs. 19 - 27 of this Act that relate to the public  
3 employees' retirement system and members of the public employees' retirement system.

4 (c) Unless provided otherwise in this Act, the definition set out in AS 22.25.900  
5 applies to provisions in secs. 26 and 27 that relate to the judicial retirement system and  
6 members of the judicial retirement system.

7 (d) In secs. 18 - 32 of this Act,

8 (1) "judicial retirement system" means the retirement system established for  
9 judges and justices in AS 22.25;

10 (2) "office of management and budget" means the office of management and  
11 budget in the Office of the Governor;

12 (3) "public employees' retirement system" means the Public Employees'  
13 Retirement System of Alaska (AS 39.35);

14 (4) "state agency"

15 (A) means

16 (i) the legislative branch of state government;

17 (ii) the judicial branch of state government;

18 (iii) a principal department of the executive branch of state  
19 government; an independent state entity that is attached to a principal  
20 department of the executive branch for administrative purposes but that is not  
21 a public organization as defined in AS 39.35.680 is part of that department for  
22 purposes of this clause; and

23 (iv) the Office of the Governor;

24 (B) does not include

25 (i) the University of Alaska;

26 (ii) a political subdivision of the state; or

27 (iii) a public organization as defined in AS 39.35.680;

28 (5) "teachers' retirement system" means the Teachers' Retirement System of  
29 Alaska (AS 14.25).

30 \* Sec. 33. AS 14.25.045 is repealed.

31 \* Sec. 34. Sections 19, 20, and 28 of this Act are repealed July 1, 1999.

- 1     • Sec. 35. Sections 21 - 24 and 26 of this Act are repealed July 1, 1997.
- 2     • Sec. 36. Notwithstanding AS 39.38.020(b), enacted by sec. 15 of this Act, until  
3 January 1, 1997, the Alaska State Pension Investment Board may provide fewer than four  
4 investment options for employees. The board shall use its best efforts to provide investment  
5 options to employees in a timely manner.
- 6     • Sec. 37. Notwithstanding AS 39.38.070, enacted by sec. 15 of this Act, the legislature  
7 may appropriate and, if appropriated, the director of the defined contribution retirement plan  
8 may spend general fund money for the start-up costs of the plan.
- 9     • Sec. 38. Sections 18 - 32 of this Act take effect immediately under AS 01.10.070(c).

*Adopted*

*Wopt*

WORK DRAFT

WORK DRAFT

WORK DRAFT

*Riege Amend. March 1 chg to March 31  
Thru out - also pg 19, line 8*

9-LS09411U  
Cramer  
4/30/95

SENATE FINANCE  
COMMITTEE

Amendment Number: CS-2  
Bill Number: SB148  
Sponsor: Riege Date: 5/1/95  
Logged In By: JK

*Adopt*

*Phillips*

CS FOR SENATE BILL NO. 148( )  
*Amend - Tech. Amendment to Amend 11*  
IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to contributions and benefits in the teachers' retirement system  
2 and in the public employees' retirement system; relating to the supplemental  
3 benefits system; relating to retirement incentive programs for the public  
4 employees' retirement system, the judicial retirement system, and the teachers'  
5 retirement system; relating to separation incentives for certain state employees;  
6 repealing a provision permitting the National Education Association to participate  
7 in the teachers' retirement system; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 • Section 1. AS 14.25.040(a) is amended to read:

10 (a) Unless a teacher or member has elected to participate in the optional  
11 university retirement program under AS 14.40.661 - 14.40.799, a teacher or member  
12 contracting for service with a participating employer is subject to this chapter.  $\Delta$   
13 school board shall, by resolution, elect whether to participate in the reduction in

1 contributions and benefits enacted by this Act and shall inform the administrator  
2 of its decision. For school boards in existence on January 31, 1996, the board  
3 shall inform the administrator no later than February 1, 1996. A school board  
4 that comes into existence after January 31, 1996, shall inform the administrator  
5 whether it elects to be a participating or nonparticipating employer. A school  
6 board that elects to participate in the reductions may not later revoke its  
7 participation.

8 \* Sec. 2. AS 14.25.050(a) is amended to read:

9 (a) Δ [BEGINNING JANUARY 1, 1991, EACH] teacher who is first hired  
10 on or after March 1, 1996, by the Department of Education, the University of  
11 Alaska, or a participating school district shall contribute to the system an amount  
12 equal to 5.5 percent of the teacher's base salary accrued from July 1 to the  
13 following June 30. A teacher who is first hired before March 1, 1996, or who was  
14 hired by a nonparticipating school district on or after March 1, 1996, shall  
15 contribute to the system an amount equal to 8.65 percent of the teacher's base salary  
16 accrued from July 1 to the following June 30. The employer shall deduct the  
17 contribution from the teacher's salary at the end of each payroll period. The  
18 contributions shall be deducted from employee compensation before the computation  
19 of applicable federal taxes and shall be treated as employer contributions under 26  
20 U.S.C. 414(h)(2).

21 \* Sec. 3. AS 14.25.070 is amended to read:

22 Sec. 14.25.070. CONTRIBUTIONS BY EMPLOYER. For employees first  
23 hired before March 1, 1996, and for employees hired after that date by a  
24 nonparticipating school district, an [AN] employer shall contribute to the system an  
25 amount equal to the percentage, as certified by the administrator, of the sum total of  
26 the base salaries of all those teachers that is required in addition to teacher  
27 contributions to provide the benefits of this chapter ~~for those teachers~~ times the sum  
28 total of the base salaries paid to those teachers by the employer. For teachers first  
29 hired on or after March 1, 1996, by the Department of Education, the University  
30 of Alaska, or a participating school district, the percentage that the employer shall  
31 contribute shall be computed under this section with the data that applies to those

1 teachers.

2 • Sec. 4. AS 14.25.110(a) is amended to read:

3 (a) Subject to AS 14.25.167, a member is eligible for a normal retirement  
4 benefit if the member was first hired

5 (1) [WAS FIRST HIRED] before July 1, 1975, has attained the age of  
6 55 years, and has at least 15 years of credited service, the last five of which have been  
7 membership service or is otherwise vested in the system;

8 (2) on or after July 1, 1975, and before March 1, 1996, or after  
9 March 1, 1996, by a nonparticipating school district has attained the age of 60 years  
10 and has at least eight years of membership service;

11 (3) before March 1, 1996, or on or after that date by a  
12 nonparticipating school district has attained the age of 60 years, has at least five  
13 years of membership service, and has at least three years of Alaska BIA service;

14 (4) on or after March 1, 1996, by the Department of Education, the  
15 University of Alaska, or participating school district and

16 (A) has attained the age of 60 years and has at least five  
17 years of membership service; or

18 (B) the sum of the member's age plus the member's years  
19 of membership service equals or exceeds 85;

20 (5) before March 1, 1996, or on or after that date by a  
21 nonparticipating school district and [(4)] has at least 25 years of credited service,  
22 the last five of which have been membership service;

23 (6) before March 1, 1996, or on or after that date by a  
24 nonparticipating school district and [(5)] has at least 20 years of membership  
25 service;

26 (7) before March 1, 1996, or on or after that date by a  
27 nonparticipating school district and [(6)] has at least 20 years of combined  
28 membership service and Alaska BIA service, the last five of which have been  
29 membership service; or

30 (8) before March 1, 1996, or on or after that date by a  
31 nonparticipating school district and [(7)] has, for each of 20 school years,

1 (A) at least one-half year of membership service as a part-time  
2 teacher;

3 (B) one full year of membership service as a full-time teacher;  
4 or

5 (C) any combination of service qualified under this paragraph.

6 \* Sec. 5. AS 14.25.110(d) is amended to read:

7 (d) The monthly amount of a retirement benefit for a member who has paid  
8 the full amount of any indebtedness is one-twelfth of the member's average base salary  
9 during any three school years of membership service multiplied for members first  
10 hired

11 (1) before March 1, 1996, or on or after that date by a  
12 nonparticipating school district by

13 (A) [(1)] two percent of the years of credited service earned  
14 before June 30, 1990, including credited fractional years, and the years of  
15 credited service through a total of 20 years; plus

16 (B) [(2)] two and one-half percent of the years of credited  
17 service earned after June 30, 1990, that are more than 20 years of total credited  
18 service; or

19 (2) on or after March 1, 1996, by the Department of Education, the  
20 University of Alaska, or a participating school district by one and one-half percent  
21 of the years of credited service.

22 \* Sec. 6. AS 14.25.110(j) is amended to read:

23 (j) For teachers first hired before March 1, 1996, or on or after that date  
24 by a nonparticipating school district, an [AN] actuarial adjustment must be made  
25 to benefits payable under (d) of this section for early retirement. For teachers first  
26 hired on or after March 1, 1996, by the Department of Education, the University  
27 of Alaska, or a nonparticipating school district, the monthly amount of a  
28 retirement benefit that would be due under (d) of this section shall be reduced by  
29 multiplying one-half of one percent times the number of months, to the nearest  
30 month, by which the retirement date of the teacher falls short of the date on  
31 which the teacher reaches 60 years of age.

1 \* Sec. 7. AS 14.25.143(a) is amended to read:

2 (a) Once each year, the administrator shall increase benefit payments to

3 (1) eligible disabled members;

4 (2) [, TO] persons age 60 or older receiving benefits under this system  
5 in the preceding calendar year;

6 (3) members who were first hired before March 1, 1996, or on or  
7 after that date by a nonparticipating school district [, AND TO PERSONS] who  
8 have received benefits under this system for at least eight years and who are not  
9 otherwise eligible for an increase under this section; and

10 (4) survivors of members described in (3) of this subsection when  
11 the member and the survivor have together received benefits under this system  
12 for at least eight years.

13 \* Sec. 8. AS 14.25.143(b) is amended to read:

14 (b) The increase in benefit payments applies to total benefit payments except  
15 for the cost-of-living allowance under AS 14.25.142. For members first hired on or  
16 after March 1, 1996, by the Department of Education, the University of Alaska,  
17 or a participating school district, the amount of the increase is the lesser of 50  
18 percent of the increase in the cost-of-living in the preceding calendar year or six  
19 percent. For members first hired before March 1, 1996, or on or after that date  
20 by a nonparticipating school district, the [THE] amount of the increase is a  
21 percentage of the current benefit equal to

22 (1) the lesser of 75 percent of the increase in the cost of living in the  
23 preceding calendar year or nine percent, for recipients who on July 1 are at least 65  
24 years old and for members receiving disability benefits; and

25 (2) the lesser of 50 percent of the increase in the cost of living in the  
26 preceding calendar year or six percent, for recipients who on July 1 are at least 60 but  
27 less than 65 years old or for recipients who on July 1 are less than 60 years old but  
28 who have received benefits from the system for at least eight years.

29 \* Sec. 9. AS 14.25.167(a) is amended to read:

30 (a) Benefits payable under this section are in place of benefits payable under  
31 AS 14.25.110, 14.25.125, 14.25.155, 14.25.157, 14.25.160, 14.25.162, or 14.25.164.

1 Upon filing an application for retirement with the administrator, or when a disabled  
2 member becomes eligible for normal retirement under AS 14.25.130(e), the member  
3 shall designate the person who is the member's spouse at the time of appointment to  
4 retirement as the contingent beneficiary. However, if the designation of the spouse is  
5 revoked under (c) of this section, the member may designate a dependent approved by  
6 the administrator as the contingent beneficiary or may take normal or early retirement  
7 under AS 14.25.110 or 14.25.125. The administrator shall pay benefits under the  
8 option elected by the member. The member may elect an option that provides that

9 (1) the member is entitled to receive a reduced benefit payable for life,  
10 and, after the member's death, the contingent beneficiary is entitled to receive  
11 payments in the amount of 75 percent of the reduced benefit for life;

12 (2) the member is entitled to receive a reduced benefit payable for life,  
13 and, after the member's death, the contingent beneficiary is entitled to receive  
14 payments in the amount of 50 percent of the reduced benefit for life; or

15 (3) for members first hired before March 1, 1996, or on or after  
16 that date by a nonparticipating school district, the member is entitled to receive a  
17 reduced benefit payable during the joint lifetime of the member and the contingent  
18 beneficiary, and, after the death of either the member or the contingent beneficiary, the  
19 survivor is entitled to receive payments in the amount of 66-2/3 percent of the reduced  
20 benefit for life.

21 • Sec. 10. AS 14.25.168(d) is amended to read:

22 (d) A benefit recipient may elect major medical insurance coverage in  
23 accordance with regulations and under the following conditions:

24 (1) a person who is younger than 60 years of age must pay an amount  
25 equal to the full monthly group premium for retiree major medical insurance coverage;

26 (2) a person who is at least 60 years of age but is younger than 65  
27 years of age must pay an amount equal to one-half of the full monthly group premium  
28 for retiree major medical insurance coverage;

29 (3) a disabled member or a person 65 years of age or older is not  
30 required to make premium payments;

31 (4) a benefit recipient who was first hired on or after March 1,

1 1996, by the Department of Education, University of Alaska, or a participating  
2 school district who is electing major medical insurance coverage for dependents  
3 eligible under (a)(2) or (3) of this section shall pay the full cost of that insurance.

4 \* Sec. 11. AS 14.25.220(42) is amended to read:

5 (42) "vested member" or "vested teacher" means an active member who  
6 has completed either

7 (A) 15 years of service, the last five of which have been  
8 membership service, for a member first hired before July 1, 1975;

9 (B) eight years of membership service if the member was first  
10 hired before March 1, 1996, or on or after that date by a nonparticipating  
11 school district;

12 (C) five years of membership and three years of BIA service if  
13 the member was first hired before March 1, 1996, or on or after that date  
14 by a nonparticipating school district; [OR]

15 (D) 12 school years of part-time membership service or 12  
16 school years in each of which the member earned either part-time or full-time  
17 membership service; or

18 (E) five years of membership service if the member was first  
19 hired on or after March 1, 1996, by the Department of Education,  
20 University of Alaska, or a participating school district;

21 \* Sec. 12. AS 14.25.220 is amended by adding new paragraphs to read:

22 (44) "nonparticipating school district" means a school district that has  
23 chosen under AS 14.25.040(a) not to participate in the amendments to this chapter and  
24 AS 39.35 that reduce retirement contribution rates and benefits;

25 (45) "participating school district" means a school district that has  
26 chosen under AS 14.25.040(a) to participate in the amendments to this chapter and  
27 AS 39.35 that reduce retirement contribution rates and benefits.

28 \* Sec. 13. AS 39.30.150(a) is amended to read:

29 (a) In place of contributions to the federal social security system that would  
30 have been required on behalf of an employee had the participating employer belonged  
31 to the social security system, the participating employer shall pay [CONTRIBUTE] an

1 amount equal to 6.13 percent of the wages of the employee up to the taxable wage  
2 base then in effect in the social security system as the employee contribution. This  
3 contribution shall [MUST] be paid into an individual employee annuity account in the  
4 Department of Administration under the terms of the State of Alaska Supplemental  
5 Annuity Plan. For employees who first become members under AS 39.35 (public  
6 employ as' retirement system) before March 1, 1996, and for employees of  
7 nonparticipating employers, the employer [THE DEPARTMENT] shall pay 6.13  
8 percent of the wages of the employee up to the taxable wage base then in effect in the  
9 social security system into the individual employee annuity account established under  
10 this subsection as the employer contribution. For employees who first become  
11 members under AS 39.35 on or after March 1, 1996, except for employees of  
12 nonparticipating employers, the percentage that the employer contributes as the  
13 employer contribution is the percentage that results from subtracting the  
14 percentage of the employer contribution for the employee under AS 39.35.250  
15 from 12.5 percent. This wage reduction shall [MUST] be treated as an employer  
16 contribution under 26 U.S.C. 414(h)(2). All costs of establishing and administering  
17 the programs established under AS 39.30.150 - 39.30.180 shall [MUST] be paid from  
18 the amounts available in [CONTRIBUTIONS MADE TO] the individual employee  
19 annuity accounts under this section. In this subsection, "nonparticipating  
20 employer" has the meaning given in AS 39.35.680.

- 21 • Sec. 14. AS 39.35.160(a) is amended to read.

22 (a) Δ [BEGINNING JANUARY 1, 1987, EACH] peace officer or fire fighter  
23 who is first hired on or after March 1, 1996, other than an employee of a  
24 nonparticipating employer, shall contribute to the system an amount equal to six  
25 percent of the peace officer's or fire fighter's compensation. A peace officer or  
26 fire fighter who is first hired before March 1, 1996, or who is an employee of a  
27 nonparticipating employer, shall contribute to the system an amount equal to seven  
28 and one-half percent of the peace officer's or fire fighter's compensation. Except for  
29 employees of nonparticipating employers, each [BEGINNING JANUARY 1, 1987,  
30 EACH] other employee who is first hired on or after March 1, 1996, shall  
31 contribute to the system an amount equal to five and one-half percent of the

1 employee's compensation. Each other employee who is first hired before  
2 March 1, 1996, or on or after that date by a nonparticipating employer shall  
3 contribute to the system an amount equal to six and three-quarters percent of the  
4 employee's compensation. The contributions shall be deducted by the employer at the  
5 end of each payroll period. The contributions shall be deducted from employee  
6 compensation before computation of applicable federal taxes, and the contributions  
7 shall be treated as employer contributions under 26 U.S.C. 414(h)(2).

8 • Sec. 15. AS 39.35.250 is amended to read:

9 Sec. 39.35.250. CALCULATION OF EMPLOYER'S CONTRIBUTION RATE.

10 (a) An employer shall make contributions to the system in amounts determined in  
11 accordance with this section. For the purposes of this section, the past service date for  
12 each employer for employees first hired before March 1, 1996, and for employees  
13 hired on or after that date by nonparticipating employers is the entry date of the  
14 employer or December 31, 1972, whichever is later. The past service date for  
15 employees first hired on or after March 1, 1996, other than employees of  
16 nonparticipating employers, is the entry date of the employer or March 1, 1996,  
17 whichever is later. After December 31, 1972, if amendments to this chapter are  
18 enacted that substantially affect benefits accrued before the effective date of the  
19 amendment, the past service date will be changed to December 31 of the year  
20 immediately preceding that in which the amendment is enacted. The contribution rate  
21 for employees first hired before March 1, 1996, and for employees hired on or  
22 after that date by nonparticipating employers, is the sum of the consolidated  
23 employer rate for those employees and the past service rate that applies to those  
24 employees. The contribution rate for employees first hired on or after March 1,  
25 1996, other than employees of nonparticipating employers, is the sum of the  
26 consolidated employer rate for those employees and the past service rate that  
27 applies to those employees.

28 (b) In (a) of this section, "consolidated employer rate" for employees first  
29 hired before March 1, 1996, and for employees hired on or after that date by  
30 nonparticipating employers means the percentage of compensation of all those active  
31 employees in the system which, if paid over the period of their credited service after

1 the [THEIR] past service date of those employees and when combined with all  
 2 employee contributions from those employees, is sufficient to provide the benefits  
 3 earned after such past service dates. This percentage is uniformly determined for all  
 4 employers for employees first hired before March 1, 1996, and for employees hired  
 5 on or after that date by nonparticipating employers and is applicable to each  
 6 employer. The consolidated employer rate for employees first hired on or after  
 7 March 1, 1996, other than employees of nonparticipating employers, shall be  
 8 separately determined under this subsection with the data that applies to those  
 9 employees.

10 (c) In (a) of this section, "past service rate" for employees first hired before  
 11 March 1, 1996, and for employees hired on or after that date by nonparticipating  
 12 employers means the percentage of compensation of all those active employees in the  
 13 system necessary to provide the annual amount required to amortize the unfunded  
 14 obligations of the employer for benefits earned by those employees before the  
 15 employer's past service date over a period not to exceed 40 years. The period of  
 16 amortization begins at the past service date of each employer. The percentage is  
 17 separately determined for each employer. The past service rate for employees first  
 18 hired on or after March 1, 1996, and employees hired on or after that date by  
 19 nonparticipating employers shall be separately determined under this subsection  
 20 with the data that applies to those employees.

21 • Sec. 16. AS 39.35.370(a) is amended to read:

22 (a) Subject to AS 39.35.450, a terminated employee is eligible for a normal  
 23 retirement benefit

24 (1) at age 60 with at least five years credited service; [,] or

25 (2) with at least 20 years of credited service as a peace officer or fire  
 26 fighter for peace officers or fire fighters first hired before March 1, 1996, or hired  
 27 on or after that date by a nonparticipating employer; [, OR]

28 (3) with at least 25 years of credited service as a peace officer or  
 29 fire fighter for peace officers and fire fighters first hired on or after March 1,  
 30 1996, other than employees of nonparticipating employers;

31 (4) with at least 30 years of credited service for all other employees if

1 the employee was first hired before March 1, 1996, or if the employee was hired  
2 on or after that date by a nonparticipating employer; or  
3 (5) with a combination of age and years of credited service equal  
4 to or greater than 85.

5 • Sec. 17. AS 39.35.370(b) is amended to read:

6 (b) Subject to AS 39.35.450, a terminated employee is eligible for an early  
7 retirement benefit at age 55 with at least five years credited service. For employees  
8 first hired before March 1, 1996, and for employees hired on or after that date  
9 by nonparticipating employers, an [AN] actuarial adjustment must be made to  
10 retirement benefits paid under this section for an early retirement benefit. For  
11 employees first hired on or after March 1, 1996, other than employees of  
12 nonparticipating employers, the monthly amount of a retirement benefit that  
13 would be due under (c) of this section shall be reduced by multiplying one-half  
14 of one percent times the number of months, to the nearest month, by which the  
15 retirement date of the employee falls short of the date that the employee reaches  
16 age 60.

17 • Sec. 18. AS 39.35.370(c) is amended to read:

18 (c) For employees first hired on or after March 1, 1996, other than for  
19 employees of nonparticipating employers, the monthly amount of a retirement  
20 benefit is one and one-half percent of the average monthly compensation times the  
21 years of credited service. The monthly amount of a retirement benefit for a peace  
22 officer or fire fighter first hired before March 1, 1996, and for a peace officer or  
23 fire fighter hired on or after that date by a nonparticipating employer, is two  
24 percent of the average monthly compensation times the years of credited service  
25 through 10 years, plus two and one-half percent of the average monthly compensation  
26 times the years of service over 10 years. For all other employees first hired before  
27 March 1, 1996, and for other employees of nonparticipating employers first hired  
28 on or after that date, it is

29 (1) two percent of the average monthly compensation times all years  
30 of service before July 1, 1986, and for years of service through a total of 10 years;  
31 plus

1 (2) two and one-quarter percent of the average monthly compensation  
2 times all years of service after June 30, 1986, over 10 years of total service through  
3 20 years; plus

4 (3) two and one-half percent of the average monthly compensation  
5 times all years of service after June 30, 1986, over 20 years of total service.

6 \* Sec. 19. AS 39.35.450(a) is amended to read:

7 (a) Benefits payable under this section are in place of benefits payable under  
8 AS 39.35.370, 39.35.385, and 39.35.460. Upon filing an application with the  
9 administrator or when a disabled employee first attains eligibility for normal retirement  
10 under AS 39.35.400(f) or 39.35.410(h), the employee shall designate the person who  
11 is the employee's spouse at the time of appointment to retirement as the contingent  
12 beneficiary. However, if the designation of the spouse is revoked under (c) of this  
13 section, the employee may designate a dependent approved by the administrator as the  
14 contingent beneficiary or may take normal or early retirement under AS 39.35.370 or  
15 39.35.385 or a level income option under AS 39.35.460. The administrator shall pay  
16 benefits under the option elected by the employee. The employee may elect an option  
17 that provides that

18 (1) the employee is entitled to receive a reduced benefit payable for  
19 life, and, after the employee's death, the contingent beneficiary is entitled to payments  
20 in the amount of 75 percent of the reduced benefit payable for life.

21 (2) the employee is entitled to receive a reduced benefit payable for  
22 life, and, after the employee's death, the contingent beneficiary is entitled to receive  
23 payments in the amount of 50 percent of the reduced benefit payable for life:

24 (3) for employees first hired before March 1, 1996, or hired on or  
25 after that date by a nonparticipating employer, the employee is entitled to receive  
26 a reduced benefit payable during the joint lifetime of the employee and the contingent  
27 beneficiary, and, after the death of either the employee or the contingent beneficiary,  
28 the survivor is entitled to receive payments in the amount of 66 2/3 percent of the  
29 reduced benefit payable for life.

30 \* Sec. 20. AS 39.35.460 is amended to read:

31 Sec. 39.35.460. LEVEL INCOME OPTION. For an employee first hired

1 before March 1, 1996, or hired on or after that date by a nonparticipating  
2 employer. if [IF] the payment of a retirement pension begins before age 65, the  
3 amount of pension payable before and after that age may be adjusted so that an  
4 increased amount will be paid before the time that full social security benefits become  
5 available and a reduced amount after that time, so that the employee may receive a  
6 more level income for life. The aggregate value of all adjusted payments may not  
7 exceed the actuarial equivalent of the value of the pension otherwise payable to the  
8 employee.

9 • Sec. 21. AS 39.35.475(a) is amended to read:

10 (a) Once each year the administrator shall increase benefit payments to

11 (1) eligible disabled members;

12 (2) [ . TO] persons age 60 or older receiving benefits under this system  
13 in the preceding calendar year;

14 (3) members who were first hired before March 1, 1996, or who  
15 were hired on or after that date by a nonparticipating employer. [AND TO  
16 PERSONS] who have received benefits under this system for at least five years and  
17 who are not otherwise eligible for an increase under this section; and

18 (4) survivors of members described in (3) of this subsection when  
19 the member and the survivor have together received benefits under this system  
20 for at least five years.

21 • Sec. 22. AS 39.35.475(b) is amended to read:

22 (b) The increase in benefit payments applies to total benefit payments except  
23 for the cost-of-living allowance under AS 39.35.480. For members first hired on or  
24 after March 1, 1996, other than employees of a nonparticipating employer, the  
25 amount of the increase is a percentage of the current benefit equal to the lesser  
26 of 50 percent of the increase in the cost of living in the preceding calendar year  
27 or six percent. For members first hired before March 1, 1996, or hired on or  
28 after that date by a nonparticipating employer, the [THE] amount of the increase  
29 is a percentage of the current benefit equal to

30 (1) the lesser of 75 percent of the increase in the cost of living in the  
31 preceding calendar year or nine percent, for recipients who on July 1 are at least 65

1 years old and for members receiving disability benefits; and

2 (2) the lesser of 50 percent of the increase in the cost of living in the  
3 preceding calendar year or six percent, for recipients who on July 1 are at least 60 but  
4 less than 65 years old or for recipients who are less than 60 years old on July 1 but  
5 who have received benefits from the system for at least five years.

6 \* Sec. 23. AS 39.35.535(c) is amended to read:

7 (c) A benefit recipient may elect major medical insurance coverage in  
8 accordance with regulations and under the following conditions:

9 (1) a person who is younger than 60 years of age must pay an amount  
10 equal to the full monthly group premium for retiree major medical insurance coverage;

11 (2) a person who is at least 60 years of age but is younger than 65  
12 years of age must pay an amount equal to one-half of the full monthly group premium  
13 for retiree major medical insurance coverage;

14 (3) a disabled member or a person 65 years of age or older is not  
15 required to make premium payments;

16 (4) a benefit recipient who is first hired on or after March 1, 1996,  
17 other than a recipient receiving benefits through a nonparticipating employer,  
18 who is electing major medical insurance coverage for dependents eligible under  
19 (a)(2) and (3) of this section shall pay the full cost of that insurance.

20 \* Sec. 24. AS 39.35 is amended by adding a new section to read:

21 Sec. 39.35.565. PARTICIPATION IN REDUCED CONTRIBUTIONS AND  
22 BENEFITS. A political subdivision or public organization participating in the system  
23 on January 31, 1996, shall, by resolution, elect whether to participate in the reduction  
24 in contributions and benefits enacted by this Act and shall inform the administrator of  
25 its decision no later than February 1, 1996. A political subdivision or public  
26 organization that becomes an employer in the system on or after February 1, 1996,  
27 shall inform the administrator whether it has elected to be a nonparticipating employer.  
28 A political subdivision or public organization that is an employer in the system that  
29 elects to participate in the reductions may not later decide to participate in the system  
30 as it existed before amendment by this Act.

31 \* Sec. 25. AS 39.35.650 is amended by adding a new paragraph to read:

1 (41) "nonparticipating employer" means a political subdivision or public  
2 organization that is an employer under this system that has chosen under AS 39.35.565  
3 not to participate in the amendments to this chapter enacted in this Act.

4 • Sec. 26. FINDINGS AND PURPOSE AS TO SECS. 26 - 40. The State of Alaska and  
5 many local governments and school districts are facing the need to restructure their operations  
6 and their work forces in order to reduce expenditures and balance budgets. Retirement and  
7 separation incentives are management tools that have been used extensively by the private  
8 sector, the federal government, and other state and local governments across the country. The  
9 purpose of secs. 26 - 40 of this Act is to make these management tools temporarily available  
10 to the state and to the municipalities and school districts of the state. Sections 26 - 40 of this  
11 Act will enable these entities to be more efficient and cost-effective by eliminating certain  
12 nonessential positions, and producing a net reduction in personnel costs.

13 • Sec. 27. RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a  
14 retirement incentive plan under secs. 28 - 31 of this Act, as appropriate, and designate  
15 categories of employees eligible to participate in that plan. An employer need not extend the  
16 incentive plan to all employees who would otherwise be eligible, but may choose to extend  
17 the plan only to employees

18 (1) in specific budget or administrative components of the employer;

19 (2) in specific job classifications;

20 (3) in specific geographic locations; or

21 (4) on the basis of any combination of factors under (1) - (3) of this  
22 subsection.

23 (b) An employee is eligible to participate in a retirement incentive plan under secs.  
24 26 - 40 of this Act only if the

25 (1) employee is a vested member of the public employees' retirement system  
26 or the teachers' retirement system;

27 (2) employee will be qualified to retire under AS 14.25.110 or AS 39.35.370  
28 after receipt of the credit described in (f) of this section;

29 (3) savings to the employer in personal services costs for the employee's  
30 position will exceed the costs to the employer for that position within three years after the  
31 employee is appointed to retirement.

1 (c) An employer shall file its proposed retirement incentive plan with the  
2 commissioner of administration. The commissioner shall approve the plan if the plan meets  
3 the requirements of secs. 26 - 40 of this Act, except that the commissioner may approve a  
4 state agency's retirement incentive plan only if the office of management and budget approves  
5 the calculation of savings under (b)(3) of this section. A proposed plan filed under this  
6 section must

7 (1) identify job classifications of employees, and specific budget or  
8 administrative components, eligible to participate in the plan;

9 (2) include a reimbursement agreement that

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

14 (i) the actuarial equivalent of the difference between the benefits  
15 the participant receives after the addition of the credit under (f) of this section  
16 and the amount the participant would have received without the credit, less the  
17 amount the participant has paid on the indebtedness determined under (d) or (e)  
18 of this section; and

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

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

24 (d) A member of the teachers' retirement system who participates in an approved  
25 retirement incentive plan under secs. 26 - 40 of this Act is indebted to that system for an  
26 amount calculated under this subsection. The indebtedness is 25.95 percent of the member's  
27 actual compensation for the school year in which the member terminates employment, or the  
28 calculated school year compensation for a member who works less than the entire school year.  
29 An outstanding indebtedness at the time a member is appointed to retirement under an  
30 approved retirement incentive plan requires an actuarial adjustment to the benefits payable to  
31 that member.

1 (e) A member of the public employees' retirement system who participates in an  
2 approved retirement incentive plan under secs. 26 - 40 of this Act is indebted to that system  
3 for an amount calculated under this subsection. The indebtedness is 22-1/2 percent for a  
4 peace officer or fire fighter, and 20-1/4 percent for other members, of the member's actual  
5 annual compensation for the year in which the member terminates employment, or the  
6 calculated annual compensation for a member who works fewer than 12 months. An  
7 outstanding indebtedness at the time a member is appointed to retirement under an approved  
8 retirement incentive plan requires an actuarial adjustment to the benefits payable to that  
9 member.

10 (f) An employee who participates in an approved retirement incentive plan under secs.  
11 26 - 40 of this Act receives a credit of three years. The three years must be applied in the  
12 following order until exhausted:

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

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

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

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

20 (g) In this section,

21 (1) "department" means

22 (A) a principal department of the executive branch of state government;  
23 an independent state entity that is attached to a principal department of the executive  
24 branch for administrative purposes but that is not a public organization as defined in  
25 AS 39.35.680 is part of that department for purposes of this paragraph; and

26 (B) the Office of the Governor;

27 (2) "employer" means

28 (A) for purposes of a retirement incentive plan under AS 14.25, means  
29 the Board of Regents of the University, the Department of Education, or the Regional  
30 Resource Center; and

31 (B) for purposes of a retirement incentive plan under AS 39.35, has the

1 meaning given in AS 39.35.680 and includes a department.

2 • Sec. 28. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE.

3 (a) A state agency may adopt, and file with the commissioner of administration for approval,  
4 a proposed retirement incentive plan for its employees.

5 (b) Upon the request of a state agency, the commissioner of administration shall  
6 establish one or more periods during which the employees of that state agency who are  
7 eligible under sec. 27(b) of this Act to participate in a retirement incentive plan may apply to  
8 the commissioner of administration to participate in the state agency's approved plan. The  
9 periods shall begin no earlier than June 30, 1995, and end no later than June 30, 1998. The  
10 periods shall be no less than 30 days and no more than 60 days in duration, and may not  
11 begin less than 30 days after their establishment. A state agency is not required to request an  
12 application period, and may request more than one application period.

13 (c) A proposed retirement incentive plan adopted under this section may not permit  
14 an employee who is the governor, the lieutenant governor, or a commissioner, deputy  
15 commissioner, or assistant commissioner of a principal department of the executive branch to  
16 participate in the plan.

17 (d) A proposed retirement incentive plan adopted under this section may permit  
18 participation only by an employee who is eligible to participate under sec. 27(b) of this Act  
19 and who

20 (1) has been continuously employed by the state for at least one year before  
21 the employee applies to participate in the state agency's approved plan;

22 (2) is a permanent seasonal employee who has been continuously employed  
23 by the state in a permanent seasonal position during all of the time in the one year before the  
24 employee's application to participate in which the position normally is filled;

25 (3) has a job sharing agreement with a state agency in which two or more  
26 employees share a single position identified by a single position control number and in which  
27 the employee who applies to participate in the plan was continuously employed by the agency  
28 during the portion of the one year before the employee's application in which the employee  
29 normally worked under the job sharing agreement; or

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

31 (e) The commissioner of administration may not accept the application of an employee

1 to participate in an approved retirement incentive plan adopted under this section unless the  
2 employee will be appointed to retirement not later than the first day of the month that is six  
3 months after the last day of the application period established by the commissioner under (b)  
4 of this section. A state agency, in a plan adopted under this section, may set an earlier date  
5 by which an employee must be appointed to retirement in order to participate in the plan.

6 (f) A state agency that has adopted a retirement incentive plan for its employees may  
7 not appoint a person to fill a vacant position in a category of position that was included in the  
8 plan until after March <sup>31</sup> 1996, unless

9 (1) the governor submits a notice to the Legislative Budget and Audit  
10 Committee of the intended appointment to the position for the committee's review;

11 (2) 45 days elapse before the appointment to the vacancy is made unless the  
12 committee earlier recommends that the agency appoint a person to fill the position; and

13 (3) if, within the 45 days, the committee recommends that the vacancy not be  
14 filled, the governor reviews the request to fill the position and determines to authorize the  
15 hiring, in which case the governor shall provide the committee with a statement of the reasons  
16 for the authorization before the appointment to the position is made.

17 (g) In this section, "committee" means the Legislative Budget and Audit Committee.

18 \* Sec. 29. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF  
19 THE UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of Alaska  
20 may adopt, and file with the commissioner of administration for approval, a proposed  
21 retirement incentive plan for university employees.

22 (b) Upon the request of the Board of Regents, the commissioner of administration  
23 shall establish one or more periods during which the employees of the university who are  
24 eligible under sec. 27(b) of this Act to participate in a retirement incentive plan may apply to  
25 the commissioner of administration to participate in the university's approved plan. The  
26 periods shall begin no earlier than June 30, 1995, and end no later than June 30, 1998. The  
27 periods shall be no less than 30 days and no more than 60 days in duration, and may not  
28 begin less than 30 days after their establishment. The Board of Regents is not required to  
29 request an application period, and may request more than one application period.

30 (c) The commissioner of administration may not accept the application of an employee  
31 to participate in an approved retirement incentive plan adopted under this section unless the

1 employee will be appointed to retirement not later than the first day of the month that is six  
2 months after the last day of the application period established by the commissioner under (b)  
3 of this section. The Board of Regents, in a plan adopted under this section, may set an earlier  
4 date by which an employee of the University of Alaska must be appointed to retirement in  
5 order to participate in the plan.

6 (d) A participant in the optional university retirement program under AS 14.40.661 -  
7 14.40.799 who is vested in the public employees' retirement system or the teachers' retirement  
8 system may participate in a retirement incentive plan for that system if the participant meets  
9 the other qualifications of secs. 26 - 40 of this Act. If a provision of this subsection is  
10 inconsistent with another provision of law, the provision of this subsection governs.

11 \* Sec. 30. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER  
12 EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The  
13 governing body of a political subdivision of the state or public organization that has elected  
14 to participate in the public employees' retirement system under AS 39.35.550 - 39.35.650 may  
15 adopt, and file with the commissioner of administration for approval, a proposed retirement  
16 incentive plan for its employees. Upon the request of the governing body, the commissioner  
17 of administration shall establish one or more periods during which the employees of a political  
18 subdivision or public organization who are eligible to participate in a retirement incentive plan  
19 may apply to the commissioner of administration to participate in the approved plan. The  
20 periods shall begin no earlier than October 31, 1995, and end no later than October 31, 1998.  
21 The periods shall be no less than 30 days and no more than 60 days in duration, and may not  
22 begin less than 60 days after their establishment. The governing body is not required to  
23 request an application period, and may request more than one application period.

24 (b) The commissioner of administration may not accept the application of an employee  
25 to participate in an approved retirement incentive plan adopted under this section unless the  
26 employee will be appointed to retirement not later than the first day of the month that is six  
27 months after the last day of the application period established by the commissioner under (a)  
28 of this section. The governing body of the political subdivision or public organization, in a  
29 plan adopted under this section, may set an earlier date by which an employee must be  
30 appointed to retirement in order to participate in the plan.

31 \* Sec. 31. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF

1 REGIONAL RESOURCE CENTERS IN THE TEACHERS' RETIREMENT SYSTEM. (a)  
2 A regional resource center that has employees who are members of the teachers' retirement  
3 system may adopt, and file with the commissioner of administration for approval, a proposed  
4 retirement incentive plan for its employees. A plan adopted under this section must provide  
5 that the application period for participation in the retirement incentive plan is June 30, 1995,  
6 through December 31, 1995.

7 (b) The commissioner of administration may not accept the application of an employee  
8 to participate in an approved retirement incentive plan adopted under this section unless the  
9 employee will be appointed to retirement on or before August 1, 1996. The regional resource  
10 center, in a plan adopted under this section, may set an earlier date by which an employee  
11 must be appointed to retirement in order to participate in the plan.

12 • **Sec. 32. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.**

13 For purposes of determining the years of service requirements for retirement under  
14 AS 14.75.110 or AS 39.35.370, as appropriate, a vested member who is a state employee and  
15 who applies to participate in a retirement incentive plan approved under secs. 26 - 40 of this  
16 Act may receive credit for employment with a political subdivision or public organization  
17 before the political subdivision or organization became an employer under the public  
18 employees' retirement system. The member may not receive credit for those years under this  
19 subsection for purposes of determining benefits. If a provision of this section is inconsistent  
20 with any other provision of law, the provision of this section governs.

21 • **Sec. 33. RECOVERY OF EMPLOYER DELINQUENCIES.** To recover a delinquency  
22 owed by an employer other than the state under an agreement entered into under sec. 27(c)(2)  
23 of this Act, the Department of Administration may

24 (1) direct that the amount of the delinquency or a lesser amount be withheld  
25 from any money payable to the employer by a state department or agency and that the amount  
26 withheld be credited to the delinquency; and

27 (2) bring an action against the employer.

28 • **Sec. 34. PROVISION AND AUTHORIZATION FOR ADMINISTRATIVE DIRECTOR**

29 **OF COURT.** (a) The chief justice of the state supreme court may adopt a retirement  
30 incentive plan for an administrative director of the Alaska Court System who is a member of  
31 the judicial retirement system under AS 22.25.012 if participation in the plan will result in

1 savings to the court system in personal services costs within three years after the  
2 commencement of the plan. The administrative director may participate only if the  
3 administrative director is vested in the judicial retirement system and will be qualified to retire  
4 under AS 22.25.010 after receipt of the retirement incentive. To participate, the administrative  
5 director shall apply to the commissioner of administration to participate in the approved court  
6 system plan.

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

12 (1) the actuarial equivalent of the difference between the benefits the  
13 administrative director receives after the addition of the credit under (c) of this section and  
14 the amount the participant would have received without the credit, less the total of the amount  
15 the participant has paid on the indebtedness determined under (d) of this section; and

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

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

20 (d) An administrative director of the Alaska Court System who participates in an  
21 approved retirement incentive plan is indebted to the system. The amount of indebtedness is  
22 equal to 21 percent of the director's actual annual compensation for the year in which the  
23 director terminates employment to participate in the program, or the calculated annual  
24 compensation for an administrative director who works fewer than 12 months. An outstanding  
25 indebtedness at the time the administrative director is appointed to retirement under an  
26 approved retirement incentive plan will require an actuarial adjustment to the benefits payable  
27 to the director.

28 (e) An administrative director of the Alaska Court System who participates in an  
29 approved retirement incentive plan receives a credit of three years that may only be used to  
30 meet the age requirements for normal or early retirement under AS 22.25.010(d).

31 (f) The chief justice of the Alaska Court System may adopt, and file with the

1 commissioner of administration for approval, a proposed retirement incentive plan for the  
2 administrative director of the court system who is a member of the judicial retirement system.  
3 Upon the request of the chief justice, the commissioner of administration shall establish a  
4 period during which an administrative director eligible to participate in the retirement incentive  
5 plan of the court system may apply to the commissioner of administration to participate in the  
6 court system's approved plan. The period shall begin no earlier than June 30, 1995, and end  
7 no later than June 30, 1998. The period shall be no less than 30 days and no more than 60  
8 days in duration and may not begin less than 30 days after establishment. The chief justice  
9 is not required to request an application period.

10 (g) The commissioner of administration may not accept the application of an  
11 administrative director of the court system to participate in an approved retirement incentive  
12 plan adopted under this section unless the administrative director will be appointed to  
13 retirement not later than the first day of the month that is six months after the last day of the  
14 application period established by the commissioner under (f) of this section. The chief justice,  
15 in a plan adopted under this section, may set an earlier date by which an administrative  
16 director must be appointed to retirement in order to participate in the plan.

17 • **Sec. 35. REEMPLOYMENT INDEBTEDNESS; PROHIBITION ON REEMPLOYMENT.**

18 (a) If an individual is reemployed as a member of the public employees' retirement system  
19 under AS 39.35, the teachers' retirement system under AS 14.25, the judicial retirement system  
20 under AS 22.25, or the optional university retirement program under AS 14.40.661 - 14.40.799  
21 after appointment to retirement under secs. 26 - 40 of this Act, that individual forfeits the  
22 incentive credit received under sec. 27(f) or 34(e) of this Act and is indebted to the system  
23 under which the individual took retirement. The indebtedness is 110 percent of the amount  
24 the individual received as a result of participation in a retirement incentive plan under secs.  
25 26 - 40 of this Act and to which the individual would not otherwise have been entitled,  
26 including the cost of health insurance. The amount that the individual has paid under sec.  
27 27(d) or (e) or sec. 34(d) of this Act will be applied as a credit toward the reemployment  
28 indebtedness. Interest on the reemployment indebtedness accrues from the date of  
29 reemployment until the date that the individual either is appointed to retirement and accepts  
30 an actuarial adjustment to the individual's future benefits or repays the indebtedness in full.  
31 The rate of interest is that established by regulation for the public employees' retirement

1 system by the public employees' retirement board and for the teachers' retirement system by  
2 the teachers' retirement board.

3 (b) An individual who was appointed to retirement under secs. 26 - 40 of this Act may  
4 not be employed by, or enter into a contract for personal services with, a state agency or the  
5 University of Alaska within the three years after the date of appointment to retirement, ~~except~~

6 that

7 (1) the University of Alaska may enter into a personal services contract with  
8 the individual for teaching or research; and

9 (2) the individual may accept employment with the legislature during a  
10 legislative session if the employment is on an hourly basis and does not entitle the individual  
11 to receive retirement, health, or leave benefits.

12 (c) Notwithstanding the prohibition in (b) of this section, a state agency or the  
13 University of Alaska may enter into a personal services contract with an individual who was  
14 appointed to retirement under secs. 26 - 40 of this Act if the Board of Regents, for the  
15 University of Alaska, or the commissioner of administration, for a state agency, determines  
16 that there is a compelling reason to do so because of the individual's specialized or extensive  
17 experience that relates to a particular program or project of the state agency or university.  
18 However, a state agency may not enter into a contract with an individual under this subsection  
19 if the individual was employed by that state agency at the time of the individual's appointment  
20 to retirement.

21 • Sec. 36. SEPARATION INCENTIVE PROGRAM. (a) A state agency may, with the  
22 approval of the director of the office of management and budget, establish a separation  
23 incentive program for its employees. The program may be offered in combination with an  
24 approved retirement incentive plan adopted under sec. 28 of this Act, or may be offered  
25 separately from such a plan. A state agency need not extend an incentive program under this  
26 section to all employees who would otherwise be eligible to participate, but may choose to  
27 extend the program only to employees

28 (1) in specific budget or administrative components of the state agency,

29 (2) in specific job classifications;

30 (3) on the basis of any combination of factors under (1) and (2) of this

31 subsection.

1 (b) A separation incentive payment under this section shall be paid in a lump sum  
2 after the employee's separation from state service, and shall be equal to the lesser of an  
3 amount equaling six months of the employee's base salary, or \$25,000. However, a state  
4 agency or the office of management and budget may set a lower separation incentive payment  
5 in the state agency's separation incentive program.

6 (c) Upon the request of a state agency, the commissioner of administration shall  
7 establish one or more periods during which the employees of that state agency may apply to  
8 the commissioner of administration to participate in the state agency's approved separation  
9 incentive program. The periods shall begin no earlier than June 30, 1995, and end no later  
10 than June 30, 1998. The periods shall be no less than 30 days and no more than 60 days in  
11 duration, and may not begin less than 30 days after their establishment. A state agency is not  
12 required to request an application period, and may request more than one application period.  
13 If the commissioner of administration has established one or more application periods for a  
14 state agency under sec. 28(b) of this Act, the application period or periods established under  
15 this subsection must coincide with the period or periods established under sec. 28(b) of this  
16 Act.

17 (d) A separation incentive program established under this section must provide that  
18 a separation incentive payment to an employee may be made only if

19 (1) the employee is a permanent full-time or permanent full-time seasonal  
20 employee with at least five years of service with the state; and

21 (2) ~~the savings to the state agency in personal services costs for the position~~  
22 ~~occupied by that employee would exceed, in the three years after the employee separates, the~~  
23 ~~amount of the separation incentive payment.~~

24 (e) If an individual who received a separation incentive payment under this section  
25 subsequently is reemployed by a state agency or the University of Alaska within the three  
26 years after the date that the individual received the separation incentive payment, the  
27 individual is liable to the state in an amount equal to 110 percent of the amount of the  
28 separation incentive payment, plus interest at the rate prescribed by AS 45.45.010,  
29 commencing on the date that the individual received the separation incentive payment.

30 (f) If an employee is eligible to participate in an approved retirement incentive plan  
31 adopted under sec. 28 of this Act.

1 (1) a separation incentive payment to that employee may not exceed the  
2 amount that the state agency would be obligated to pay to the appropriate retirement system,  
3 notwithstanding (b) of this section; and

4 (2) the employee may participate in either the separation incentive program  
5 under this section or the retirement incentive plan adopted under sec. 28 of this Act, but not  
6 both.

7 (g) In this section, "base salary" means the monthly salary paid to an employee under  
8 the applicable collective bargaining agreement, AS 39.27.011, or another applicable pay  
9 schedule, and includes geographic differential; if an employee is paid on an hourly basis, the  
10 employee's base salary is the employee's hourly rate, including geographic differential,  
11 multiplied by the number of hours in the employee's regular work week, multiplied by 4.35.

12 \* Sec. 37. OFFICE OF MANAGEMENT AND BUDGET. (a) When designating an  
13 employee category for participation in a retirement incentive plan or a separation incentive  
14 program under secs. 26 - 40 of this Act, the executive head of the relevant state agency shall  
15 describe in detail the expected effect of the plan or program on the agency's personal services  
16 cost and operation. This financial report must be approved by the director of the office of  
17 management and budget before the commissioner of administration may approve the proposed  
18 plan or program. The state agency shall report each year to the office of management and  
19 budget on the cost of each employee's participation and the effect on the agency's personal  
20 services cost and operation.

21 (b) The office of management and budget shall submit to the legislature annual reports  
22 on the retirement incentive and separation incentive programs under secs. 26 - 40 of this Act  
23 beginning January 15, 1997, and continuing through January 15, 1999, and shall submit a final  
24 report January 15, 2000. Each report must provide the information necessary for the  
25 legislature to evaluate the effectiveness of the programs in achieving their objectives. The  
26 report must include information on the designated employee categories under the incentive  
27 programs, including the cost of each incentive program per participant, the cost to the state,  
28 the cost to the employee, the annual budgeted amount, by state agency, for the incentives, the  
29 number of positions deleted or left vacant, and the projected or actual net savings over the  
30 three-year period.

31 \* Sec. 38. PROGRAM CHANGES. (a) An individual employee does not have a vested

1 or contractual right to a benefit under secs. 26 - 40 of this Act until an agreement is executed  
2 with the administrator that specifically authorizes that employee to participate in the retirement  
3 incentive program under secs. 26 - 40 of this Act or until an agreement is executed with the  
4 commissioner of administration to participate in the separation incentive program under secs.  
5 26 - 40 of this Act. The legislature reserves the right to change any aspect of either incentive  
6 program as it relates to employees for whom participation agreements have not yet been  
7 executed with the administrator or with the commissioner of administration.

8 (b) In this section, "administrator" means the administrator of the public employees'  
9 retirement system for employees who are members of that system, and the administrator of  
10 the teachers' retirement system for employees who are members of that system.

11 \* Sec. 39. REGULATIONS. The commissioner of the Department of Administration may  
12 adopt regulations under AS 44.62 (Administrative Procedure Act) to implement and interpret  
13 secs. 26 - 40 of this Act.

14 \* Sec. 40. DEFINITIONS. (a) Unless provided otherwise in secs. 26 - 40 of this Act, the  
15 definitions set out in AS 14.25.220 apply to provisions in secs. 27 - 35 of this Act that relate  
16 to the teachers' retirement system and members of the teachers' retirement system except that  
17 "employer" does not include a school district.

18 (b) Unless provided otherwise in secs. 26 - 40 of this Act, the definitions set out in  
19 AS 39.35.680 apply to provisions in secs. 27 - 35 of this Act that relate to the public  
20 employees' retirement system and members of the public employees' retirement system.

21 (c) Unless provided otherwise in this Act, the definition set out in AS 22.25.900  
22 applies to provisions in secs. 34 and 35 that relate to the judicial retirement system and  
23 members of the judicial retirement system.

24 (d) In secs. 26 - 40 of this Act,

25 (1) "judicial retirement system" means the retirement system established for  
26 judges and justices in AS 22.25;

27 (2) "office of management and budget" means the office of management and  
28 budget in the Office of the Governor;

29 (3) "public employees' retirement system" means the Public Employees'  
30 Retirement System of Alaska (AS 39.35);

31 (4) "state agency"

1 (A) means

2 (i) the legislative branch of state government;

3 (ii) the judicial branch of state government;

4 (iii) a principal department of the executive branch of state  
5 government; an independent state entity that is attached to a principal  
6 department of the executive branch for administrative purposes but that is not  
7 a public organization as defined in AS 39.35.680 is part of that department for  
8 purposes of this clause; and

9 (iv) the Office of the Governor;

10 (B) does not include

11 (i) the University of Alaska;

12 (ii) a political subdivision of the state; or

13 (iii) a public organization as defined in AS 39.35.680;

14 (5) "teachers' retirement system" means the Teachers' Retirement System of  
15 Alaska (AS 14.25).

16 • Sec. 41. AS 14.25.045 is repealed.

17 • Sec. 42. Sections 27, 28, and 36 of this Act are repealed July 1, 1999.

18 • Sec. 43. Sections 29 - 32 and 34 of this Act are repealed July 1, 1997.

19 • Sec. 44. Sections 26 - 40 of this Act take effect immediately under AS 01.10.070(c).

4-29-95  
to be included  
in new draft.

AMENDMENT

~~OFFERED IN THE HOUSE~~

~~BY REPRESENTATIVE [Name]~~

TO: ~~MS-39~~

Page 21, line 6 - 8  
Page 6, lines 15 - 17.

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15

Delete "A plan adopted under this section must provide that the application period for participation in the retirement incentive plan is December 31, 1995 through June 30, 1996."

Insert "Upon the request of the governing body, the commissioner of administration shall establish one or more periods during which the employees of a political subdivision or public organization who are eligible to participate in a retirement incentive plan may apply to the commissioner of administration to participate in the approved plan. The periods shall begin no earlier than <sup>September</sup> October 1, 1995, and end no later than <sup>SEP</sup> October 1, 1998. The periods shall be no less than 30 days and no more than 60 days in duration, and may not begin less than 30 days after their establishment. The governing body is not required to request an application period, and may request more than one application period."

Page 6, line 20:

Delete "on or before February 1, 1997"

Insert "not later than the first day of the month that is six months after the last day of the application period established by the commissioner under (a) of this section"

*[Handwritten notes and signatures at the bottom of the page]*

Time Low Budget

# EARLY RETIREMENTS TO REDUCE BUDGETS COST STATES MONEY

## POOR PLANNING IS BLAMED

### Failures to Limit Programs to Workers in Expandable Jobs Means More Are Hired

By MICHAEL deCOURCY HINDS

Early-retirement programs for state workers, adopted in recent years as cost-cutting measures in 19 states, are actually costing millions of dollars, fiscal experts and state officials say.

The experts said many of the programs had been poorly planned and had failed to cut workers whose jobs were no longer needed, forcing states to hire replacement workers at the same time they were paying retirement benefits to those who had just left.

Many programs also ended up being fiscal schemes in which legislators shifted expenses from state budgets to pension systems, creating heavy future liabilities that will have to be picked up by taxpayers.

#### Many Retirees Replaced

In 1990, for example, Rhode Island offered generous retirement incentives to 1,300 employees. After the program had been offered, actuaries determined that the state would lose money even if the positions were left vacant for 10 years. The state had to replace virtually all the retirees within a matter of months.

New York is one of the few states that actually handled the program properly, but only because of its bitter experience with a 1983 program that was supposed to save \$50 million and ended up costing \$10 million. Last year, the state limited its retirement offer to workers in positions that were going to be eliminated. It expects \$170 million in savings.

~~... programs ...~~  
... state ...  
... of State Legislatures. "It's a triumph of hope over experience, as Samuel Johnson said about second marriages in the 18th century."

#### Follow-Ups Are Lacking

Early retirement programs come in various forms. Some apply only to workers within a few years of retirement. Some specify length of employment and avoid effect workers in their 50's. Most continue the workers'

New York Times  
11/14/92

# States Early Retirement Plans Are Costing Millions of Dollars

Continued From Page A1

which benefits their beneficiaries, which last proved to be expensive. Some offer cash benefits and benefit pension payments.

But what the problem program has done is to ensure that they will be beneficiaries in all eligible positions without regard to whether their jobs are essential.

Public employees' unions support such programs as business executives in Virginia. Legislators in the same line have primary benefits and the program itself has proved to be more than twice as costly as the program had been estimated to be.

Many Long Term Benefits

In most states, long-term benefits are provided under employment contracts for many as 15 years only by offering them according to length of time from the date of employment to more than 15 years, and a benefit that is the same as that provided to a former employee and a former state employee, according to the contract.

The Virginia program of early retirement programs in the last two years has been the most expensive. It was not able to provide any of the above-mentioned benefits because the contract was not in the state and the contract was not renewed.

That the program could be used to provide early retirement benefits to state employees was not the case. It was not the case that the program was not used to provide early retirement benefits to state employees.

## Work & Living

A reliable living index  
**SSROOM RATES**

Maximum about 100  
 401-1-800-431-1111



## Few states follow early retirement programs to see if they really work.

In order to determine why states follow programs that have proved to be more expensive than the programs that they were trying to replace, the states that were trying to replace the programs were surveyed. The information is not available about other retirement programs, but the fact that they are not being followed is a clear indication that they are not working.

Other states in which early retirement programs have been followed in the last two years are Virginia, North Carolina, and Texas. In Virginia, the program was followed in 1980, 1981, and 1982. In North Carolina, the program was followed in 1981, 1982, and 1983. In Texas, the program was followed in 1982, 1983, and 1984.

It is estimated that the cost of the program in 1984 was \$1.5 billion. The program was followed in 1980, 1981, 1982, and 1983. The program was not followed in 1984. The program was followed in 1980, 1981, 1982, and 1983. The program was not followed in 1984.

It is estimated that the cost of the program in 1984 was \$1.5 billion. The program was followed in 1980, 1981, 1982, and 1983. The program was not followed in 1984. The program was followed in 1980, 1981, 1982, and 1983. The program was not followed in 1984.

It is estimated that the cost of the program in 1984 was \$1.5 billion. The program was followed in 1980, 1981, 1982, and 1983. The program was not followed in 1984. The program was followed in 1980, 1981, 1982, and 1983. The program was not followed in 1984.

It is estimated that the cost of the program in 1984 was \$1.5 billion. The program was followed in 1980, 1981, 1982, and 1983. The program was not followed in 1984. The program was followed in 1980, 1981, 1982, and 1983. The program was not followed in 1984.

And he said he may be asked about it more completely. "The program is made sense for that when the cost is \$1.5 billion," he said. "It might have been treated more differently because there was no time to look at the program in an early way."

Rapidly Changing Expectations

The program's cost is the primary reason retirement programs will still not be followed in the future. The program was followed in 1980, 1981, 1982, and 1983. The program was not followed in 1984. The program was followed in 1980, 1981, 1982, and 1983. The program was not followed in 1984.

More national news

9-LS09411G-Z  
Cramer  
4/25/95

SENATE FINANCE  
COMMITTEE  
Amendment Number: CS-2  
Bill Number: SB 148  
Sponsor: Rogers Date: 4/25/95  
Logged In By: [Signature]

CS FOR SENATE BILL NO. 148( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsorship: SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to a defined contribution retirement plan for state employees  
2 and for certain employees of participating municipalities, other political subdivisions,  
3 and public organizations, and repealing a provision permitting the National  
4 Education Association to participate in the teachers' retirement system."

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

6 \* Section 1. AS 39 is amended by adding a new chapter to read:

7 CHAPTER 38. DEFINED CONTRIBUTION RETIREMENT PLAN.

8 ARTICLE 1. PLAN ESTABLISHED.

9 Sec. 39.38.010. PLAN ESTABLISHED. The Public Employees Retirement  
10 Board shall establish a defined contribution retirement plan for state employees first  
11 hired on or after January 1, 1976, in which retirement and death benefits are provided  
12 through the purchase of annuity contracts or other benefit contracts, either fixed,  
13 variable, or a combination of fixed and variable.

14 Sec. 39.38.020. DUTIES OF THE RETIREMENT BOARD AND THE

1 INVESTMENT BOARD. (a) The retirement board shall

2 (1) provide for the administration of the plan, including procedures for  
3 resolving complaints from participating employees;

4 (2) establish policies for the proper operation of the plan and carry on  
5 other activities necessary to implement this chapter;

6 (3) take other actions required to ensure that the plan qualifies under  
7 the Internal Revenue Code as a qualified plan or nonqualified plan or both.

8 (b) The Alaska State Pension Investment Board established under  
9 AS 37.10.210 is the fiduciary of the fund. The investment board shall designate at  
10 least four investment options for employees. The investment board shall select the  
11 companies or other entities to which payment of the contributions required by this  
12 chapter may be made, after considering the

13 (1) nature and extent of the rights and benefits that the contracts will  
14 provide to employees who participate and to their beneficiaries;

15 (2) relation of the contractual rights and benefits to the contributions  
16 to be made under this chapter;

17 (3) suitability of the contractual rights and benefits to the needs and  
18 interests of participating employees and to the interest of the employer in the  
19 employment and retention of employees; and

20 (4) ability of the designated company or other entity to provide rights  
21 and benefits under the contracts;

22 (5) requirements of the internal Revenue Code for remaining a qualified  
23 plan or nonqualified plan or both.

24 Sec. 39.38.030. DIRECTOR. The administrator of the public employees'  
25 retirement system shall serve as director of the plan.

26 Sec. 39.38.040. REGULATIONS. The board may adopt regulations to  
27 implement this chapter under the procedures set out in AS 39.35.042.

28 Sec. 39.38.050. DUTY OF EMPLOYERS TO FURNISH RECORDS. Each  
29 employer shall furnish the director with records concerning the periods of service,  
30 date of birth, compensation, new entrants into service, death, withdrawals, and other  
31 employee data necessary for the proper and effective operation of the plan.

1           Sec. 39.38.060. ATTORNEY GENERAL. The attorney general of the state  
2 is the attorney for the plan and shall represent it in a legal proceeding.

3           Sec. 39.38.070. ADMINISTRATIVE EXPENSES. Expenses of the plan shall  
4 be paid from employer and employee contributions to the plan in proportion to the  
5 amount of the contribution.

## 6                           ARTICLE 2. PARTICIPATION.

7           Sec. 39.38.100. PARTICIPATION. (a) An employee of the state first hired  
8 on or after January 1, 1996, shall be included in the plan upon commencement of  
9 employment with the state. Unless the employee has elected to participate in the  
10 optional university retirement program, or was first hired before January 1, 1996, an  
11 employee of a political subdivision, including a school district, regional educational  
12 attendance area, and the University of Alaska, or a public organization that becomes  
13 an employer shall be included in the plan on the effective date of the employer's  
14 participation or the date of the employee's commencement of employment with the  
15 employer, whichever is later, if the employee is in a position that the employer has  
16 designated to participate in the plan.

17           (b) Inclusion in the plan is a condition of employment for a state employee  
18 first hired on or after January 1, 1996, and for an employee designated by another  
19 employer to participate in the plan except as otherwise provided for an elected official  
20 and for an employee of the university who has elected to participate in the optional  
21 university retirement program.

22           Sec. 39.38.110. ADMINISTRATIVE DIRECTOR OF COURTS. (a) An  
23 administrative director of the Alaska Court System first hired on or after January 1,  
24 1996, is a member of the plan.

25           (b) An administrative director who was hired before January 1, 1996, and who  
26 withdraws from the judicial retirement system under AS 22.25.012 on or after  
27 January 1, 1996, may participate in the plan.

28           Sec. 39.38.120. PARTICIPATION OF ELECTED OFFICIALS. (a) Service  
29 as an elected official with an employer constitutes employment as a member in the  
30 plan as long as the elected official has not filed a written waiver of coverage with the  
31 director. Unless revoked, a waiver under this subsection waives coverage of future

1 employment as an elected official, regardless of any change of employer. An elected  
2 official may file a waiver under this subsection at any time after election to office,  
3 including the period before taking the oath of office. An elected official may revoke  
4 a waiver under this subsection by filing a written revocation with the director. A  
5 revocation under this subsection operates prospectively only, and the elected official  
6 may not participate in the plan for service as an elected official while the waiver was  
7 in effect. There is no limit on the number of times an elected official may file a  
8 waiver or revocation under this subsection.

9 (b) An elected official included in the plan and that person's employer are  
10 liable for contributions whenever that person is an elected official unless a waiver of  
11 coverage under (a) of this section is in effect.

### 12 ARTICLE 3. CONTRIBUTIONS, RIGHTS, AND BENEFITS.

#### 13 Sec. 39.38.200. EMPLOYMENT CONTRIBUTIONS MANDATORY.

14 Contributions of employees shall be made by payroll deductions. Every included  
15 employee is considered to consent to payroll deductions. It is of no consequence that  
16 a payroll deduction may cause the compensation paid in cash to an employee to be  
17 reduced below the minimum required by law. Payment of an employee's  
18 compensation, less payroll deductions, is a full and complete discharge and satisfaction  
19 of all claims and demands by the employee relating to remuneration of services during  
20 the period covered by the payment.

21 Sec. 39.38.210 CONTRIBUTIONS. (a) An employer shall contribute on  
22 behalf of each employee participating in the plan an amount equal to 7.5 percent of  
23 the employee's compensation payable at the end of each payroll period.

24 (b) An employee participating in the plan shall contribute to the plan an  
25 amount equal to 7.5 percent of the employee's compensation. The contributions shall  
26 be deducted by the employer at the end of each payroll period. The contributions shall  
27 be deducted from employee compensation before computation of applicable federal  
28 taxes, and the contributions shall be treated as employer contributions under 26 U.S.C.  
29 414(h)(2) (Internal Revenue Code).

30 (c) Contributions vest on receipt by the plan director.

31 (d) The director of the plan shall pay the contributions required by this section

1 to the company or companies selected by the employee for the benefit of the  
2 employee.

3 Sec. 39.38.220. BENEFITS. Payment of benefits to participants of the plan  
4 is the responsibility of the company or companies designated by the investment board  
5 and is not the responsibility of the investment board, the retirement board, or the  
6 employer. The benefits are payable to participants or beneficiaries of participants in  
7 accordance with the terms of the annuity contract or contracts and benefit contractor  
8 contracts.

9 Sec. 39.38.230. RIGHTS UNDER QUALIFIED DOMESTIC RELATIONS  
10 ORDER. A former spouse shall be treated as a spouse or surviving spouse to the  
11 extent required by a qualified domestic relations order. Rights under the order do not  
12 take effect until the order is filed with the director.

13 Sec. 39.38.240. SAFEGUARD OF EMPLOYEE FUNDS HELD BY THE  
14 PLAN. Employee contributions and other amounts held in the plan are exempt from  
15 Alaska state and local taxes. Amounts held on behalf of, or payable to, any employee  
16 or other person who is or may become eligible for benefits under the plan are not  
17 subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or  
18 charge of any kind, either voluntary or involuntary, before being received by the  
19 person entitled to the amount under the terms of the plan. An attempt to anticipate,  
20 alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of a right  
21 to amounts held under the plan is void. However, an employee's right to receive  
22 benefits may be assigned under a qualified domestic relations order.

23 Sec. 39.38.250. EXEMPTION OF EMPLOYEE FUNDS AND BENEFITS.  
24 Employee contributions and other amounts held in the plan and retirement benefits  
25 payable under the plan are exempt from levy to enforce the collection of a debt as  
26 provided in AS 09.38 (exemptions).

#### 27 ARTICLE 4. POLITICAL SUBDIVISIONS AND PUBLIC ORGANIZATIONS.

28 Sec. 39.38.300. REQUEST TO PARTICIPATE. (a) A municipality or other  
29 political subdivision of the state may request to become an employer in the plan. The  
30 request shall be made after adoption of a resolution by the legislative body of the  
31 political subdivision and after approval of the resolution by the person required by law

1 to approve it. A certified copy of the resolution shall be filed with the director. If the  
2 director approves the request for participation, the political subdivision is an employer  
3 of the plan.

4 (b) A public organization may request to become an employer in the plan.  
5 The request shall be made after adoption of a resolution by the governing body of the  
6 public organization. A certified copy of the resolution shall be filed with the director.  
7 If the director approves the request for participation, the public organization is an  
8 employer of the plan.

9 Sec. 39.38.310. PARTICIPATION. (a) The effective date of participation in  
10 the plan by a political subdivision or public organization is the first day of any month  
11 acceptable to the governing body of the political subdivision or public organization and  
12 to the board.

13 (b) The political subdivision or public organization shall designate the  
14 departments, groups, or other classifications of employees eligible to participate in the  
15 plan, and shall agree to make the contributions that are required by this chapter.

16 (c) The eligible employees of a participating political subdivision or public  
17 organization are bound by the provisions of this plan and are entitled to the benefits  
18 provided under it.

19 Sec. 39.38.320. CONTRIBUTIONS AND TERMINATION OF  
20 PARTICIPATION FOR NONPAYMENT. (a) The contributions of an employer that  
21 is a participating political subdivision or public organization and the contributions of  
22 its employees shall be transmitted to the director as soon as practicable after the close  
23 of the payroll period for which the contributions are made. If the employer is  
24 delinquent in transferring the contributions for more than 15 days, interest and other  
25 penalties shall be assessed on the outstanding contributions at the rate and in the  
26 amount established by the board.

27 (b) If the contributions are not transmitted to the director within the 15 days,  
28 the director may grant an extension. If the political subdivision or public organization  
29 is in default at the end of the extension, participation in the plan is terminated, and the  
30 employer shall be sent notice of termination.

31 (c) Termination of an employer's participation in the plan does not bar future

1 participation in the plan by that employer.

2 Sec. 39.38.330. EFFECT OF AMENDMENT OF AGREEMENT. (a) A  
3 political subdivision or public organization may request that its participation agreement  
4 be amended. The request may be made only after adoption of a resolution by the  
5 legislative body of the political subdivision and approval of the resolution by the  
6 person required by law to approve the resolution, or, in the case of a public organi-  
7 zation, after adoption of a resolution by the governing body of that public organization.  
8 A certified copy of the resolution shall be filed with the director.

9 (b) Termination of coverage of a department, group, or other classification of  
10 employees does not bar future coverage of that department, group, or classification.

#### 11 ARTICLE 5. GENERAL PROVISIONS.

12 Sec. 39.38.450. NONGUARANTEED OF EMPLOYMENT. This chapter is not  
13 a contract of employment between an employer and an employee, nor does it confer  
14 a right of an employee to be continued in the employment of an employer, nor is it a  
15 limitation of the right of an employer to discharge an employee with or without cause.

16 Sec. 39.38.460. FRAUD. A person who knowingly makes a false statement,  
17 or knowingly falsifies or permits to be falsified a record of the plan, in an attempt to  
18 defraud the plan, is guilty of a Class A misdemeanor.

19 Sec. 39.38.990. DEFINITIONS. In this chapter,

20 (1) "board" or "retirement board" means the Public Employees Retirement  
21 Board established under AS 39.35.030;

22 (2) "compensation" means the total remuneration earned by an employee  
23 for personal services rendered to an employer, and

24 (A) includes employee contributions under AS 39.38.210,  
25 payments for leave that is actually used by the employee, the amount by which  
26 the employee's wages are reduced under AS 39.30.150(c), and any amount  
27 deferred under an employer-sponsored deferred compensation plan; but

28 (B) does not include cost-of-living differentials, retirement  
29 benefits, severance pay or other separation bonuses, welfare benefits, per diem,  
30 expense allowances, workers' compensation payments, incentive cash awards, or  
31 payments for leave not used by the employee whether those leave payments are

1 scheduled payments, lump-sum payments, donations, or cash-ins;

2 (3) "director" means the director of the defined contribution retirement  
3 plan under AS 39.38.030;

4 (4) "elected official" means a person whose compensation results from  
5 personal services rendered to an employer as an elected representative;

6 (5) "employer" means the State of Alaska or a political subdivision or  
7 public organization of the state that participates in the plan;

8 (6) "investment board" means the Alaska State Pension Investment  
9 Board established under AS 37.10.210;

10 (7) "member" or "employee" means a person who is eligible to  
11 participate in the plan and who is covered by the plan; and

12 (A) includes an

13 (i) employee who is employed by an employer, is  
14 receiving compensation for services, is making contributions to the plan,  
15 and is not excluded under (B) of this paragraph; and

16 (ii) elected official, if the elected official has chosen to  
17 participate under AS 39.38.120; but

18 (B) does not include

19 (i) former members;

20 (ii) persons compensated on a contractual or fee basis;

21 (iii) casual or emergency workers or nonpermanent  
22 employees as defined in AS 39.25.200;

23 (iv) members of the Alaska teachers' retirement system  
24 under AS 14.25, the judicial retirement system under AS 22.25, the public  
25 employees' retirement system under AS 39.35, the elected public officers'  
26 retirement system under former AS 39.37, or the optional university  
27 retirement program;

28 (v) employees of the division of marine transportation  
29 engaged in operating the state ferry system who are covered by a union or  
30 group retirement system to which the state makes contributions; and

31 (vi) the administrative director of courts appointed under

1 art. IV, sec. 16 of the state constitution first hired before January 1, 1996,  
2 unless the director becomes a member under AS 39.38.110(b);

3 (C) may include employees of the division of marine  
4 transportation excluded under (B)(v) of this paragraph if

5 (i) the State of Alaska formally agrees to their inclusion  
6 through the process of collective bargaining; and

7 (ii) no collective bargaining agreement has the effect of  
8 obligating contributions made by the state under AS 39.30.150 in the  
9 event the state resumes participation in the federal social security system;

10 (8) "plan" means the defined contribution retirement plan established  
11 under this chapter;

12 (9) "public organization" means an organization or entity:

13 (A) created by the constitution or laws of the state for the purpose  
14 of administering state programs;

15 (B) whose officers and employees are paid by a method other than  
16 by the state payroll prepared by the Department of Administration; and

17 (C) whose employees are not required by law to participate in the  
18 plan;

19 (10) "qualified domestic relations order" has the meaning given in  
20 AS 39.35.680

21 \* Sec. 2. AS 14.25.040(a) is amended to read:

22 (a) ~~A~~ [UNLESS A TEACHER OR MEMBER HAS ELECTED TO  
23 PARTICIPATE IN THE OPTIONAL UNIVERSITY RETIREMENT PROGRAM  
24 UNDER AS 14.40.661 - 14.40.799. A] teacher or member contracting for service with  
25 a participating employer is subject to this chapter unless the

26 (1) employer has elected to participate in the defined contribution  
27 retirement plan as provided in (e) of this section; or

28 (2) teacher or member has elected to participate in the optional  
29 university retirement program under AS 14.40.661 - 14.40.799.

30 \* Sec. 3. AS 14.25.040(c) is amended to read:

31 (c) A state legislator is not entitled to elect membership under (b) of this

1 section if the state legislator is covered for the same period of service under the public  
2 employees' retirement system (AS 39.35) or the defined contribution retirement  
3 system (AS 39.38). An election of membership under (b) of this section is retroactive  
4 to the date the state legislator took the oath of office. A state legislator may not  
5 receive membership credit under (b) of this section for legislative service performed  
6 before the legislative session during which the state legislator elected membership  
7 under (b) of this section. In order to continue in membership service under (b) of this  
8 section, the state legislator must earn at least 0.3 years of membership service under  
9 other sections of this chapter during each five-year period.

10 \* Sec. 4. AS 14.25.040 is amended by adding a new subsection to read:

11 (e) A public school district may elect to participate in the defined contribution  
12 retirement system under AS 39.38 for teachers first hired on or after January 1, 1996.  
13 Employment that is covered by AS 39.38 may not be considered to be credited service  
14 under this chapter. A public school district that elects to be covered by AS 39.38 for  
15 teachers who are not members of this system may not later elect to return to coverage  
16 under this system.

17 \* Sec. 5. AS 14.25.220(16) is amended to read:

18 (16) "employer" means a public school district, the Board of Regents  
19 of the University of Alaska, the Department of Education, [THE NATIONAL  
20 EDUCATION ASSOCIATION OF ALASKA,] the Regional Resource Centers, or the  
21 state legislature with respect to a state legislator who elects membership under  
22 AS 14.25.040(b) that has not elected to participate in the defined contribution  
23 retirement system under AS 39.38;

24 \* Sec. 6. AS 14.25.220(21) is amended to read:

25 (21) "membership service" means

26 (A) full or part-time service as a teacher in a public school in  
27 the Territory or State of Alaska, or both, under the supervision and control of  
28 the Territorial Board of Education or the Department of Education or the  
29 school board of a city, regional educational attendance area, or borough school  
30 district so long as the person is not participating in the defined contribution  
31 retirement system under AS 39.38 for that service;

1 (B) full-time or part-time teaching at the University of Alaska  
 2 or a full-time administrative position at the University of Alaska that requires  
 3 academic standing and that has been approved for inclusion in the system by  
 4 the director so long as the person is not participating in the defined  
 5 contribution retirement system under AS 39.38 for that service;

6 (C) any period during which the teacher receives a disability  
 7 benefit under this system or is on an approved sabbatical leave granted in  
 8 accordance with AS 14.20.310;

9 (D) continuous service as a state legislator when performed by  
 10 a state legislator who elects membership under AS 14.25.040(b), subject to the  
 11 requirements of AS 14.25.040(c);

12 (E) full-time or part-time service as an employee of the Special  
 13 Education Service Agency, subject to the requirements of AS 14.25.047 so long  
 14 as the person is not participating in the defined contribution retirement  
 15 system under AS 39.38 for that service; or

16 (F) full-time or part-time service as an Alaska Native language  
 17 or culture expert, subject to the requirements of AS 14.25.048 so long as the  
 18 person is not participating in the defined contribution retirement system  
 19 under AS 39.38 for that service;

20 \* Sec. 7. AS 22.25.012(a) is amended to read:

21 (a) An administrative director of the Alaska Court System appointed under  
 22 art. IV, sec. 16 of the state constitution is entitled to retirement benefits under

23 (1) this chapter, if the administrative director was first appointed  
 24 before January 1, 1996, on the terms and conditions applicable to a superior court  
 25 judge appointed after July 1, 1978, except that an administrative director may receive  
 26 retirement benefits only with service as administrative director for 10 or more years;  
 27 or

28 (2) AS 39.38 if the administrative director was first appointed on  
 29 or after January 1, 1996.

30 \* Sec. 8. AS 22.25.012(c) is amended to read:

31 (c) An administrative director first hired before January 1, 1996, who

1 withdraws from the judicial retirement system under (b) of this section is eligible for  
2 membership in the public employees' retirement system (AS 39.35) and shall receive  
3 credited service in that system for service rendered as administrative director. To be  
4 eligible for membership in the public employees' retirement system under this  
5 subsection, the administrative director must contribute to the public employees'  
6 retirement system

7 (1) the amount that would have been contributed if the administrative  
8 director had been a member during the period of the membership in the judicial  
9 retirement system; and

10 (2) any contributions for service as administrative director refunded  
11 from the public employees' retirement system at the time the administrative director  
12 became a member of the judicial retirement system.

13 • Sec. 9. AS 37.10.390(2) is amended to read:

14 (2) "retirement systems" means the teachers' retirement system, the  
15 judicial retirement system, the Alaska National Guard and Alaska Naval Militia  
16 retirement system, the defined contribution retirement plan, and the public  
17 employees' retirement system.

18 • Sec. 10. AS 39.25.120(c) is amended by adding a new paragraph to read:

19 (24) director of the defined contribution retirement plan.

20 • Sec. 11. AS 39.35.120 is amended to read:

21 Sec. 39.35.120. COMMENCEMENT OF PARTICIPATION. (a) An  
22 employee of the state who was first hired before January 1, 1996, shall be included  
23 in this system upon commencement of employment with the state, or on January 1,  
24 1961, whichever is later. Unless an employee has elected to participate in the optional  
25 university retirement program under AS 14.40.661 - 14.40.799, an employee of a  
26 political subdivision or public organization that becomes an employer who was first  
27 hired before January 1, 1996, shall be included in the system on the effective date  
28 of the employer's participation or the date of the employee's commencement of  
29 employment with the employer, whichever is later.

30 (b) Inclusion in the system is a condition of employment for an employee who  
31 was first hired before January 1, 1996, except as otherwise provided for an elected

1 official and for an employee of the university who has elected to participate in the  
2 optional university retirement program under AS 14.40.661 - 14.40.799.

3 • Sec. 12. AS 39.35.158 is amended to read:

4 Sec. 39.35.158. ADMINISTRATIVE DIRECTOR OF COURTS. An  
5 administrative director of the Alaska court system first hired before January 1, 1996,  
6 who withdraws from the judicial retirement system under AS 22.25.012 is eligible for  
7 membership in the system and shall receive credited service in the system for service  
8 rendered as administrative director. To be eligible for membership in the system under  
9 this subsection, the administrative director must contribute to the system

10 (1) the amount the director would have contributed if the director had  
11 been a member during the director's period of membership in the judicial retirement  
12 system; and

13 (2) any contributions for services as administrative director refunded  
14 by the system at the time the director became a member of the judicial retirement  
15 system.

16 • Sec. 13. AS 39.35.550 is amended to read:

17 Sec. 39.35.550. REQUEST BY POLITICAL SUBDIVISION TO  
18 PARTICIPATE AND ADOPTION OF RESOLUTION. A municipality or other  
19 political subdivision of the state may, before January 1, 1996, request to become an  
20 employer in this system. The request shall be made after adoption of a resolution by  
21 the legislative body of the political subdivision and after approval of the resolution by  
22 the person required by law to approve the resolution. A certified copy of the  
23 resolution shall be filed with the administrator. If the administrator approves the  
24 request for participation, the political subdivision is an employer of the system.

25 • Sec. 14. AS 39.35.560 is amended to read:

26 Sec. 39.35.560. REQUEST BY PUBLIC ORGANIZATION TO  
27 PARTICIPATE AND ADOPTION OF RESOLUTION. A public organization may,  
28 before January 1, 1996, request to become an employer in this system. The request  
29 shall be made after adoption of a resolution by the governing body of the public  
30 organization. A certified copy of the resolution shall be filed with the administrator.  
31 If the administrator approves the request for participation, the public organization is

1 an employer of the system.

2 • Sec. 15. AS 39.35.680(21) is amended to read:

3 (21) "member" or "employee"

4 (A) means a person eligible to participate in the system and  
5 who is covered by the system:

6 (B) includes

7 (i) active member;

8 (ii) inactive member;

9 (iii) vested member;

10 (iv) deferred vested member;

11 (v) non-vested member;

12 (vi) disabled member;

13 (vii) retired member;

14 (viii) an elected public officer under AS 39.35.381;

15 (C) does not include

16 (i) former members;

17 (ii) persons compensated on a contractual or fee basis;

18 (iii) casual or emergency workers or nonpermanent  
19 employees as defined in AS 39.25.200;

20 (iv) persons covered by the Alaska Teachers' Retirement  
21 System except as provided under AS 39.35.131 and 39.35.381, persons  
22 covered by the defined contribution retirement plan, or persons  
23 covered by the optional university retirement program;

24 (v) employees of the division of marine transportation  
25 engaged in operating the state ferry system who are covered by a union  
26 or group retirement system to which the state makes contributions;

27 (vi) justices of the supreme court or judges of the court  
28 of appeals or of the superior or district courts of Alaska;

29 (vii) the administrative director of courts appointed  
30 under art. IV, sec. 16 of the state constitution unless the director  
31 becomes a member under AS 39.35.158; and

1 (viii) members of the elected public officers' retirement  
2 system (former AS 39.37);

3 (D) may include employees of the division of marine  
4 transportation excluded under (C)(v) of this paragraph provided that

5 (i) the State of Alaska formally agrees to their inclusion  
6 through the process of collective bargaining; and

7 (ii) no collective bargaining agreement has the effect of  
8 obligating contributions made by the state under AS 39.30.150 in the  
9 event the state resumes participation in the federal social security  
10 system;

11 • Sec. 16. Section 7, ch. 26, SLA 1986, as amended by sec. 7, ch. 104, SLA 1989, is  
12 further amended to read:

13 Sec. 7. INDEBTEDNESS ON REEMPLOYMENT. If a participant in the  
14 retirement incentive program is reemployed as a member of the Public Employees'  
15 Retirement System under AS 39.35, the optional university retirement program under  
16 AS 14.40.661 - 14.40.799, the defined contribution retirement plan under  
17 AS 39.38, or the Teachers' Retirement System under AS 14.25 after appointment to  
18 retirement under the program, the participant loses the incentive credit received under  
19 sec. 5 (c) of this Act and is indebted to the system. The amount of the indebtedness  
20 is equal to 110 percent of the amount the participant received as a result of  
21 participation in the program for which the participant was not otherwise entitled, in-  
22 cluding the cost of health insurance. The participant is entitled to a credit to be  
23 applied against the reemployment indebtedness in the amount the participant has paid  
24 under sec. 5 (d) of this Act. Interest accrues on the indebtedness at the rate established  
25 by regulation from the date of reemployment until the member is appointed to  
26 retirement and accepts an actuarial adjustment to the member's future benefits or until  
27 the amount is paid in full.

28 • Sec. 17. Section 9(a), ch. 89, SLA 1989, as amended by sec. 6, ch. 18, SLA 1990, is  
29 amended to read:

30 (a) If a participant in the retirement incentive program is reemployed as a  
31 member of the public employees' retirement system under AS 39.35, [OR] the teachers'

1 retirement system under AS 14.25, or the defined contribution retirement plan  
2 under AS 39.38, after appointment to retirement under the retirement incentive  
3 program, the participant loses the incentive credit received under sec. 2(g) of this Act  
4 and is indebted to the system. The amount of the indebtedness is equal to 110 percent  
5 of the amount the participant received as a result of participation in the program to  
6 which the participant was not otherwise entitled, including the cost of health insurance.  
7 The participant is entitled to a credit to be applied against the reemployment  
8 indebtedness in the amount the participant has paid under sec. 2(e), (f), and (i) of this  
9 Act. Interest accrues on the indebtedness at the rate established by regulation from the  
10 date of reemployment until the member is appointed to retirement and accepts an  
11 actuarial adjustment to the member's future benefits or until the amount is paid in full.

12 • Sec. 18. AS 14.25.045 is repealed.

13 • Sec. 19. Notwithstanding AS 39.38.020(b), enacted by sec. 1 of this Act, until January 1,  
14 1997, the Alaska State Pension Investment Board may provide fewer than four investment  
15 options for employees. The board shall use its best efforts to provide investment options to  
16 employees in a timely manner.