

ALASKA LEGISLATURE

1526

HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996

**2.2(h) Schedule of Retired Members by Type of Retirant
and Option Selected - June 30, 1994**

Amount of Monthly Benefit	Number of Retirees	Type of Retirement			Option Selected #			
		<u>1</u>	<u>2</u>	<u>3</u>	Opt. 1	Opt. 2	Opt. 3	Opt. 4
\$ 1 - \$ 300	52	36	16	0	39	8	5	0
301 - 600	178	139	39	0	137	28	8	5
601 - 900	244	204	40	0	189	36	11	8
901 - 1200	314	284	26	4	244	46	19	5
1201 - 1500	382	360	22	0	333	27	18	4
1501 - 1800	511	492	13	6	434	43	31	3
1801 - 2100	633	605	15	13	529	68	30	6
2101 - 2400	560	540	7	13	479	48	26	7
2401 - 2700	432	404	7	21	364	49	16	3
2701 - 3000	285	265	5	15	238	32	11	4
over 3000	543	502	19	22	462	54	19	8
Totals	4,134	3,831	209	94	3,448	439	194	53

Type of Retirement

- 1 - Normal retirement
- 2 - Survivor payment
- 3 - Disability retirement

- Option 1 - Whole Life Annuity
- Option 2 - 75% Joint and Contingent Annuity
- Option 3 - 50% Joint and Survivor Annuity
- Option 4 - 66 2/3% Joint and Survivor Annuity

2.2(i) Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Year Ended	Added to Rolls		Removed from Rolls		Rolls - End of Year		Percent Increase in Annual Allowances	Average Annual Allowance
	No. *	Annual Allowances*	No. *	Annual Allowances*	No.	Annual Allowances		
June 30, 1994	280	\$ 8,923,551	37	\$ 616,360	4,134	\$ 100,589,912	9.00%	\$ 24,332
June 30, 1993	344	8,557,344	55	1,044,709	3,891	92,282,721	6.74%	23,717
June 30, 1992	120	5,799,044	62	1,436,106	3,602	86,452,653	5.31%	24,001
June 30, 1991	519	14,827,829	159	3,535,365	3,544	82,089,715	15.95%	23,163
June 30, 1990	208	6,181,779	122	2,648,864	3,184	70,797,251	5.25%	22,235
June 30, 1989	201	5,730,311	75	1,593,075	3,098	67,264,336	6.55%	21,712
June 30, 1988	639	16,668,442	43	856,302	2,972	63,127,100	33.42%	21,241
June 30, 1987	301	8,922,546	23	425,546	2,376	47,314,960	21.89%	19,914
June 30, 1986	159	3,685,188	113	2,079,652	2,098	38,817,960	4.31%	18,502
June 30, 1985	289	9,844,034	31	489,552	2,022	37,212,424	33.58%	18,404

* Numbers are estimated, and include other internal transfers.

2.3 Actuarial Basis

The demographic assumptions used in this valuation were adopted at the Fall 1991 TRS Board Meeting. Economic assumptions were adopted as a result of a presentation to the Board in October 1994. The funding method used in this valuation was adopted June 30, 1985. The five-year smoothing method used to determine valuation assets was changed effective June 30, 1994.

Valuation of Liabilities

- A. **Actuarial Method - Projected Unit Credit (no change).** Liabilities and contributions shown in the report are computed using the Projected Unit Credit method of funding. The unfunded accrued liability is amortized over a rolling 25 years. Any funded surpluses are amortized over five years.

The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, each participant's total pension projected to retirement with salary scale is broken down into units, each associated with a year of past or future service. The principle underlying the method is that each unit is funded in the year for which it is credited. Typically, when the method is introduced there will be an initial liability for benefits credited for service prior to that date, and to the extent that this liability is not covered by Assets of the Plan there is an Unfunded Liability to be funded over a chosen period in accordance with an amortization schedule.

An Accrued Liability is calculated at the valuation date as the present value of benefits credited with respect to service to that date.

The Unfunded Liability at the valuation date is the excess of the Accrued Liability over the Assets of the Plan. The level annual payment to be made over a stipulated number of years to amortize the Unfunded Liability is the Past Service Cost.

The Normal Cost is the present value of those benefits which are expected to be credited with respect to service during the year beginning on the valuation date.

Under this method, differences between the actual experience and that assumed in the determination of costs and liabilities will emerge as adjustments in the Unfunded Liability, subject to amortization.

B. **Actuarial Assumptions -**

- | | |
|----------------------|--|
| 1. Investment Return | 8% per year, compounded annually, net of expenses. |
| 2. Salary Scale | Inflation - 4.0% per year
Productivity - 0.5% per year
Merit (first 5 years of employment) - 1.0% per year |

- | | | | | | | | | | | | | |
|------------------|----------------------|---|--------|------|--------|------|--------|------|--------|------|------------------|------|
| 3. | Total Inflation | Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 4% annually. | | | | | | | | | | |
| 4. | Health Cost Trend | <table border="0"> <tr> <td>FY95 -</td> <td>9.5%</td> </tr> <tr> <td>FY96 -</td> <td>8.5%</td> </tr> <tr> <td>FY97 -</td> <td>7.5%</td> </tr> <tr> <td>FY98 -</td> <td>6.5%</td> </tr> <tr> <td>FY99 and later -</td> <td>5.5%</td> </tr> </table> | FY95 - | 9.5% | FY96 - | 8.5% | FY97 - | 7.5% | FY98 - | 6.5% | FY99 and later - | 5.5% |
| FY95 - | 9.5% | | | | | | | | | | | |
| FY96 - | 8.5% | | | | | | | | | | | |
| FY97 - | 7.5% | | | | | | | | | | | |
| FY98 - | 6.5% | | | | | | | | | | | |
| FY99 and later - | 5.5% | | | | | | | | | | | |
| 5. | Mortality | 1984 Unisex Pension Mortality Table, set forward one year for male members and set backward four years for female members. All deaths are assumed to result from nonoccupational causes. | | | | | | | | | | |
| 6. | Turnover | Based upon the 1986-90 actual total turnover experience. (See Table 1). | | | | | | | | | | |
| 7. | Disability | Incidence rates based upon the 1986-90 actual experience, in accordance with Table 2. Post-disability mortality in accordance with rates published by the Pension Benefit Guaranty Corporation to reflect mortality of those receiving disability benefits under Social Security. | | | | | | | | | | |
| 8. | Retirement Age | Retirement rates based upon the 1986-90 actual experience in accordance with Table 3. | | | | | | | | | | |
| 9. | Spouse's Age | Wives are assumed to be four years younger than husbands. | | | | | | | | | | |
| 10. | Dependent Children | Benefits to dependent children have been valued assuming members who are not single have one dependent child. | | | | | | | | | | |
| 11. | Contribution Refunds | 100% of those terminating after age 35 who are vested will leave their contributions in the fund and thereby retain their deferred vested benefit. All others who terminate are assumed to have their contributions refunded. | | | | | | | | | | |

- | | | | | | | | |
|------------------|--|--------------|-------------|---------|-------------|-------------|-------------|
| 12. C.O.L.A. | Of those benefit recipients who are eligible for the C.O.L.A., 66% are assumed to remain in Alaska and receive the C.O.L.A. | | | | | | |
| 13. New Entrants | Growth projections are made for the active TRS population under three scenarios:

<table border="0" style="margin-left: 20px;"> <tr> <td>Pessimistic:</td> <td>0% per year</td> </tr> <tr> <td>Median:</td> <td>1% per year</td> </tr> <tr> <td>Optimistic:</td> <td>2% per year</td> </tr> </table> | Pessimistic: | 0% per year | Median: | 1% per year | Optimistic: | 2% per year |
| Pessimistic: | 0% per year | | | | | | |
| Median: | 1% per year | | | | | | |
| Optimistic: | 2% per year | | | | | | |
| 14. Sick Leave | 4.7 days of unused sick leave for each year of service will be available to be credited once the member is retired. | | | | | | |
| 15. Expenses | Expenses are covered in the investment return assumption. | | | | | | |

Valuation of Assets

Effective June 30, 1994, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. All assets are valued at market value. Assets are accounted for on an accrued basis and are taken directly from audited financial statements provided by KPMG Peat Marwick. Valuation assets cannot be outside a range of 80% to 120% of the market value of assets.

Valuation of Medical Benefits

Medical benefits for retirees are provided by the payment of premiums from the fund. A pre-65 cost and lower post-65 cost (due to Medicare) are assumed such that the total rate for all retirees equals the present premium rate assumption. These medical premiums are then increased with the health inflation assumption. The actuarial cost method used for funding retirement benefits is also used to fund health benefits.

For FY96, the pre-65 monthly premium is \$458.17 and the post-65 premium is \$174.54, based on an assumed total blended premium of \$350.50. For FY96, the actual blended premium is \$350.50. The FY96 blended premium was provided by the State of Alaska Division of Retirement and Benefits.

Table 1

Alaska TRS

Total Turnover Assumptions

<u>Select Rates of Turnover During the First 10 Years of Employment</u>		<u>Ultimate Rates of Turnover After the First 10 Years of Employment</u>	
<u>Year of Employment</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
1	.26	20-39	.03
2	.24	40+	.02
3	.16		
4	.12		
5	.11		
6	.10		
7	.09		
8	.09		
9	.09		
10	.09		

Table 2
Alaska TRS
Disability Rates
Annual Rates Per 1,000 Employees

<u>Age</u>	<u>Rate</u>
20	.14
21	.14
22	.14
23	.15
24	.15
25	.15
26	.15
27	.15
28	.16
29	.16
30	.16
31	.17
32	.17
33	.25
34	.34
35	.44
36	.53
37	.64
38	.75
39	.87
40	.99
41	1.12
42	1.25
43	1.39
44	1.53
45	1.68
46	1.84
47	2.00
48	2.17
49	2.34
50	2.52
51	2.70
52	2.89
53	3.08
54	3.29
55	3.49
56	3.70
57	3.92
58	4.14
59	4.37
60	4.61
61	4.84
62	5.09
63	5.34
64	5.60

William M. Mercer Incorporated

Table 3
Alaska TRS
Retirement Rates

<u>Age at Retirement</u>	<u>Retirement Rate</u>
50	.10
51	.07
52	.07
53	.07
54	.07
55	.16
56	.16
57	.16
58	.16
59	.13
60	.13
61	.13
62	.13
63	.13
64	.10
65	.47
66	.82
67	1.00

For ages less than 50, teachers are assumed to retire two years after the earliest age they are eligible to retire.

Section 3

Other Historical Information

3.1 shows the analysis of financial experience.

3.2 shows the summary of accrued and unfunded accrued liabilities.

3.3 shows the solvency test.

3.4 shows the statement of actuarial present value of accumulated plan benefits.

3.1 Analysis of Financial Experience

Change in Contribution Rate Due to Gains and Losses in Accrued Liabilities During the Last Five Fiscal Years Resulting From Differences Between Assumed Experience and Actual Experience					
Type of Gain or Loss	Change in Contribution Rate During Fiscal Year				
	94	93	92	91	90
(1) Health Experience	0.25%	0%	0%	-3.01%	-2.28%
(2) Salary Experience	-0.20%	-.45%	-.34%	-.20%	-.49%
(3) Investment Experience	0.55%	-1.66%	0%	.70%	-1.04%
(4) Demographic Experience	0.47%	1.23%	-.59%	.96%	1.10%
(5) Miscellaneous	0%	0%	0%	0%	.44%
(6) Gain (or Loss) During Year From Experience, (1)+(2)+(3)+(4)+(5)	1.07%	-.88%	-.93%	-1.55%	-2.27%
Non-recurring Changes					
(7) Contribution Rate Smoothing Method	0%	0%	0%	1.21%	-3.96%
(8) Projection Valuation Method	0%	0%	-1.36%	-4.80%	0%
(9) Asset Valuation Method	-0.89%	0%	-1.30%	0%	0%
(10) Assumption Changes	2.30%	0%	0%	-2.51%	0%
(11) Plan Changes	0%	0%	0%	0%	6.76%
Composite Gain (or Loss) During Year, (6)+(7)+(8)+(9)+(10)+(11)	2.48%	-.88%	-3.59%	-7.65%	.53%

3.2 Summary of Accrued and Unfunded Accrued Liabilities

Valuation Date	Aggregate Accrued Liability ('000's)	Valuation Assets ('000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) ('000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 1994 ⁽¹⁾⁽²⁾	\$2,761,409	\$ 2,472,957	89.6%	\$288,452	\$ 476,098	60.6%
June 30, 1993	2,429,456	2,261,082	93.1%	168,374	459,746	36.6%
June 30, 1992 ⁽¹⁾	2,231,746	2,001,864	89.7%	229,882	448,186	51.3%
June 30, 1991 ⁽¹⁾	2,075,405	1,779,579	85.7%	295,826	422,655	70.0%
June 30, 1990 ⁽¹⁾	1,895,030	1,662,242	87.7%	232,788	389,702	59.7%
June 30, 1989 ⁽¹⁾	1,557,643	1,480,389	95.0%	77,254	380,267	20.3%
June 30, 1988 ⁽¹⁾	1,347,859	1,331,905	98.8%	15,954	361,310	4.4%
June 30, 1987	1,210,909	1,225,009	101.2%	0	348,606	0%
June 30, 1986	1,115,773	1,040,173	93.2%	75,600	392,136	19.3%
June 30, 1985 ⁽¹⁾⁽²⁾	1,042,551	833,617	80.0%	208,934	358,110	58.3%

⁽¹⁾ Change in Asset Valuation Method.
⁽²⁾ Change of Assumptions.
⁽³⁾ Change in Plan Provisions.
⁽⁴⁾ Change in Funding Method.

3.3 Solvency Test

Valuation Date	Aggregate Accrued Liability For:			Valuation Assets ('000's)	Portion of Accrued Liabilities Covered by Assets		
	(1) Active Member Contributions ('000's)	(2) Inactive Members ('000's)	(3) Active Members (Employer-Financed Portion) ('000's)		(1)	(2)	(3)
June 30, 1994 ⁽ⁱⁱⁱ⁾	\$ 398,990	\$1,419,506	\$942,913	\$ 2,472,957	100%	100%	69.4%
June 30, 1993	370,667	1,223,220	835,569	2,261,082	100%	100%	79.8%
June 30, 1992 ⁽ⁱⁱⁱ⁾	341,204	1,110,981	779,561	2,001,864	100%	100%	70.5%
June 30, 1991 ⁽ⁱⁱⁱ⁾	293,136	1,056,453	725,816	1,779,579	100%	100%	59.2%
June 30, 1990 ⁽ⁱⁱⁱ⁾	269,491	940,475	685,064	1,662,242	100%	100%	66.0%
June 30, 1989 ⁽ⁱⁱⁱ⁾	253,436	779,296	524,911	1,480,389	100%	100%	85.3%
June 30, 1988 ⁽ⁱⁱⁱ⁾	228,217	688,090	431,552	1,331,905	100%	100%	96.3%
June 30, 1987	210,493	578,468	421,948	1,225,009	100%	100%	100%
June 30, 1986	214,192*	426,333	475,248*	1,040,173	100%	100%	84.1%
June 30, 1985 ⁽ⁱⁱⁱ⁾	194,215*	419,694	428,642*	833,617	100%	100%	51.3%

* Estimated
⁽ⁱⁱⁱ⁾ Change in Asset Valuation Method.
⁽ⁱⁱ⁾ Change of Assumptions.
⁽ⁱ⁾ Change in Plan Provisions.
^(iv) Change in Funding Method.

3.4 Statement of Actuarial Present Value of Accumulated Plan Benefits

Actuarial Present Value of Accumulated Plan Benefits
at June 30, 1994 (000's)

Retired participants and beneficiaries of deceased participants	\$ 1,240,360
Terminated participants with deferred benefits	179,146
Active participants - Vested	1,007,778
Active participants - Non-vested	54,175
Total Actuarial Present Value of Accumulated Plan Benefits	2,481,459

Notes to the Statement of Accumulated Plan Benefits.

1. The actuarial present value of accumulated plan benefits presented in this statement was determined using the following assumptions:
 - a. Future salary was not considered.
 - b. Future service was considered only to the extent that it would permit active plan participants to become eligible for benefits attributable to service rendered prior to the date of determination.
 - c. Regular valuation assumptions were used as to mortality, withdrawal, retirement ages, disability, and investment return.
2. Accumulated employee contributions with interest total \$398,990(000).

3.4 Statement of Actuarial Present Value of Accumulated Plan Benefits (continued)

3. As with many of the comparative plan financial relationships otherwise available, an examination, over periods of time, of the relationship between the *value of accumulated plan benefits* and the *value of plan assets* may give an indication of the progress being made toward the funding of plan benefits. However, in the context of a "going concern" environment, a point in time comparison of these two values *should not be construed to be indicative of the expected ability of the plan to pay future benefits when due*. Furthermore, *that comparison is not valid for assessing a plan termination situation*. Consideration of inflation in the assumed return on plan assets while ignoring inflation's effect on future benefit levels *produces a significant understatement of the value of accumulated plan benefits* when applying going concern concepts. *The accumulated plan benefit value presented in this statement should not be confused with information presented elsewhere regarding funding requirements.*

4. The change in the Present Value of Accumulated Plan Benefits during the prior fiscal year is as follows:

A.	Actuarial Present Value of Accumulated Plan Benefits at June 30, 1993, (000's)	\$ 2,166,158
B.	Increase (Decrease) Attributable to:	
	i. Additional Benefits Accumulated, including Actuarial Experience	195,984
	ii. Increase due to Decrease in the Discount Period	189,610
	iii. Benefits Paid to Participants	(118,750)
	iv. Material System Change	0
	v. Change in Assumptions	<u>48,457</u>
C.	Actuarial Present Value of Accumulated Plan Benefits at June 30, 1994 (000's)	\$ 2,481,459

SB

151

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/5/95

FURTHER:

Date of 5-Day Notice: 4-6-95
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 4-12-95

Finance Committee considered SB 151

Placing the administrative director of the court system in the public employees' retirement system.

and recommends:

- be replaced with _____ CS _____
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill:

- same title
- new title
- House Bill:
- same title
- technical change
- new: SCR# _____

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
		<i>the...</i>	✓		
		<i>SCOE...</i>	✓		
		<i>...</i>	✓		
		<i>...</i>		✓	
Co-Chair: <i>Rick Halford</i>	✓				
Co-Chair: <i>...</i>	✓				

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

DOA	4/5/95	0	0
Courts	4/10/95	0	0

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. SB 151

Revision Date: _____
 Title: An Act placing the administrative director of the court system in the public employees' retirement system.
 Sponsor: _____
 Requestor: _____

Department Affected: Administration
 BRU: Retirement & Benefits
 Component: Retirement & Benefits
 COMPONENT SERIAL NO. 64

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	00	00	00	00	00	00
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	00	00	00	00	00	00

CAPITAL EXPENDITURES	00	00	00	00	00	00
-----------------------------	----	----	----	----	----	----

CHANGE IN REVENUES ()	00	00	00	00	00	00
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FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts	00	00	00	00	00	00
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER						
TOTAL	00	00	00	00	00	00

Estimate of any current year (FY 95) cost: \$ zero

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

This bill has no fiscal impact on either the Public Employees' Retirement System or the Judicial Retirement System.

Prepared by Robert F. Stalaker *Robert Stalaker* Phone 465-4470
 Division Retirement & Benefits Date _____

Approved by Commissioner Mark Eyer *Mark Eyer*
 Agency Department of Administration Date 4/10/95

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FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. SB 151

Revision Date: April 12, 1995
 Title: An Act placing the administrative director of the court system in the public employees' retirement system
 Sponsor: _____
 Requestor: _____

Department Affected: Administration
 BRU: Retirement & Benefits
 Component: Retirement & Benefits
 COMPONENT SERIAL NO. 54

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	00	00	00	00	00	00
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	00	00	00	00	00	00

CAPITAL EXPENDITURES	00	00	00	00	00	00
----------------------	----	----	----	----	----	----

CHANGE IN REVENUES ()	00	00	00	00	00	00
------------------------	----	----	----	----	----	----

FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts	00	00	00	00	00	00
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER						
TOTAL	00	00	00	00	00	00

Estimate of any current year (FY 95) cost: \$ zero

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This bill has no fiscal impact on the Division of Retirement & Benefits or actuarial impact on either the Public Employees' Retirement System or the Judicial Retirement System

Prepared by Robert F. Stanger *Robert Stanger* Phone 465-4470
 Division Retirement & Benefits Date _____

Approved by Commissioner Mark Boyer *Mark Boyer*
 Agency Department of Administration Date 4/12/95

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FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSIONBILL NO. SB 151

Revision Date:

Dept. Affected: Alaska Court SystemTitle: Retirement benefits of AdministrativeBRU: Trial Courts

Director of the courts

Components:

Sponsor: Senate Finance

Requestor:

COMPONENT SERIAL NO. 768

EXPENDITURES/REVENUES

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						25.4
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	25.4

CAPITAL EXPENDITURES

CHANGE IN REVENUES ()

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	25.4
1005 GF/Program Receipts						
1008 GF/AMTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	25.4

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY 95) cost: \$

None

ANALYSIS: (Attach a separate page if necessary)

See attached fiscal analysis.

Prepared by: C. S. Christensen III, Staff CounselPhone: 264-8228Agency: Alaska Court SystemDate: 04/11/95Approved by: Arthur H. Snowden, II, Administrative DirectorAgency: Alaska Court SystemDate: 04/11/95

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Alaska Court System
Fiscal Analysis
SB 151

This bill would eliminate the ability of a future administrative director to participate in the retirement system delineated in AS 22.25.012. A future administrative director would participate in the Public Employees' Retirement System. This bill will not affect the current administrative director.

For purposes of calculating the impact of this legislation, it is assumed that the current administrative director will retire at age 60, the normal retirement age under the Judicial Retirement System.

<u>Category</u>	<u>Current Benefit Rate</u>	<u>Current Benefit Amount</u>
<u>Estimated Cost of Participating in</u>		
Judicial Retirement System (1)	41.18%	\$39,780
Public Employees' Retirement System (2)	14.08%	<u>14,427</u>
Estimated Annual Savings in Fiscal Year 2001		<u>\$25,353</u>

Notes:

- (1) *Based on salary of a superior court judge.*
- (2) *Based on salary of the administrative director.*

SB

152

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: May 6, 1996

FURTHER REFERRALS:

Date of Committee Action: 5/7/96

The FINANCE Committee considered:

CSSB 152(FIN) am(efd fld)
(Engrossment waived)
Amendments Attached

CS FOR SENATE BILL NO. 152(FIN) AM(EFD FLD)

PUB. EMPLOYEE PAY/BENEFITS/CONTRACTS/RIP

"An Act relating to public employee compensation, benefits, and labor relations; relating to salaries, geographic and cost-of-living differentials for certain state employees, and to salary surveys and preparation of an annual pay schedule regarding certain state employees; relating to retirement and early retirement incentives for certain public employees; relating to severance and other pay and benefit programs for public employees; relating to and making conforming amendments concerning certain state aid calculations formerly based on geographic differentials for state employee salaries; relating to the exempt status of certain state employees; and providing for an effective date."

recommends it be replaced with the following committee substitute HCS CS SB 152 (FIN) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

(2) fiscal note(s) DBA

fiscal note(s) Office of Governor 3/29/96

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Richard Jones</i>	FESTER		X		
<i>Ala. Hill</i>	MULDER			NR	X
<i>Terry Hill</i>	Martin				X
<i>Sean Parnell</i>	Parnell			X	
<i>Sam Sweeney</i>	Quissendart				X
<i>Mike Spurne</i>	Navarre				X
<i>Vicki Johnson</i>	Kohnig			X	
<i>Pat Kelly</i>	Kelly			X	
<i>Mark Hanley</i>	Hanley	X			

CO-CHAIR'S SIGNATURE

Mark Hanley
Hanley

Richard Jones
Fester

FISCAL NOTE

Bill Version: CS SB 152(FIN)

Print Date: 3-29-96

STATE OF ALASKA 1996 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: All Departments
 Title: An Act relating to geographic differentials... BRU: _____
 Component: _____
 Sponsor: _____
 Requester: _____ COMPONENT SERIAL NO. _____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 100	FY 01	FY 02
PERSONAL SERVICES			(962.1)	(962.1)	(962.1)	(962.1)
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	(962.1)	(962.1)	(962.1)	(962.1)

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF			(688.2)	(688.2)	(688.2)	(688.2)
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other			(273.9)	(273.9)	(273.9)	(273.9)
TOTAL	0.0	0.0	(962.1)	(962.1)	(962.1)	(962.1)

Estimate of any current year (FY96) cost: \$ _____

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This legislation is expected to result in significant savings in personal services costs for exempt and partially exempt positions. Although most positions affected by this legislation will have a decrease in salary, a small number of positions will receive an increase. This committee substitute reflects a base salary of \$50,000 for making differential calculations and a new effective date. Adjustments are also made to employees in Fairbanks and Seattle.

Prepared by: Annalee McConnell Director Advisory Board for Phone: 465-4660
 Division: Office of Management and Budget Date: 3/28/96
 Approved by Commissioner: Jim Ayers, Chief of Staff J. Hansen Date: _____
 Agency: Office of the Governor

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 152 (FIN)am

Revision Date _____
 Title An Act relating to compensation and benefits of public employees.
 Sponsor Rules by request of Governor
 Requestor Senate Rules

Department Affected: Administration
 BRU: Retirement & Benefits
 Component: Retirement & Benefits
 COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	669.1	669.1	468.3	358.6	358.6	358.6
TRAVEL	30.0	30.0	25.0	25.0	25.0	25.0
CONTRACTUAL	922.6	768.4	760.4	760.4	760.4	760.4
SUPPLIES	16.8	4.2	3.0	3.0	3.0	3.0
EQUIPMENT	152.4	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	1790.9	1471.7	1254.7	1145.0	1145.0	1145.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
----------------------	-----	-----	-----	-----	-----	-----

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
OTHER	1790.9	1471.7	1254.7	1145.0	1145.0	1145.0
TOTAL	1790.9	1471.7	1254.7	1145.0	1145.0	1145.0

Estimate of any current year (FY 96) cost: \$ zero

POSITIONS:

FULL-TIME	7	7	7	7	7	7
PART-TIME	0	0	0	0	0	0
TEMPORARY	9	9	3	0	0	0

ANALYSIS: (Attach a separate page if necessary.)

The actual costs to participating employers due to the retirement incentive program are to be paid up front and no additional costs to the systems are anticipated. An administrative charge for participating employers will cover the increased costs of administering the program.

The increased administrative cost for implementation of a third tier will be born by the participating employers.

Prepared by: Robert T. Stansker
 Division: Retirement & Benefits

Phone: 465-4470
 Date: _____

Approved by Commissioner: Mark Edgar
 Agency: Department of Administration

Date: 5/10/96

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 152(FIN)am

ANALYSIS: (continued)

This bill creates a retirement incentive program for the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems. In addition, it allows for separation bonuses for state employees. Authorization of a RIP for State employees could begin as early as June 30, 1996 or as late as June 30, 1999. RIP eligibility period for state employees would be designated by the Commissioner of Administration. RIP window period would last from 30-60 days. The University of Alaska could adopt a RIP any time between June 30, 1996 and June 30, 1999. Participating PERS political subdivision employers could adopt a RIP between October 31, 1996 and October 31, 1997. Active PERS and TRS members could retire on an accelerated basis with an increased benefit under the following conditions: at age 47, if vested; with 17 years of service as a qualified peace officer, fire fighter or teacher; or with 27 years of credited service in the PERS. Before qualifying for an accelerated benefit, however, the member must pay a lump sum indebtedness payment or take an actuarial reduction from their lifetime benefit for the indebtedness amount. The total cost of the incentive is required to be paid within three years and will not impact the actuarial soundness of the retirement plans.

This bill also creates a third tier in the PERS and TRS. The major provisions of the third tier will, 1) lower the employee contribution rate, 2) increase the service based retirement requirements, 3) reduction in the benefit multiplier for all years of service, 4) make dependent medical coverage purchasable by the retiree, 5) eliminate the 66 2/3 last survivor option, and 6) eliminate the Level Income Option for PERS. The creation of a third tier to the PERS will result in a decrease in both employee and employer contributions in the future. Since the system's actuary performs an actuarial valuation and assessment of employer contribution rates annually, these changes are not expected to impact the actuarial soundness of the retirement plans.

We estimate that seven permanent employees will be needed to manage the operations of the program and increased service demands into the future. Nine long-term non-permanent employees will also be needed over the next two fiscal years, with three of those to remain for the third fiscal year. Personnel will handle increased counseling, address and beneficiary changes, account maintenance, and other services. Subsequent increases in the number of retirees will necessitate increased permanent employees to handle the increased demand for information and services.

We estimate that we will need to increase our normal number of counseling trips by 17 trips over the next two fiscal years to assure that members and employers understand the options and requirements of the programs.

The total estimated administrative cost to the division by fiscal year is as follows:

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 152(FIN)am

PERSONAL SERVICES	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
	<u>FY 1997</u>		
1 Accountant III	\$ 60.0		
1 Retirement & Benefits Spec II	60.0		
2 Retirement & Benefits Spec I	105.6		
1 Accounting Tech II	46.6		
2 Retirement & Benefits Tech II	84.4		
4 Retirement & Benefits Tech II (NP)	151.2		
3 Accounting Clerk III (NP)	102.3		
2 Admin Clerk I (NP)	<u>59.0</u>		
TOTAL FY 1997 COSTS	\$669.1		
	<u>FY 1998</u>		
1 Accountant III		\$ 60.0	
1 Retirement & Benefits Spec II		60.0	
2 Retirement & Benefits Spec I		105.6	
1 Accounting Tech II		46.6	
2 Retirement & Benefits Tech II		84.4	
4 Retirement & Benefits Tech II (NP)		151.2	
3 Accounting Clerk III (NP)		102.3	
2 Admin Clerk I (NP)		<u>59.0</u>	
TOTAL FY 1998 COSTS		\$669.1	
	<u>FY 1999</u>		
1 Accountant III			\$ 60.0
1 Retirement & Benefits Spec II			60.0
2 Retirement & Benefits Spec I			105.6
1 Accounting Tech II			46.6
2 Retirement & Benefits Tech II			84.4
2 Retirement & Benefits Tech II (NP)			75.6
1 Accounting Clerk III (NP)			<u>34.1</u>
TOTAL FY 1999 COSTS			\$650.2

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 152(FIN)am

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
TRAVEL			
Traveling to various locations throughout the state to counsel prospective retirees and give seminars.	\$ 30.0	\$ 30.0	\$ 25.0
CONTRACTUAL			
Communication (Telephone, Postage)	18.6	18.6	19.0
Actuarial Services	100.0	100.0	100.0
Computer System Upgrades	150.0	0.0	0.0
Legal Services	110.0	110.0	110.0
Audit Services	25.0	25.0	25.0
Lease Space	500.0	500.0	500.0
Mainframe Computer Time	12.4	12.4	8.8
Software Maintenance	4.2	0.0	0.0
Training/Risk Management	<u>2.4</u>	<u>2.4</u>	<u>2.4</u>
TOTAL CONTRACTUAL	1,538.9	931.8	923.9
SUPPLIES			
Office Supplies, Calculators, software	16.8	4.2	3.0
EQUIPMENT			
Computer Workstations	55.0	0.0	0.0
File Cabinets (10)	2.8	0.0	0.0
Office Chairs (17)	8.4	0.0	0.0
Microfiche Viewers (17)	8.4	0.0	0.0
Office Workstations	35.0	0.0	0.0
Computer/Network Printers	12.0	0.0	0.0
Computer Network Upgrades	21.4	0.0	0.0
Telephone Unit (17)	<u>8.4</u>	<u>0.0</u>	<u>0.0</u>
TOTAL EQUIPMENT	152.5	0.0	0.0
TOTAL OPERATIONS COST	\$1,790.9	\$1,471.7	\$1,254.7

The retirement technicians, retirement specialists, accounting technicians, and accounting clerks need constant access to the PERS and TRS computer files. We do not have any excess terminals, microfiche viewers, or calculators. Our equipment request will satisfy our equipment needs for the duration of this program. We propose the purchase of personal computers to be used as terminals because they will be compatible with the division's local area network.

We are also proposing the purchase of two additional computer printers. The previous RIPs put a great demand on our existing printers and we were always in a state of backlog. Our current day-to-day printer needs maximize the capacity of our existing printers. After comparing the cost of leasing printers for two years, coupled with our existing needs, purchasing new printers would be more cost effective.

All administrative costs of the program will be paid in advance by participating employers as required by the bill.

Funding Source Breakdown for FY 1997:

1029	PERS	\$1,164.1		
1034	TRS	<u>626.8</u>		
		\$1,790.9		

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 152(FIN)am

Revision Date: _____
Title: "An Act relating to compensation and benefits of public employees..."
Sponsor: Rules Committee by Request of the Governor
Requestor: (S) RIs

Department Affected: Administration
BRU: Finance
Component: Finance
COMPONENT SERIAL NO. 59

EXPENDITURES/REVENUES

(Thousands of Dollars)

OPERATING	FY 97	FY 98	FY 99	FY00	FY 01	FY 02
PERSONAL SERVICES	194	194	199	99	00	00
TRAVEL	00	00	00	00	00	00
CONTRACTUAL	180	00	00	00	00	00
SUPPLIES	00	00	00	00	00	00
EQUIPMENT	00	00	00	00	00	00
LAND & STRUCTURES	00	00	00	00	00	00
GRANTS CLAIMS	00	00	00	00	00	00
MISCELLANEOUS	00	00	00	00	00	00
TOTAL OPERATING	374	194	199	99	00	00

CAPITAL EXPENDITURES	00	00	00	00	00	00
----------------------	----	----	----	----	----	----

CHANGE IN REVENUES	00	00	00	00	00	00
--------------------	----	----	----	----	----	----

FUNDING SOURCE

(Thousands of Dollars)

1002 Federal Receipts	00	00	00	00	00	00
1003 GF Match	00	00	00	00	00	00
1004 GF	374	194	199	99	00	00
1005 GF/Program	00	00	00	00	00	00
1006 GF/MHTIA	00	00	00	00	00	00
OTHER	00	00	00	00	00	00
TOTAL	374	194	199	99	00	00

Estimate of any current year (FY 96) cost: \$ 0

POSITIONS

FULL-TIME						
PART-TIME	1	1	1	1		
TEMPORARY						

ANALYSIS (Attach a separate page if necessary)
See attached

Prepared by Don Ward
Division Finance

Phone 465-2240
Date _____

Approved by Commissioner Mark Boyer
Agency Department of Administration

Date 5/14/96

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FISCAL NOTE

STATE OF ALASKA

BILL NO. _____

1996 LEGISLATIVE SESSION

Retirement Incentive

The Division of Finance is responsible for verification of employment history and processing of termination pay for all state employees. This includes verifying the length of employment, accounting for all leave without pay during the entire employment with the state and determining salaries for the three highest years. Final and terminal leave pay must be processed in accordance with contractual agreements.

With implementation of a Retirement Incentive Program (RIP) the workload for these functions would be significantly increased and additional support will be required by the Division of Finance to meet processing deadlines. It is estimated a half time Accounting Technician I will be needed in FY 97, 98 and 99 and the first half of FY 2000 to accommodate the additional workload generated by the program.

Accounting Technician I

	FY 97	FY 98	FY 99	FY 2000
Range 14 A half time	19.4	19.4		
Range 14 B half time			19.9	9.9

Geographic Differential

Contractual services funding of \$10.9 will also be needed in FY 97 to cover the cost of a senior level contract Analyst Programmer for three months. The funds will be used to help implement the necessary payroll, HR and accounting (ADJAS) program and system changes needed to accommodate geographic differential changes, RIP savings tracking, and the effect of a Tier III retirement program.

TOSY KNOWLES
GOVERNOR



P.O. Box 11000
Juneau, Alaska 99811-0100
Phone: 465-3500
Fax: 465-4111

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 7, 1995

The Honorable Drue Pearce
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Pearce

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that revises geographic pay differentials for executive branch partially exempt employees and classified service employees not covered by a collective bargaining agreement, and for employees of the legislature. Upon passage of this or similar legislation, I also will issue an administrative order making the same adjustments to executive branch exempt personnel. The bill also amends statutes that relate to certain state aid to municipalities and other eligible recipients that is calculated based on the geographic pay differentials and changes or deletes statutory requirements regarding salary surveys.

In the mid-1980's, the state conducted a comprehensive cost-of-living study for the different areas of Alaska. That study showed that the geographic pay differentials contained in AS 39.27.020(a) did not accurately reflect the actual differences in the cost-of-living in cities and towns around the state. As a result of this study, the collective bargaining agreements between the state and the various unions representing state employees, which had differentials based on those in AS 39.27.020(a), were changed to reflect the actual differences. However, because AS 39.27.020(a) was not amended, state employees not covered by collective bargaining agreements continued to be paid using outdated differentials. Some were underpaid, but more were overpaid, costing the state several hundred thousand dollars each year. Since the mid-1980's, cost-of-living differences within Alaska have been reduced even further. This bill repeals AS 39.27.020 and sets out new provisions in a proposed AS 39.27.021, to make long overdue changes to the geographic pay differentials. The bill makes certain conforming technical amendments to statutes relating to magistrate salaries and to the Public Employees Retirement System, to acknowledge the repeal and the new provisions.

The Honorable Drue Pearce

April 7, 1995

Page 2

The bill also provides, as did the various collective bargaining agreements, that no employee will have his or her salary immediately reduced as a result of the new differentials. However, I am not proposing that incumbent employee salaries be frozen forever. Instead, the salary of an employee who remains working in an area where the differential is lowered would not be reduced until one year after the effective date of the bill.

One significant difference between this bill and previous approaches to geographic pay differentials is that this bill limits, to \$30,000 per year, the amount of an employee's gross pay that would be subject to a differential adjustment. This acknowledges the basic purpose of geographic differentials - compensating for higher basic living expenses. This approach removes the aspect of raising overall pay levels through differentials.

Statutes relating to state aid to municipalities and other eligible recipients for roads, health facilities and hospitals, and volunteer fire departments, contain a provision increasing aid to areas with a higher cost of living, and tying the increases to the differentials in existing AS 39.27.020(a). Because many municipalities and other recipients have relied on the current differentials in their planning, this bill provides that the differentials in existing law will continue to apply for this purpose.

The bill also requires the director of the division of personnel to conduct a study every five years, starting in 1999, to review geographic differentials. This requirement replaces the current statutory requirement that an annual survey be done both of cost-of-living around the state and of the relationship between state salaries and salaries of other employers. In addition, the bill repeals the requirement that the director conduct an annual survey for purposes of making university employee salary recommendations to the Board of Regents of the University of Alaska. Because of budgetary constraints, none of these annual surveys have been done.

I urge your prompt consideration and passage of this bill

Sincerely,


Tony Knowles
Governor

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

May 7, 1996

SUBJECT: Provisions concerning legislative salaries (Draft HCS CSSB 152(FIN))

TO: Representative Mark Hanley
Attn: Michelle Toohey

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

Enclosed is an amendment fixing a drafting error in the bill on public employee compensation. The problem occurs in sec. 49, the section concerning the salary increase for employees of the legislative branch of state government. In drafting the amendment that added this section, I overlooked the provision in AS 39.27.011(a) that includes legislative employees who are covered by AS 24.10 and AS 24.20 in the state salary schedule. Most legislative employees, including legislators, fall within these two chapters. Given this language, most legislative employees, including legislators, would be entitled to the salary increases created by sec. 13 of the draft House Committee Substitute. The provisions of sec. 49, which gives legislative employees other than legislators a salary increase, therefore, create ambiguity about how to implement the salary increase.

Accordingly, to avoid the ambiguity, the enclosed amendment adds sec. 8 to the draft, amending the legislator salary statute to set the amount at what Range 10, Step A, is now paid and removing legislators' salary from the salary schedule. The amendment also amends language to sec. 49 so it applies only to legislative employees who are not subject to AS 24.10 or AS 24.20. This clarifies that legislative employees are not entitled to two raises -- one under AS 39.27.011 amendments and the second under sec. 49.

Please let me know if you have questions about this.

TC:glc
96-284 glc

Enclosure

NO OBJ

AMENDMENT

(1)

OFFERED IN THE HOUSE

TO: HCS CSSB 152(FIN) "M" version, dated 5/6/96

1 Page 3, following line 20

2 Insert a new bill section to read

3 * Sec. 8. AS 24.10.100 is amended to read:

4 Sec. 24.10.100. SALARY OF LEGISLATORS The monthly salary for each
5 member of the legislature is \$2,000 [EQUAL TO STEP A, RANGE 10 OF THE
6 SALARY SCHEDULE IN AS 39.27.011(a) FOR JUNEAU]. The president of the
7 senate and the speaker of the house of representatives are each entitled to an additional
8 \$500 a year during tenure of office.

9 Renumber the following bill sections accordingly

10 Page 13, lines 20, 25, 26, and 30; page 14, lines 9 and 19; page 15, lines 10, 18, and 27; page
11 18, line 15; page 19, line 15; page 21, lines 21, 22, and 25; page 22, lines 3 and 16; page 23, line
12 25; page 24, lines 5, 7, 9, 18, 21, and 24

13 Delete "30 - 33"

14 Insert "31 - 44"

15 Page 14, line 18:

16 Delete "sec. 37"

17 Insert "sec. 38"

18 Page 16, line 25:

19 Delete "sec. 30(b)"

20 Insert "sec. 31(b)"

- 1 Page 17, line 5:
- 2 Delete "sec. 30(b)"
- 3 Insert "sec. 31(b)"

- 4 Page 17, line 30:
- 5 Delete "sec. 30(b)"
- 6 Insert "sec. 31(b)"

- 7 Page 21, line 11:
- 8 Delete "sec. 30(c)(2)"
- 9 Insert "sec. 31(c)(2)"

- 10 Page 21, line 27:
- 11 Delete "sec. 30(d) or (e)"
- 12 Insert "sec. 31(d) or (e)"

- 13 Page 22, line 28:
- 14 Delete "sec. 30"
- 15 Insert "sec. 31"

- 16 Page 22, line 29:
- 17 Delete "sec. 30"
- 18 Insert "sec. 31"

- 19 Page 23, line 2:
- 20 Delete "sec. 30(b)"
- 21 Insert "sec. 31(b)"

- 22 Page 23, line 14:
- 23 Delete "secs. 35, 37, 38, 41, and 43"
- 24 Insert "secs. 36, 38, 39, 42, and 44"

- 1 Page 23, line 17:
- 2 Delete "secs. 30 - 32"
- 3 Insert "secs. 31 - 33"

- 4 Page 24, line 16:
- 5 Delete "secs. 30 - 38"
- 6 Insert "secs. 31 - 39"

- 7 Page 24, line 19:
- 8 Delete "secs. 31 - 39"
- 9 Insert "secs. 32 - 40"

- 10 Page 24, line 22:
- 11 Delete "secs. 31 - 39"
- 12 Insert "secs. 32 - 40"

- 13 Page 25, line 20:
- 14 Delete "sec. 13"
- 15 Insert "sec. 14"

- 16 Page 25, line 22:
- 17 Delete "sec. 14"
- 18 Insert "sec. 15"

- 19 Page 26, line 1:
- 20 Delete "sec. 13"
- 21 Insert "sec. 14"

- 22 Page 26, line 3:
- 23 Delete "sec. 14"
- 24 Insert "sec. 15"

- 1 Page 26, lines 10 and 17
- 2 Delete "sec. 13"
- 3 Insert "sec. 14"

- 4 Page 26, line 15, following "government":
- 5 Insert "who are not otherwise subject to AS 39.27.011"

- 6 Page 27, lines 19, 21, and 27:
- 7 Delete "sec. 14"
- 8 Insert "sec. 15"

- 9 Page 28, line 2
- 10 Delete "Section 51"
- 11 Insert "Section 52"

- 12 Page 28, line 3:
- 13 Delete "Sections 30, 31, and 39"
- 14 Insert "Sections 31, 32, and 40"

- 15 Page 28, line 55:
- 16 Delete "Sections 32 - 36"
- 17 Insert "Sections 33 - 37"

512

9-GS(04)AM
Cramer
5/6/96

HOUSE CS FOR CS FOR SENATE BILL NO. 152(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to public employee compensation, benefits, and labor relations;
2 relating to salaries, geographic and cost-of-living differentials for certain state
3 employees, and to salary surveys and preparation of an annual pay schedule
4 regarding certain state employees; relating to retirement and early retirement
5 incentives for certain public employees; relating to severance and other pay and
6 benefit programs for public employees; relating to and making conforming
7 amendments concerning certain state aid calculations formerly based on
8 geographic differentials for state employee salaries; relating to the exempt status
9 of certain state employees; and providing for an effective date."

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

11 • Section 1. PURPOSE AND LEGISLATIVE INTENT. The purpose of sec. 7 of this Act
12 is to affirm the interpretation and practice of the state with regard to the use of criteria similar

1 to the criteria in the permanent fund dividend program for determining the establishment and
2 maintenance of state residency for eligibility for the cost-of-living differential under
3 AS 23.40.210. It is also the intent of the legislature to provide express statutory authority to
4 the state to establish or clarify those standards through adoption of regulations by the
5 Department of Administration and to set the eligibility criteria for the differential outside the
6 collective bargaining context.

7 * Sec. 2. AS 22.05.140(a) is amended to read:

8 (a) Except as provided in (d) of this section, the monthly base salary of the
9 chief justice is \$9,203 [\$8,333] and for each other justice, the monthly base salary is
10 \$9,159 [\$8,292].

11 * Sec. 3. AS 22.07.090(a) is amended to read:

12 (a) Except as provided in (c) of this section, the monthly base salary of a
13 judge of the court of appeals is \$8,652 [\$7,833]. The compensation of a judge may
14 not be diminished during the term of office, unless by a general law applying to all
15 salaried officers of the state.

16 * Sec. 4. AS 22.10.190(a) is amended to read:

17 (a) Except as provided in (d) of this section, the monthly base salary for each
18 superior court judge is \$8,469 [\$7,667].

19 * Sec. 5. AS 22.15.220(a) is amended to read:

20 (a) Except as provided in (e) of this section, the monthly base salary for each
21 district court judge is \$7,179 [\$6,500].

22 * Sec. 6. AS 22.15.220(b) is amended to read:

23 (b) Each magistrate shall receive annual compensation including geographic
24 differential pay to be determined by the supreme court. Salary increases shall be
25 determined on the basis of percentage of pay increase the legislature provides for state
26 employees in the classified service. [THE BASE SALARY OF A MAGISTRATE
27 SHALL BE INCREASED BY A PERCENTAGE EQUAL TO THREE AND ONE-
28 HALF PER CENT TIMES THE NUMBER OF STEP INCREASES PROVIDED
29 UNDER AS 39.27.020 THAT A STATE EMPLOYEE WOULD RECEIVE
30 WORKING IN THE SAME ELECTION DISTRICT.] A magistrate's annual
31 compensation may be payable, at the option of the magistrate, either monthly in 12

1 equal installments or semi-monthly in 24 equal installments.

2 • Sec. 7. AS 23.40.210 is amended by adding new subsections to read:

3 (b) An employee is eligible for the cost-of-living differential under (a) of this
4 section only if the individual is a state resident. The required presence of an employee
5 at a work station where room and board are provided or reimbursed by the employer
6 may not be considered to be physical presence in the state or physical absence from
7 the state for purposes of determining eligibility for the cost-of-living differential.

8 (c) The commissioner of administration may adopt regulations under AS 44.62
9 (Administrative Procedure Act) to clarify and implement the criteria for establishing
10 and maintaining eligibility for the cost-of-living differential.

11 (d) An agreement entered into under AS 23.40.070 - 23.40.260 must require
12 compliance with the eligibility criteria for receiving the cost-of-living differential
13 contained in this section and the regulations adopted by the commissioner under (c)
14 of this section.

15 (e) In this section, "state resident" means an individual who is physically
16 present in the state with the intent to remain permanently in the state under the
17 requirements of AS 01.10.055 or, if the individual is not physically present in the state,
18 intends to return to the state and remain permanently in the state under the
19 requirements of AS 01.10.055, and is absent only temporarily for reasons allowed
20 under AS 43.23.095(8) or a successor statute.

21 • Sec. 8. AS 29.60.160(a) is amended to read:

22 (a) Payments to a municipality or other eligible recipient under AS 29.60.110
23 - 29.60.130 shall reflect area cost-of-living differentials. Payments shall be based on
24 the sum of per capita, per mile, and per bed or facility grants due each municipality
25 or other recipient multiplied by the appropriate area cost-of-living differential. The
26 area cost-of-living differential for each recipient shall be determined [ANNUALLY BY
27 ELECTION DISTRICT] under the provisions of AS 29.60.164 and 29.60.165
28 [AS 39.27.030]. Application of the area cost-of-living differential may not result in
29 distribution of an amount less than the amount of the payment determined without
30 reference to application of this section.

31 • Sec. 9. AS 29.60 is amended by adding new sections to read:

1 Sec. 29.60.164. AREA COST-OF-LIVING DIFFERENTIALS. (a) The area
2 cost-of-living differential multiplier shall be determined by multiplying the cost-of-
3 living steps found in the table in this subsection by three and one-half percent. The
4 following area cost-of-living steps apply:

5	Election District	Cost of Living
6	1	0
7	2	1
8	3	1
9	4	0
10	5	2
11	6a (excluding Valdez Duty Station)	4
12	6b (Valdez Duty Station)	5
13	7	1
14	8	0
15	9	2
16	10	2
17	11	2
18	12	7
19	13	7
20	14	8
21	15a (excluding Nenana Duty Station)	9
22	15b (Nenana Duty Station)	8
23	16a (south of Arctic Circle)	4
24	16b (north of Arctic Circle)	9
25	17	9
26	18	9
27	19	8
28	In other states	minus 6.

29 (b) For purposes of (a) of this section, "election district" means an election
30 district designated in the governor's proclamation of reapportionment and redistricting
31 of December 7, 1961.

1 Sec. 29.60.165. COST-OF-LIVING SURVEY. Subject to an appropriation
2 for this purpose, the director shall conduct a survey, at least every five years, to review
3 the differentials established in AS 29.60.164. This survey must address factors, as
4 determined by the director, that are also relevant in review of state salary schedules,
5 entitlement for beneficiaries of state programs, and payments for state service
6 providers. The survey must reflect the costs of living in various election districts of
7 the state, and Seattle, Washington, by using the cost of living in Anchorage as the
8 base.

9 * Sec. 10. AS 29.60.290(b) is amended to read:

10 (b) The area cost-of-living differential payable to each municipality under this
11 section shall be determined [ANNUALLY BY ELECTION DISTRICT] under the
12 provisions of AS 29.60.164 and 29.60.165 [AS 39.27.030]. Except as provided in
13 AS 29.60.300, application of the area cost-of-living differential may not result in a
14 payment that is less than the minimum payment determined under (a) of this section.
15 [FOR PURPOSES OF THIS SUBSECTION, THE ELECTION DISTRICTS USED
16 ARE THOSE DESIGNATED BY THE PROCLAMATION OF REAPPORTIONMENT
17 AND REDISTRICTING OF DECEMBER 7, 1961, AND RETAINED FOR THE
18 HOUSE OF REPRESENTATIVES BY PROCLAMATION OF THE GOVERNOR
19 SEPTEMBER 3, 1965.]

20 * Sec. 11. AS 39.20.250(a) is amended to read:

21 (a) Terminal leave for unused personal leave shall be allowed upon separation
22 from service. The payment equals the personal leave balance at the time of
23 separation from service multiplied by the officer's or employee's annualized
24 hourly rate of pay [THE COMPENSATION THAT THE OFFICER OR EMPLOYEE
25 WOULD HAVE RECEIVED IF THE OFFICER OR EMPLOYEE HAD REMAINED
26 IN THE SERVICE UNTIL THE EXPIRATION OF THE PERIOD OF UNUSED
27 PERSONAL LEAVE]. A payment of terminal leave to an employee shall be made as
28 a lump sum payment [OR IN INSTALLMENTS OVER A PERIOD OF TIME,
29 AS THE EMPLOYEE ELECTS].

30 * Sec. 12. AS 39.25.110 is amended by adding a new paragraph to read:

31 (31) persons employed in the labor relations section in the Department

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e

1 of Administration except those persons employed in clerical or secretarial positions.

2 * Sec. 13. AS 39.27.011 is amended by adding new subsections to read:

3 (c) Effective July 1, 1996, the amounts set out in the salary schedule contained
4 in (a) of this section are increased by the lesser of

5 (1) 1.5 percent; or

6 (2) one-half of the percentage increase in the United States Department
7 of Labor, Bureau of Labor Statistics, consumer price index for all urban consumers for
8 Anchorage, Alaska, from the second half of 1994 to the second half of 1995.

9 (f) Effective July 1, 1997, the amounts set out in the salary schedule contained
10 in (a) of this section, as increased under (e) of this section, are increased by the lesser
11 of

12 (1) 1.5 percent; or

13 (2) one-half of the percentage increase in the United States Department
14 of Labor, Bureau of Labor Statistics, consumer price index for all urban consumers for
15 Anchorage, Alaska, from the second half of 1995 to the second half of 1996.

16 (g) Effective July 1, 1998, the amounts set out in the salary schedule contained
17 in (a) of this section, as increased under (e) and (f) of this section, are increased by
18 the lesser of

19 (1) 1.5 percent; or

20 (2) one-half of the percentage increase in the United States Department
21 of Labor, Bureau of Labor Statistics, consumer price index for all urban consumers for
22 Anchorage, Alaska, from the second half of 1996 to the second half of 1997.

23 * Sec. 14. AS 39.27.020 is repealed and reenacted to read:

24 Sec. 39.27.020. PAY DIFFERENTIALS. (a) The following pay differentials
25 are approved as an amendment to the basic salary schedule in AS 39.27.011:

Geographic Area	Percentage Above or Below
(Election Districts)	Basic Salary Schedule
3, 4, and 7 - 28	0
1, 2, 5, 6	5
34 - 36	10
29 - 33	4

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Washington State

minus 20.

(b) A pay differential authorized by (a) of this section applies only to that part of an employee's gross salary that does not exceed \$25,000 annually, prorated by pay period.

(c) For purposes of determining the differential provided under (a) of this section, an appointing authority may increase the salary on which the geographic pay differential is computed by up to 20 percent of the employee's base salary set out in AS 39.27.011 if

(1) the duty station for the position or job class is located in election districts 37, 38, 39, or 40;

(2) the position or job class requires the employee to hold a license to practice law under AS 08.08 or to practice medicine under AS 08.64; and

(3) the director certifies that recruitment or retention for the position or job class in that election district is so difficult that the increase is essential to recruitment or retention of employees in the position.

(d) The director may establish pay differentials for positions in foreign countries or in states other than the State of Washington. If the director establishes a pay differential under this subsection, the director shall adjust the differential as necessary to maintain equitable relationships between salaries for positions outside the state and in the state.

(e) For purposes of (a) of this section, "election district" means an election district designated in the governor's proclamation of reapportionment and redistricting applicable to the 1994 general election.

* Sec. 15. AS 39.27.030 is repealed and reenacted to read:

Sec. 39.27.030. COST-OF-LIVING SURVEY. Subject to an appropriation for this purpose, the director shall conduct a survey, at least every five years, to review the pay differentials established in AS 39.27.020. The survey may address factors, as determined by the director, that are also relevant in review of state salary schedules, entitlement for beneficiaries of state programs, and payments for state service providers. The survey must reflect the costs of living in various election districts of

1 the state, and Seattle, Washington, by using the cost of living in Anchorage as a base.

- 2 • Sec. 16. AS 39.27.045 is amended to read:

3 Sec. 39.27.045. DEFINITION. In AS 39.27.020 - 39.27.030 [AS 39.27.030 -
4 39.27.040], "director" means the director of the division of personnel.

- 5 • Sec. 17. AS 39.35.160(a) is amended to read:

6 (a) ~~Δ~~ [BEGINNING JANUARY 1, 1987, EACH] peace officer or fire fighter
7 who is first hired on or after the effective date of this bill section shall contribute
8 to the system an amount equal to seven percent of the peace officer's or fire
9 fighter's compensation. A peace officer or fire fighter first hired before the
10 effective date of this bill section shall contribute to the system an amount equal to
11 seven and one-half percent of the peace officer's or fire fighter's compensation. Each
12 [BEGINNING JANUARY 1, 1987, EACH] other employee who is first hired on or
13 after the effective date of this bill section shall contribute to the system an amount
14 equal to six percent of the employee's compensation. Each other employee who
15 is first hired before the effective date of this bill section shall contribute to the
16 system an amount equal to six and three-quarters percent of the employee's
17 compensation. The contributions shall be deducted by the employer at the end of each
18 payroll period. The contributions shall be deducted from employee compensation
19 before computation of applicable federal taxes, and the contributions shall be treated
20 as employer contributions under 26 U.S.C. 414(h)(2).

- 21 • Sec. 18. 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;
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 the effective date of this
27 bill section; [OR]
28 (3) at age 50 with at least 20 years of credited service as a peace
29 officer or fire fighter, for peace officers and fire fighters first hired on or after the
30 effective date of this bill section;
31 (4) with at least 30 years of credited service for all other employees if

1 the employee was first hired before the effective date of this bill section; or
2 (5) at any time when the employee's age and amount of credited
3 service equal or exceed 85 when added together, for all other employees first
4 hired on or after the effective date of this bill section.

5 • Sec. 19. 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. An actuarial
8 adjustment shall be made to retirement benefits paid under this section for an early
9 retirement benefit. The monthly amount of a retirement benefit that would be due
10 under (c) of this section shall be reduced by multiplying one-half of one percent
11 times the number of months, to the nearest month, by which the retirement date
12 of the employee falls short of the date that the employee reaches age 60.

13 • Sec. 20. AS 39.35.370(c) is amended to read:

14 (c) The monthly amount of a retirement benefit for

15 (1) a peace officer or fire fighter is two percent of the average monthly
16 compensation times the years of credited service through 10 years, plus two and one-
17 half percent of the average monthly compensation times the years of service over 10
18 years;

19 (2) [~~FOR~~] all other employees first hired before the effective date
20 of this bill section, [IT] is

21 (A) [(1)] two percent of the average monthly compensation
22 times all years of service before July 1, 1986, and for years of service through
23 a total of 10 years; plus

24 (B) [(2)] two and one-quarter percent of the average monthly
25 compensation times all years of service after June 30, 1986, over 10 years of
26 total service through 20 years; plus

27 (C) [(3)] two and one-half percent of the average monthly
28 compensation times all years of service after June 30, 1986, over 20 years of
29 total service;

30 (3) all other employees first hired on or after the effective date of
31 this bill section, is

1 (A) one and one-half percent of the average monthly
2 compensation times all years of service through a total of 10 years; plus

3 (B) one and three-quarters percent of the average monthly
4 compensation times all years of service over 10 years of total service
5 through 20 years; plus

6 (C) two percent of the average monthly compensation times
7 all years of service over 20 years.

8 * Sec. 21. AS 39.35.450(a) is amended to read:

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

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

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

26 (3) THE EMPLOYEE IS ENTITLED TO RECEIVE A REDUCED
27 BENEFIT PAYABLE DURING THE JOINT LIFETIME OF THE EMPLOYEE AND
28 THE CONTINGENT BENEFICIARY, AND, AFTER THE DEATH OF EITHER THE
29 EMPLOYEE OR THE CONTINGENT BENEFICIARY, THE SURVIVOR IS
30 ENTITLED TO RECEIVE PAYMENTS IN THE AMOUNT OF 66 2/3 PERCENT OF
31 THE REDUCED BENEFIT PAYABLE FOR LIFE].

1 * Sec. 22. AS 39.35.475(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 the effective date of this
7 bill section [. AND TO PERSONS] who have received benefits under this system for
8 at least five years and who are not otherwise eligible for an increase under this
9 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 five years.

13 * Sec. 23. AS 39.35.475(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 39.35.480. For members first hired on or
16 after the effective date of this bill section, the amount of the increase is a
17 percentage of the current benefit equal to the lesser of 50 percent of the increase
18 in the cost of living in the preceding calendar year or six percent. For members
19 first hired before the effective date of this bill section, the [THE] amount of the
20 increase is a percentage of the current benefit equal to

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

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

28 * Sec. 24. AS 39.35.485(a) is amended to read:

29 (a) An employee who is eligible for a benefit calculated in accordance with
30 AS 39.35.370(c) is entitled to a benefit of at least \$25 a month for each year of
31 credited service, not including adjustments made under AS 39.35.340 for military

1 service, AS 39.35.350 for reinstatement of credit service, AS 39.35.360 for credit
2 for earlier service, AS 39.35.370(c) for early retirement, AS 39.35.420 for
3 nonoccupational death benefits, AS 39.35.450 for the survivor's option, former
4 AS 39.35.460 for the level income option, AS 39.35.475 for the post-retirement
5 pension adjustment, and AS 39.35.480 for the cost of living.

6 * Sec. 25. 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 and the full monthly group premium for any dependent coverage elected.

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

15 (3) a disabled member or a person 65 years of age or older and who
16 is receiving a benefit based on membership which began before the effective date
17 of this bill section is not required to make premium payments for retiree major
18 medical insurance coverage or any dependent coverage.

19 (4) a disabled member or person 65 years of age or older and who
20 is receiving a benefit based on membership that began on or after the effective
21 date of this bill section is not required to make premium payments for retiree
22 major medical insurance coverage; however, for any dependent coverage elected,
23 the person is required to pay an amount equal to one-half of the monthly group
24 premium.

25 * Sec. 26. AS 39.35.680(4) is amended to read:

26 (4) "average monthly compensation" means the result obtained by
27 dividing the compensation earned by an employee during a considered period by the
28 number of months, including fractional months, for which compensation was earned,
29 the considered period consists of (A) for employees first hired before the effective
30 date of this bill section, the three consecutive payroll years during the period of
31 credited service that yields the highest average, and (B) for employees first hired on

1 or after the effective date of this bill section, the five consecutive payroll years
2 during the period of credited service that yield the highest average, or if the
3 employee does not have the required number of [THREE] consecutive payroll years,
4 the employee's period of credited service; an employee must have at least 115 days of
5 credited service in the last payroll year in order for that year to be used as part of the
6 [THREE] consecutive payroll years:

7 * Sec. 27. AS 44.31.020 is amended to read:

8 Sec. 44.31.020. DUTIES OF DEPARTMENT. The Department of Labor shall

9 (1) enforce the laws, and adopt regulations under them concerning
10 employer-employee relationships, including the safety, hours of work, wages, and
11 conditions of workers, including children;

12 (2) accumulate, analyze, and report labor statistics;

13 (3) operate systems of workers' compensation and unemployment
14 insurance; and

15 (4) gather data reflecting the cost of living in the various election
16 districts of the state upon request of the director of personnel for determination of
17 area cost-of-living differentials under AS 29.60.164 and 29.60.165 or under
18 AS 39.27.030 [AS 39.27.030 - 39.27.040].

19 * Sec. 28. AS 39.27.035, 39.27.040, and AS 39.35.460 are repealed.

20 * Sec. 29. FINDINGS AND PURPOSE AS TO SECS. 30 - 43. The State of Alaska and
21 many local governments are facing the need to restructure their operations and their work
22 forces in order to reduce expenditures and to balance budgets. Retirement and separation
23 incentives are management tools that have been used extensively by the private sector, the
24 federal government, and other state and local governments across the country. The purpose
25 of secs. 30 - 43 of this Act is to make these management tools temporarily available to the
26 state and to the municipalities of the state. Sections 30 - 43 of this Act will enable these
27 entities to be more efficient and cost-effective by eliminating certain nonessential positions
28 and producing a net reduction in personnel costs.

29 * Sec. 30. RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a
30 retirement incentive plan under secs. 30 - 43 of this Act, as appropriate, and designate
31 categories of employees eligible to participate in that plan. An employer need not extend the

1 incentive plan to all employees who would otherwise be eligible, but may choose to extend
2 the plan only to employees

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

4 (2) in specific job classifications;

5 (3) in specific geographic locations; or

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

8 (b) An employee is eligible to participate in a retirement incentive plan under secs.
9 30 - 43 of this Act only if the

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

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

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

17 (c) An employer shall file its proposed retirement incentive plan with the
18 commissioner of administration. Except as provided in sec. 37 of this Act, the commissioner
19 shall approve the plan if the plan meets the requirements of secs. 30 - 43 of this Act, except
20 that the commissioner may approve a state agency's retirement incentive plan only if the
21 office of management and budget approves the calculation of savings under (b)(3) of this
22 section. A proposed plan filed under this section must

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

25 (2) include a reimbursement agreement that

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

30 (i) the actuarial equivalent of the difference between the benefits
31 the participant receives after the addition of the credit under (f) of this section

1 and the amount the participant would have received without the credit, less the
2 amount the participant has paid on the indebtedness determined under (d) or (e)
3 of this section; and

4 (ii) an appropriate share of the administrative costs of the
5 program; and

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

9 (d) A member of the teachers' retirement system who participates in an approved
10 retirement incentive plan under secs. 30 - 43 of this Act is indebted to that system for an
11 amount calculated under this subsection. The indebtedness is 25.95 percent of the member's
12 actual compensation for the school year in which the member terminates employment, or the
13 calculated school year compensation for a member who works less than the entire school year.
14 An outstanding indebtedness at the time a member is appointed to retirement under an
15 approved retirement incentive plan requires an actuarial adjustment to the benefits payable to
16 that member.

17 (e) A member of the public employees' retirement system who participates in an
18 approved retirement incentive plan under secs. 30 - 43 of this Act is indebted to that system
19 for an amount calculated under this subsection. The indebtedness is 22 1/2 percent for a
20 peace officer or fire fighter, and 20 1/4 percent for other members, of the member's actual
21 annual compensation for the year in which the member terminates employment, or the
22 calculated annual compensation for a member who works fewer than 12 months. An
23 outstanding indebtedness at the time a member is appointed to retirement under an approved
24 retirement incentive plan requires an actuarial adjustment to the benefits payable to that
25 member.

26 (f) An employee who participates in an approved retirement incentive plan under secs.
27 30 - 43 of this Act receives a credit of three years. The three years must be applied in the
28 following order until exhausted:

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

31 (2) to meet the age required for early retirement under AS 14.25.110 or

1 AS 39.35.370, as appropriate;

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

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

5 (g) In this section,

6 (1) "department" means

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

11 (B) the Office of the Governor;

12 (2) "employer"

13 (A) for purposes of a retirement incentive plan under AS 14.25, means
14 the Board of Regents of the University of Alaska, the Department of Education, or the
15 Regional Resource Center, but does not include a school district; and

16 (B) for purposes of a retirement incentive plan under AS 39.35, has the
17 meaning given in AS 39.35.680 and includes a department but does not include a
18 school district.

19 * Sec. 31. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE.

20 (a) A state agency may adopt, and file with the commissioner of administration for approval,
21 a proposed retirement incentive plan for its employees as part of a permanent reduction in the
22 personal services costs in that section of the state agency.

23 (b) Upon the request of a state agency, the commissioner of administration shall
24 establish one or more periods during which the employees of that state agency who are
25 eligible under sec. 30(b) of this Act to participate in a retirement incentive plan may apply to
26 the commissioner of administration to participate in the state agency's approved plan. The
27 periods shall begin no earlier than June 30, 1996, and end no later than June 30, 1999. The
28 periods shall be no less than 30 days and no more than 60 days in duration, and may not
29 begin less than 30 days after their establishment. A state agency is not required to request an
30 application period and may request more than one application period.

31 (c) A proposed retirement incentive plan adopted under this section may not permit

1 an employee who is the governor, the lieutenant governor, or a commissioner, deputy
2 commissioner, or assistant commissioner of a principal department of the executive branch to
3 participate in the plan.

4 (d) A proposed retirement incentive plan adopted under this section may permit
5 participation only by an employee who is eligible to participate under sec. 30(b) of this Act
6 and who

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

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

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

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

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

24 * Sec. 32. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF
25 THE UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of Alaska
26 may adopt, and file with the commissioner of administration for approval, a proposed
27 retirement incentive plan for university employees.

28 (b) Upon the request of the Board of Regents, the commissioner of administration
29 shall establish one or more periods during which the employees of the university who are
30 eligible under sec. 30(b) of this Act to participate in a retirement incentive plan may apply to
31 the commissioner of administration to participate in the university's approved plan. The

1 periods shall begin no earlier than June 30, 1996, and end no later than June 30, 1999. The
2 periods shall be no less than 30 days and no more than 60 days in duration and may not begin
3 less than 30 days after their establishment. The Board of Regents is not required to request
4 an application period and may request more than one application period.

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

12 (d) A participant in the optional university retirement program under AS 14.40.661 -
13 14.40.799 who is vested in the public employees' retirement system or the teachers' retirement
14 system may participate in a retirement incentive plan for that system if the participant meets
15 the other qualifications of secs. 30 - 43 of this Act. If a provision of this subsection is
16 inconsistent with another provision of law, the provision of this subsection governs.

17 * Sec. 33. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER
18 EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The
19 governing body of a political subdivision of the state or public organization that has elected
20 to participate in the public employees' retirement system under AS 39.35.550 - 39.35.650 may
21 adopt, and file with the commissioner of administration for approval, a proposed retirement
22 incentive plan for its employees. A plan adopted under this section must provide that the
23 application period for participation in the retirement incentive plan is December 31, 1996,
24 through June 30, 1997.

25 (b) The commissioner of administration may not accept the application of an employee
26 to participate in an approved retirement incentive plan adopted under this section unless the
27 employee will be appointed to retirement on or before February 1, 1998. The governing body
28 of the political subdivision or public organization, in a plan adopted under this section, may
29 set an earlier date by which an employee must be appointed to retirement in order to
30 participate in the plan.

31 * Sec. 34. 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, 1996,
6 through December 31, 1996.

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, 1997. 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. 35. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.

13 For purposes of determining the years of service requirements for retirement under
14 AS 14.25.110 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 under secs. 30 - 43 of this Act may
16 receive credit for employment with a political subdivision or public organization before the
17 political subdivision or organization became an employer under the public employees'
18 retirement system. The member may not receive credit for those years under this section for
19 purposes of determining benefits. If a provision of this section is inconsistent with any other
20 provision of law, the provision of this section governs.

21 * Sec. 36. PROVISION AND AUTHORIZATION FOR ADMINISTRATIVE DIRECTOR

22 OF COURT. (a) The chief justice of the state supreme court may adopt a retirement
23 incentive plan for an administrative director of the Alaska Court System who is a member of
24 the judicial retirement system under AS 22.25.012 if participation in the plan will result in
25 savings to the court system in personal services costs within three years after commencement
26 of the plan. The administrative director may participate only if the administrative director is
27 vested in the judicial retirement system and will be qualified to retire under AS 22.25.010
28 after receipt of the retirement incentive. To participate, the administrative director shall apply
29 to the commissioner of administration to participate in the approved court system plan.

30 (b) The court system shall include in the retirement incentive plan a reimbursement
31 agreement that requires the court system, for each administrative director of the Alaska Court

1 System who is retired under the plan, to reimburse the judicial retirement system within three
2 years after the end of the fiscal year in which the administrative director is appointed to
3 retirement in an amount equal to

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

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

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

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

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

24 (f) The chief justice of the Alaska Supreme Court may adopt and file with the
25 commissioner of administration for approval, a proposed retirement incentive plan for the
26 administrative director of the court system who is a member of the judicial retirement system.
27 Upon the request of the chief justice, the commissioner of administration shall establish a
28 period during which an administrative director eligible to participate in the retirement incentive
29 plan of the court system may apply to the commissioner of administration to participate in the
30 court system's approved plan. The period shall begin no earlier than July 1, 1996, and end
31 no later than June 30, 1999. The period shall be no less than 30 days and no more than 60

1 days in duration and may not begin less than 30 days after establishment. The chief justice
2 is not required to request an application period.

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

10 • Sec. 37. RECOVERY OF EMPLOYER DELINQUENCIES. To recover a delinquency
11 owed by an employer other than the state under an agreement entered into under sec. 30(c)(2)
12 of this Act, the Department of Administration may

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

16 (2) bring action against the employer.

17 • Sec. 38. 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
20 system under AS 22.25, or the optional university retirement program under AS 14.40.661 -
21 14.40.799 after appointment to retirement under secs. 30 - 43 of this Act, that individual
22 forfeits the incentive credit received under secs. 30 - 43 of this Act and is indebted to the
23 system under which the individual took retirement. The indebtedness is 150 percent of the
24 amount the individual received as a result of participation in a retirement incentive plan under
25 secs. 30 - 43 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
27 sec. 30(d) or (e) of this Act will be applied as a credit toward the reemployment indebtedness.
28 Interest on the reemployment indebtedness accrues from the date of reemployment until the
29 date that the individual either is appointed to retirement and accepts an actuarial adjustment
30 to the individual's future benefits or repays the indebtedness in full. The rate of interest is
31 that established by regulation for the public employees' retirement system by the public

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

3 (b) An individual who was appointed to retirement under secs. 30 - 43 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 five 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 that does not entitle the individual to receive retirement,
9 health, or leave benefits, except social security replacement if required by the Internal Revenue
10 Code; and

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

14 (c) Notwithstanding the prohibition in (b) of this section, a state agency or the
15 University of Alaska may enter into a personal services contract with an individual who was
16 appointed to retirement under secs. 30 - 43 of this Act if the Board of Regents, for the
17 University of Alaska, or the commissioner of administration, for a state agency, determines
18 that there is a compelling reason to do so because of the individual's specialized or extensive
19 experience that relates to a particular program or project of the state agency or university.
20 However, a state agency may not enter into a contract with an individual under this subsection
21 if the individual was employed by the state agency at the time of the individual's appointment
22 to retirement.

23 * Sec. 39. LEGISLATIVE EMPLOYEE RETIREMENT INCENTIVE PLAN. (a) The
24 Legislative Council may adopt and file with the commissioner of administration a retirement
25 incentive plan for employees of the legislative branch of state government. The plan must
26 designate categories of employees eligible to participate in that plan, include a reimbursement
27 agreement for the cost of participation by employees in the plan, and require employees to
28 meet the eligibility criteria and pay the indebtedness amount under sec. 30 of this Act. The
29 Legislative Council may exercise the powers of an employer under sec. 30 of this Act, but a
30 plan adopted by the council is not subject to review by the office of management and budget
31 or approval of the commissioner of administration.

1 (b) The application periods established by the Legislative Council under the plan
2 during which the employees of a legislative agency who meet the requirements of sec. 30(b)
3 of this Act are eligible to participate in the retirement incentive plan shall begin no earlier
4 than June 30, 1996, and end no later than June 30, 1999. The application periods shall be no
5 less than 30 days and not more than 60 days in duration, and may not begin less than 30 days
6 after their establishment. The Legislative Council is not required to establish an application
7 period and may establish more than one application period.

8 (c) The commissioner of administration may not accept the application of an employee
9 to participate in the Legislative Council retirement incentive plan under this section unless the
10 employee will be appointed to retirement not later than the first day of the month that is six
11 months after the last day of the application period established by the Legislative Council under
12 this section. The Legislative Council may set an earlier date by which an employee must be
13 appointed to retirement in order to participate in the plan.

14 (d) The provisions of secs. 35, 37, 38, 41, and 43 of this Act apply to a plan adopted
15 under this section.

16 * Sec. 40. OFFICE OF MANAGEMENT AND BUDGET. (a) When designating an
17 employee category for participation in a retirement incentive plan under secs. 30 - 32 of this
18 Act, the executive head of the relevant state agency shall describe in detail the expected effect
19 of the plan or program on the agency's personal services cost and operation. This financial
20 report must be approved by the director of the office of management and budget before the
21 commissioner of administration may approve the proposed plan or program. The state agency
22 shall report each year to the office of management and budget on the cost of each employee's
23 participation and the effect on the agency's personal services cost and operation.

24 (b) The office of management and budget shall submit to the legislature annual reports
25 on the retirement incentive and separation incentive programs under secs. 30 - 43 of this Act
26 beginning January 15, 1998, and continuing through January 15, 2000, and shall submit a final
27 report January 15, 2001. Each report must provide the information necessary for the
28 legislature to evaluate the effectiveness of the programs in achieving their objectives. The
29 report must include information on the designated employee categories under the incentive
30 programs, the cost to the state, the cost to the employee, the annual budgeted amount, by state
31 agency, for the incentives, the number of positions deleted or left vacant, and the projected

1 or actual net savings over the three-year period, and recommendations to the legislature for
2 changes in appropriations that reflect the cost and cost savings resulting from the retirement
3 and separation incentive programs.

4 * Sec. 41. PROGRAM CHANGES. (a) An individual employee does not have a vested
5 or contractual right to a benefit under secs. 30 - 43 of this Act until an agreement is executed
6 with the administrator that specifically authorizes that employee to participate in the retirement
7 incentive program under secs. 30 - 43 of this Act or until an agreement is executed with the
8 commissioner of administration to participate in the separation incentive program under secs.
9 30 - 43 of this Act. The legislature reserves the right to change any aspect of either incentive
10 program as it relates to employees for whom participation agreements have not yet been
11 executed with the administrator or with the commissioner of administration.

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

15 * Sec. 42. REGULATIONS. The commissioner of administration may adopt regulations
16 under AS 44.62 (Administrative Procedure Act) to implement and interpret secs. 30 - 38 and
17 40 - 43 of this Act.

18 * Sec. 43. DEFINITIONS. (a) Unless otherwise provided in secs. 30 - 43 of this Act, the
19 definitions set out in AS 14.25.220 apply to provisions in secs. 31 - 39 of this Act that relate
20 to teachers' retirement system and members of the teachers' retirement system.

21 (b) Unless otherwise provided in secs. 30 - 43 of this Act, the definitions set out in
22 AS 39.35.680 apply to provisions in secs. 31 - 39 of this Act that relate to the public
23 employees' retirement system and members of the public employees' retirement system except
24 that "employer" does not include a school district.

25 (c) In secs. 30 - 43 of this Act,

26 (1) "office of management and budget" means the office of management and
27 budget in the Office of the Governor;

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

30 (3) "state agency"

31 (A) means

1 (i) the judicial branch of state government;
2 (ii) a principal department of the executive branch of state
3 government; and independent state entity that is attached to a principal
4 department of the executive branch for administrative purposes but that is not
5 a public organization as defined in AS 39.35.680 is part of that department for
6 purposes of this clause; and

7 (iii) the Office of the Governor;

8 (B) does not include

9 (i) the University of Alaska;

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

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

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

14 * Sec. 44. SALARY ADJUSTMENTS FOR CERTAIN EXEMPT EMPLOYEES OF THE
15 EXECUTIVE BRANCH. Permanent and temporary employees of the executive branch who
16 are in the exempt service under AS 39.25, who are not members of a collective bargaining
17 unit established under the Public Employment Relations Act (AS 23.40), and who are not
18 otherwise covered by AS 39.27.011(a), are entitled to receive salary adjustments comparable
19 to those received by the classified and partially exempt employees of the executive branch
20 under AS 39.27.011(e) - (g), as enacted by sec. 13 of this Act, and to receive geographic
21 differentials comparable to those received by the classified and partially exempt employees
22 of the executive branch under AS 39.25.020, as enacted by sec. 14 of this Act.

23 * Sec. 45. SALARY INCREASES FOR EMPLOYEES OF THE UNIVERSITY OF
24 ALASKA. The employees of the University of Alaska who are not members of a collective
25 bargaining unit are entitled to receive salary increases in accordance with the compensation
26 policy of the Board of Regents of the University of Alaska.

27 * Sec. 46. SALARY ADJUSTMENTS FOR EMPLOYEES OF THE JUDICIAL BRANCH.
28 For the fiscal years beginning July 1, 1997, and July 1, 1998, permanent and temporary
29 employees of the judicial branch, other than justices and judges, who are not members of a
30 collective bargaining agreement unit are entitled to receive salary adjustments comparable to
31 those received by the classified and partially exempt employees of the executive branch under

1 AS 39.27.011(f) - (g), as enacted by sec. 13 of this Act, and geographic differential
2 adjustments comparable to those received by the classified and partially exempt employees
3 of the executive branch under AS 39.27.020, as enacted by sec. 14 of this Act.

4 * Sec. 47. SALARY INCREASES FOR JUDICIAL BRANCH EMPLOYEES. For the
5 fiscal year beginning July 1, 1996, and ending June 30, 1997, the temporary and permanent
6 employees of the judicial branch, other than justices and judges, who are not members of a
7 collective bargaining unit are entitled to receive a salary increase of 5.2 percent of the
8 employee's base salary as of June 30, 1996.

9 * Sec. 48. JUDGES AND JUSTICES. Notwithstanding AS 22.05.140(d), AS 22.07.090(c),
10 AS 22.10.190(d), and AS 22.15.220(e), and sec. 13 of this Act, justices and judges in the
11 judicial branch are not entitled to receive the increases provided by AS 22.05.140(d),
12 AS 22.07.090(c), AS 22.10.190(d), and AS 22.15.220(e) for the fiscal year beginning July 1,
13 1996, and ending June 30, 1997.

14 * Sec. 49. SALARY INCREASES FOR LEGISLATIVE BRANCH EMPLOYEES.
15 Employees of the legislative branch of state government, other than legislators, are entitled
16 to receive salary adjustments comparable to those received by the classified and partially
17 exempt employees of the executive branch under AS 39.27.011(e) - (g), as enacted by sec. 13
18 of this Act.

19 * Sec. 50. APPROVAL OF MONETARY TERMS OF AGREEMENTS. (a) This section
20 (1) supersedes the provisions of any bill passed by the Second Session of the
21 Nineteenth Alaska State Legislature and enacted into law that disapproves the monetary terms
22 of the collective bargaining agreements listed in this section; and

23 (2) satisfies the terms of any bill passed by the Second Session of the
24 Nineteenth Alaska State Legislature and enacted into law that imposes conditions on the
25 approval of the monetary terms of those agreements.

26 (b) This section constitutes approval of the monetary terms of the collective bargaining
27 agreements entered into between the state and the following collective bargaining
28 organizations:

29 (1) Alaska State Employees Association, for the General Government Unit;

30 (2) Alaska Public Employees Association, for the Supervisory Unit;

31 (3) Public Employees Local 71, for the Labor, Trades and Crafts Unit;

1 (4) Inlandboatmen's Union of the Pacific, representing the unlicensed marine
2 unit;

3 (5) International Organization of Masters, Mates, and Pilots, Pacific Maritime
4 Region, for the Masters, Mates, and Pilots Unit;

5 (6) Public Safety Employees Association, representing state troopers and other
6 commissioned law enforcement personnel;

7 (7) the Classified Employees Association, representing University of Alaska
8 employees;

9 (8) the Alaska Community Colleges' Federation of Teachers, representing
10 faculty members of the University of Alaska;

11 (9) the Alyeska Correspondence School Education Association representing
12 teachers at the Alyeska Central School;

13 (10) Alaska Vocational Technical Center Teacher's Association representing
14 teachers at the Alaska Vocational Technical Center; and

15 (11) International Brotherhood of Electrical Workers representing nonjudicial,
16 nonsupervisory, classified employees of the Alaska Court System.

17 * Sec. 51. LIMITATION ON THE REDUCTION OF EMPLOYEE SALARIES. (a) So
18 long as the employee remains in the same geographic area, as set out in AS 39.27.020, as
19 amended by sec. 14 of this Act,

20 (1) the salary that an employee is receiving on June 30, 1996, may not be
21 reduced by application of a provision of sec. 14 of this Act until June 30, 1997;

22 (2) for the fiscal year beginning July 1, 1997, the salary that an employee is
23 receiving on June 30, 1997, may not be reduced by more than five percent as a result of the
24 application of a provision of this Act.

25 (b) If an employee moves to another geographic area after June 30, 1996, both the pay
26 differential in AS 39.27.020(a) and the limitation on applicable salary in AS 39.27.020(b), as
27 reenacted by sec. 14 of this Act, apply to that employee's salary on the effective date of the
28 move.

29 (c) Nothing in this Act prohibits a reduction in an employee's salary as a result of a
30 voluntary or involuntary demotion.

31 * Sec. 52. Nothing in this Act modifies or terminates the terms of a collective bargaining

- 1 agreement in effect on the effective date of this Act.
- 2 * Sec. 53. Section 51 of this Act is repealed July 1, 1998.
- 3 * Sec. 54. Sections 30, 31, and 39 of this Act are repealed July 1, 2000.
- 4 * Sec. 55. Sections 32 - 36 of this Act are repealed December 31, 1999.
- 5 * Sec. 56. This Act takes effect July 1, 1996.

Frank Smith
Box 1199
Barrow, AK 99723
(907) 852-4983 (h) 852-2255 (FAX msg)
May 7, 1996

Richard Foster
Co-Chair, Finance Committee
Room 410 State Capitol FAX 465-3242
Juneau, AK 99801-1182

Dear Representative Foster,

SB 152, which is before you this afternoon, is a bill which seems to have received little thought and less consideration. Its effect, here in Barrow, and in places like Nome, Kotzebue and Bethel, would be the fairly rapid elimination of nearly all state workers.

The reason for this is, that it would reduce the salary of someone who is say, a range 16E like a typical Fish and Game worker, a Social Worker, an Adult Probation Officer, by about \$10,000 per year after it's passage. A new worker in any position would be hired at the lower differential rates, some \$300-\$1,200 per month lower than today.

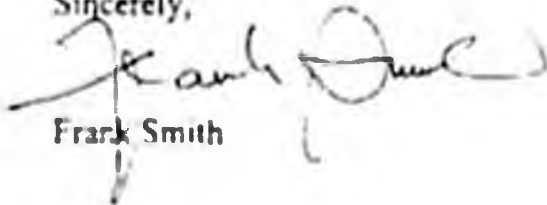
In Barrow, it is presently nearly impossible to recruit and hire state workers because the North Slope Borough and private sectors pay about \$10,000 more for positions requiring similar education, training and experience. Our Youth Corrections officer was without a clerk for two years because no one applied for the open position. This means the Probation Officer had to cut way back on caseload because he had to do his own paperwork. The Public Defender's clerk averages about six months in the job, because of higher pay elsewhere. Court clerks are similar. About the time one is trained, they leave for better paying work. A third Social Worker position has remained unfilled for all but three months in the last year, because only two applicants were interested and the person hired, after the state trained her, quickly quit to go to work for a Native Corporation.

As you can see, current wages are not competitive... passage of this bill with the geographic differential will cause a virtual moratorium on hire in places like Anvil Mountain. Because workers will be expected to cover the lack of proper staffing, it will eventually result in lawsuits filed against the state totaling far more than the purported "savings" brought by this bill.

The study the reductions were based on is a work of fiction. I doubt if the \$20,000 the state spent on it went much further than for the cost of printing, postage and mailing. The contractor who was given the money ignored my requests for specific information on which it was based.

I hope you will do all you can to stop this bill from moving any further this year.

Sincerely,

A handwritten signature in cursive script, appearing to read "Frank Smith". The signature is written in dark ink and is positioned above the printed name.

Frank Smith

1 \$9,159 [\$8,292].

- 2 • Sec. 3. AS 22.07.090(a) is amended to read:

3 (a) Except as provided in (c) of this section, the monthly base salary of a
4 judge of the court of appeals is \$8,652 [\$7,833]. The compensation of a judge may
5 not be diminished during the term of office, unless by a general law applying to all
6 salaried officers of the state.

- 7 • Sec. 4. AS 22.10.190(a) is amended to read:

8 (a) Except as provided in (d) of this section, the monthly base salary for each
9 superior court judge is \$8,469 [\$7,667].

- 10 • Sec. 5. AS 22.15.220(a) is amended to read:

11 (a) Except as provided in (c) of this section, the monthly base salary for each
12 district court judge is \$7,179 [\$6,500].

- 13 • Sec. 6. AS 22.15.220(b) is amended to read:

14 (b) Each magistrate shall receive annual compensation including geographic
15 differential pay to be determined by the supreme court. Salary increases shall be
16 determined on the basis of percentage of pay increase the legislature provides for state
17 employees in the classified service. [THE BASE SALARY OF A MAGISTRATE
18 SHALL BE INCREASED BY A PERCENTAGE EQUAL TO THREE AND ONE-
19 HALF PER CENT TIMES THE NUMBER OF STEP INCREASES PROVIDED
20 UNDER AS 39.27.020 THAT A STATE EMPLOYEE WOULD RECEIVE
21 WORKING IN THE SAME ELECTION DISTRICT.] A magistrate's annual
22 compensation may be payable, at the option of the magistrate, either monthly in 12
23 equal installments or semi-monthly in 24 equal installments.

- 24 • Sec. 7. AS 23.40.210 is amended by adding new subsections to read:

25 (b) An employee is eligible for the cost-of-living differential under (a) of this
26 section only if the individual is a state resident. The required presence of an
27 employee at a work station where room and board are provided or reimbursed by the
28 employer may not be considered to be physical presence in the state or physical
29 absence from the state for purposes of determining eligibility for the cost-of-living
30 differential.

31 (c) The commissioner of administration may adopt regulations under AS 41.62
32 (Administrative Procedure Act) to clarify and implement the criteria for establishing

1 and maintaining eligibility for the cost-of-living differential.

2 (d) An agreement entered into under AS 23.40.070 - 23.40.260 must require
3 compliance with the eligibility criteria for receiving the cost-of-living differential
4 contained in this section and the regulations adopted by the commissioner under (c)
5 of this section.

6 (e) In this section, "state resident" means an individual who is physically
7 present in the state with the intent to remain permanently in the state under the
8 requirements of AS 01.10.055 or, if the individual is not physically present in the
9 state, intends to return to the state and remain permanently in the state under the
10 requirements of AS 01.10.055, and is absent only temporarily for reasons allowed
11 under AS 43.23.095(8) or a successor statute.

12 • Sec. 8. AS 29.60.160(a) is amended to read:

13 (a) Payments to a municipality or other eligible recipient under AS 29.60.110
14 - 29.60.130 shall reflect area cost-of-living differentials. Payments shall be based on
15 the sum of per capita, per mile, and per bed or facility grants due each municipality
16 or other recipient multiplied by the appropriate area cost-of-living differential. The
17 area cost-of-living differential for each recipient shall be determined [ANNUALLY
18 BY ELECTION DISTRICT] under the provisions of AS 29.60.164 and 29.60.165
19 [AS 29.27.030]. Application of the area cost-of-living differential may not result in
20 distribution of an amount less than the amount of the payment determined without
21 reference to application of this section.

22 • Sec. 9. AS 29.60 is amended by adding new sections to read:

23 Sec. 29.60.164. AREA COST-OF-LIVING DIFFERENTIALS. (a) The area
24 cost-of-living differential multiplier shall be determined by multiplying the cost-of-
25 living steps found in the table in this subsection by three and one-half percent. The
26 following area cost-of-living steps apply:

27 Election District	Cost of Living
28 1	0
29 2	1
30 3	1
31 4	0
32 5	2

1	6a (excluding Valdez Duty Station)	4
2	6b (Valdez Duty Station)	5
3	7	1
4	8	0
5	9	2
6	10	2
7	11	2
8	12	7
9	13	7
10	14	8
11	15a (excluding Nenana Duty Station)	9
12	15b (Nenana Duty Station)	8
13	16a (south of Arctic Circle)	4
14	16b (north of Arctic Circle)	9
15	17	9
16	18	9
17	19	8
18	In other states	minus 6.

19 (b) For purposes of (a) of this section, "election district" means an election
 20 district designated in the governor's proclamation of reapportionment and redistricting
 21 of December 7, 1961.

22 Sec. 29.60.165. COST-OF-LIVING SURVEY. Subject to an appropriation
 23 for this purpose, the director shall conduct a survey, at least every five years, to
 24 review the differentials established in AS 29.60.164. This survey must address
 25 factors, as determined by the director, that are also relevant in review of state salary
 26 schedules, entitlement for beneficiaries of state programs, and payments for state
 27 service providers. The survey must reflect the costs of living in various election
 28 districts of the state, and Seattle, Washington, by using the cost of living in
 29 Anchorage as the base.

30 • Sec. 10. AS 29.60.290(b) is amended to read:

31 (b) The area cost-of-living differential payable to each municipality under this
 32 section shall be determined [ANNUALLY BY ELECTION DISTRICT] under the

1 provisions of AS 29.60.164 and 29.60.165 [AS 39.27.030]. Except as provided in
 2 AS 29.60.300, application of the area cost-of-living differential may not result in a
 3 payment that is less than the minimum payment determined under (a) of this section.
 4 [FOR PURPOSES OF THIS SUBSECTION, THE ELECTION DISTRICTS USED
 5 ARE THOSE DESIGNATED BY THE PROCLAMATION OF
 6 REAPPORTIONMENT AND REDISTRICTING OF DECEMBER 7, 1961, AND
 7 RETAINED FOR THE HOUSE OF REPRESENTATIVES BY PROCLAMATION
 8 OF THE GOVERNOR SEPTEMBER 3, 1965.]

9 • Sec. 11. AS 39.20.250(a) is amended to read:

10 (a) Terminal leave for unused personal leave shall be allowed upon separation
 11 from service. The payment equals the personal leave balance at the time of
 12 separation from service multiplied by the officer's or employee's annualized
 13 hourly rate of pay [THE COMPENSATION THAT THE OFFICER OR EMPLOYEE
 14 WOULD HAVE RECEIVED IF THE OFFICER OR EMPLOYEE HAD REMAINED
 15 IN THE SERVICE UNTIL THE EXPIRATION OF THE PERIOD OF UNUSED
 16 PERSONAL LEAVE]. A payment of terminal leave to an employee shall be made
 17 as a lump sum payment [OR IN INSTALLMENTS OVER A PERIOD OF TIME, AS
 18 THE EMPLOYEE ELECTS].

19 • Sec. 12. AS 39.25.110 is amended by adding a new subsection to read:

20 (31) persons employed in the labor relations section in the Department
 21 of Administration except those persons employed in clerical or secretarial positions.

22 • Sec. 13. AS 39.27.011 is amended by adding new subsections to read:

23 (e) Effective July 1, 1996, the amounts set out in the salary schedule
 24 contained in (a) of this section are increased by the lesser of

25 (1) 1.5 percent, or

26 (2) one-half of the percentage increase in the United States Department
 27 of Labor, Bureau of Labor Statistics, consumer price index for all urban consumers
 28 for Anchorage, Alaska, from the second half of 1994 to the second half of 1995.

29 (f) Effective July 1, 1997, the amounts set out in the salary schedule
 30 contained in (a) of this section, as increased under (e) of this section, are increased
 31 by the lesser of

32 (1) 1.5 percent, or

1 (2) one-half of the percentage increase in the United States Department
2 of Labor, Bureau of Labor Statistics, consumer price index for all urban consumers
3 for Anchorage, Alaska, from the second half of 1995 to the second half of 1996.

4 (g) Effective July 1, 1998, the amounts set out in the salary schedule
5 contained in (a) of this section, as increased under (e) and (f) of this section, are
6 increased by the lesser of

7 (1) 1.5 percent; or

8 (2) one-half of the percentage increase in the United States Department
9 of Labor, Bureau of Labor Statistics, consumer price index for all urban consumers
10 for Anchorage, Alaska, from the second half of 1996 to the second half of 1997.

11 • Sec. 14. AS 39.27.020 is repealed and reenacted to read:

12 Sec. 39.27.020. PAY DIFFERENTIALS. (a) The following pay differentials
13 are approved as an amendment to the basic salary schedule in AS 39.27.011:

14 Geographic Area	Percentage Above or Below
15 (Election Districts)	Basic Salary Schedule
16 3, 4, and 7 - 28	0
17 1, 2, 5, 6	5
18 34 - 36	10
19 29 - 33	4
20 37 - 40	20
21 Washington State	minus 10.

22 (b) For purposes of determining the differential provided under (a) of this
23 section, an appointing authority may increase the salary on which the geographic pay
24 differential is computed by up to 20 percent of the employee's base salary set out in
25 AS 39.27.011 if

26 (1) the duty station for the position or job class is located in election
27 districts 37, 38, 39, or 40;

28 (2) the position or job class requires the employee to hold a license
29 to practice law under AS 09.08 or to practice medicine under AS 08.64; and

30 (3) the director certifies that recruitment or retention for the position
31 or job class in that election district is so difficult that the increase is essential to
32 recruitment or retention of employees in the position.

1 (c) The director may establish pay differentials for positions in foreign
 2 countries or in states other than the State of Washington. If the director establishes
 3 a pay differential under this subsection, the director shall adjust the differential as
 4 necessary to maintain equitable relationships between salaries for positions outside the
 5 state and in the state.

6 (d) For purposes of (a) of this section, "election district" means an election
 7 district designated in the governor's proclamation of reapportionment and redistricting
 8 applicable to the 1994 general election.

9 • Sec. 15. AS 39.27.030 is repealed and reenacted to read:

10 Sec. 39.27.030. COST-OF-LIVING SURVEY. Subject to an appropriation
 11 for this purpose, the director shall conduct a survey, at least every five years, to
 12 review the pay differentials established in AS 39.27.020. The survey may address
 13 factors, as determined by the director, that are also relevant in review of state salary
 14 schedules, entitlement for beneficiaries of state programs, and payments for state
 15 service providers. The survey must reflect the costs of living in various election
 16 districts of the state, and Seattle, Washington, by using the cost of living in
 17 Anchorage as a base.

18 • Sec. 16. AS 39.27.045 is amended to read:

19 Sec. 39.27.045. DEFINITION. In AS 39.27.020 - 39.27.030 [AS 39.27.030 -
 20 39.27.040], "director" means the director of the division of personnel.

21 • Sec. 17. 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 the effective date of this bill section shall contribute
 24 to the system an amount equal to seven percent of the peace officer's or fire
 25 fighter's compensation. A peace officer or fire fighter first hired before the
 26 effective date of this bill section shall contribute to the system an amount equal to
 27 seven and one-half percent of the peace officer's or fire fighter's compensation. Each
 28 [BEGINNING JANUARY 1, 1987, EACH] other employee who is first hired on or
 29 after the effective date of this bill section shall contribute to the system an
 30 amount equal to six percent of the employee's compensation. Each other
 31 employee who is first hired before the effective date of this bill section shall
 32 contribute to the system an amount equal to six and three-quarters percent of the

1 employee's compensation. The contributions shall be deducted by the employer at the
 2 end of each payroll period. The contributions shall be deducted from employee
 3 compensation before computation of applicable federal taxes, and the contributions
 4 shall be treated as employer contributions under 26 U.S.C. 414(h)(2).

5 • Sec. 18. AS 39.35.370(a) is amended to read:

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

8 (1) at age 60 with at least five years credited service;

9 (2) with at least 20 years of credited service as a peace officer or fire
 10 fighter for peace officers or fire fighters first hired before the effective date of
 11 this bill section; [OR]

12 (3) at age 50 with at least 20 years of credited service as a peace
 13 officer or fire fighter, for peace officers and fire fighters first hired on or after
 14 the effective date of this bill section;

15 (4) with at least 30 years of credited service for all other employees
 16 if the employee was first hired before the effective date of this bill section; or

17 (5) at any time when the employee's age and amount of credited
 18 service equal or exceed 85 when added together for all other employees first
 19 hired on or after the effective date of this bill section.

20 • Sec. 19. AS 39.35.370(b) is amended to read:

21 b) Subject to former AS 39.35.450, a terminated employee is eligible for an
 22 early retirement benefit at age 55 with at least five years credited service. An
 23 actuarial adjustment shall be made to retirement benefits paid under this section for
 24 an early retirement benefit. The monthly amount of a retirement benefit that
 25 would be due under (c) of this section shall be reduced by multiplying one-half
 26 of one percent times the number of months, to the nearest month, by which the
 27 retirement date of the employee falls short of the date that the employee reaches
 28 age 60.

29 • Sec. 20. AS 39.35.370(c) is amended to read:

30 (c) The monthly amount of a retirement benefit for

31 (1) a peace officer or fire fighter is two percent of the average monthly
 32 compensation times the years of credited service through 10 years, plus two and one-

1 half percent of the average monthly compensation times the years of service over 10
2 years;

3 (2) [. FOR] all other employees first hired before the effective date
4 of this bill section. (IT) is

5 (A) [(1)] two percent of the average monthly compensation
6 times all years of service before July 1, 1986, and for years of service through
7 a total of 10 years; plus

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

11 (C) [(3)] two and one-half percent of the average monthly
12 compensation times all years of service after June 30, 1986, over 20 years of
13 total service;

14 (3) all other employees first hired on or after the effective date of
15 this bill section, is

16 (A) one and one-half percent of the average monthly
17 compensation times all years of service through a total of 10 years; plus

18 (B) one and three-quarters percent of the average monthly
19 compensation times all years of service over 10 years of total service
20 through 20 years; plus

21 (C) two percent of the average monthly compensation times
22 all years of service over 20 years.

23 * Sec. 21. AS 39.35.475(a) is amended to read:

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

25 (1) eligible disabled members;

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

28 (3) members who were first hired before the effective date of this
29 bill section [. AND TO PERSONS] who have received benefits under this system for
30 at least five years and who are not otherwise eligible for an increase under this
31 section; and

32 (4) survivors of members described in (3) of this subsection when

1 the member and the survivor have together received benefits under this system
 2 for at least five years.

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

4 (b) The increase in benefit payments applies to total benefit payments except
 5 for the cost-of-living allowance under AS 39.35.480. For members first hired on
 6 or after the effective date of this bill section, the amount of the increase is a
 7 percentage of the current benefit equal to the lesser of 50 percent of the increase
 8 in the cost of living in the preceding calendar year or six percent. For members
 9 first hired before the effective date of this bill section, the [THE] amount of the
 10 increase is a percentage of the current benefit equal to

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

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

18 • Sec. 23. AS 39.35.535(c) is amended to read:

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

21 (1) a person who is younger than 60 years of age must pay an amount
 22 equal to the full monthly group premium for retiree major medical insurance coverage
 23 and the full monthly group premium for any dependent coverage elected;

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

27 (3) a disabled member or a person 65 years of age or older and who
 28 is receiving a benefit based on membership which began before the effective date
 29 of this bill section is not required to make premium payments for retiree major
 30 medical insurance coverage or any dependent coverage;

31 (4) a disabled member or person 65 years of age or older and who
 32 is receiving a benefit based on membership that began on or after the effective

1 date of this bill section is not required to make premium payments for retiree
 2 major medical insurance coverage; however, for any dependent coverage elected,
 3 the person is required to pay an amount equal to one-half of the monthly group
 4 premium.

5 • Sec. 24. AS 39.35.680(4) is amended to read:

6 (4) "average monthly compensation" means the result obtained by
 7 dividing the compensation earned by an employee during a considered period by the
 8 number of months, including fractional months, for which compensation was earned;
 9 the considered period consists of (A) for employees first hired before the effective
 10 date of this bill section, the three consecutive payroll years during the period of
 11 credited service that yields the highest average, and (B) for employees first hired on
 12 or after the effective date of this bill section, the five consecutive payroll years
 13 during the period of credited service that yield the highest average, or if the
 14 employee does not have the required number of [THREE] consecutive payroll years,
 15 the employee's period of credited service; an employee must have at least 115 days
 16 of credited service in the last payroll year in order for that year to be used as part of
 17 the [THREE] consecutive payroll years;

18 • Sec. 25. AS 44.31.020 is amended to read:

19 Sec. 44.31.020. DUTIES OF DEPARTMENT. The Department of Labor shall

20 (1) enforce the laws, and adopt regulations under them concerning
 21 employer-employee relationships, including the safety, hours of work, wages, and
 22 conditions of workers, including children;

23 (2) accumulate, analyze, and report labor statistics;

24 (3) operate systems of workers' compensation and unemployment
 25 insurance; and

26 (4) gather data reflecting the cost of living in the various election
 27 districts of the state upon request of the director of personnel for determination of
 28 area cost-of-living differentials under AS 29.60.164 and 29.60.165 or under
 29 AS 39.27.030 [AS 39.27.030 - 39.27.040]

30 • Sec. 26. AS 39.27.035, 39.27.040, AS 39.35.450(a)(3), and 39.35.460 are repealed.

31 • Sec. 27. FINDINGS AND PURPOSE AS TO SECS. 28 - 41. The State of Alaska and
 32 many local governments are facing the need to restructure their operations and their work

1 forces in order to reduce expenditures and to balance budgets. Retirement and separation
 2 incentives are management tools that have been used extensively by the private sector, the
 3 federal government, and other state and local governments across the country. The purpose
 4 of secs. 28 - 41 of this Act is to make these management tools temporarily available to the
 5 state and to the municipalities of the state. Sections 28 - 41 of this Act will enable these
 6 entities to be more efficient and cost-effective by eliminating certain nonessential positions
 7 and producing a net reduction in personnel costs.

8 • **Sec. 28. RETIREMENT INCENTIVE PROGRAM.** (a) An employer may adopt a
 9 retirement incentive plan under secs. 28 - 41 of this Act, as appropriate, and designate
 10 categories of employees eligible to participate in that plan. An employer need not extend the
 11 incentive plan to all employees who would otherwise be eligible, but may choose to extend
 12 the plan only to employees

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

14 (2) in specific job classifications;

15 (3) in specific geographic locations; or

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

18 (b) An employee is eligible to participate in a retirement incentive plan under secs.
 19 28 - 41 of this Act only if the

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

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

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

27 (c) An employer shall file its proposed retirement incentive plan with the
 28 commissioner of administration. The commissioner shall approve the plan if the plan meets
 29 the requirements of secs. 28 - 41 of this Act, except that the commissioner may approve a
 30 state agency's retirement incentive plan only if the office of management and budget
 31 approves the calculation of savings under (b)(3) of this section. A proposed plan filed under
 32 this section must

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

3 (2) include a reimbursement agreement that

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

8 (i) the actuarial equivalent of the difference between the
9 benefits the participant receives after the addition of the credit under (f) of this
10 section and the amount the participant would have received without the credit,
11 less the amount the participant has paid on the indebtedness determined under
12 (d) or (e) of this section; and

13 (ii) an appropriate share of the administrative costs of the
14 program; and

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

18 (d) A member of the teachers' retirement system who participates in an approved
19 retirement incentive plan under secs. 28 - 41 of this Act is indebted to that system for an
20 amount calculated under this subsection. The indebtedness is 25.95 percent of the member's
21 actual compensation for the school year in which the member terminates employment, or the
22 calculated school year compensation for a member who works less than the entire school
23 year. An outstanding indebtedness at the time a member is appointed to retirement under an
24 approved retirement incentive plan requires an actuarial adjustment to the benefits payable
25 to that member.

26 (e) A member of the public employees' retirement system who participates in an
27 approved retirement incentive plan under secs. 28 - 41 of this Act is indebted to that system
28 for an amount calculated under this subsection. The indebtedness is 22 1/2 percent for a
29 peace officer or fire fighter, and 20 1/4 percent for other members, of the member's actual
30 annual compensation for the year in which the member terminates employment, or the
31 calculated annual compensation for a member who works fewer than 12 months. An
32 outstanding indebtedness at the time a member is appointed to retirement under an approved

1 retirement incentive plan requires an actuarial adjustment to the benefits payable to that
2 member.

3 (f) An employee who participates in an approved retirement incentive plan under
4 secs. 28 - 41 of this Act receives a credit of three years. The three years must be applied in
5 the following order until exhausted:

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

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

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

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

13 (g) In this section,

14 (1) "department" means

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

20 (B) the Office of the Governor;

21 (2) "employer"

22 (A) for purposes of a retirement incentive plan under AS 14.25, means
23 the Board of Regents of the University of Alaska, the Department of Education, or
24 the Regional Resource Center, but does not include a school district; and

25 (B) for purposes of a retirement incentive plan under AS 39.35, has
26 the meaning given in AS 39.35.680 and includes a department but does not include
27 a school district.

28 * Sec. 29. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE.

29 (a) A state agency may adopt, and file with the commissioner of administration for approval,
30 a proposed retirement incentive plan for its employees as part of a permanent reduction in
31 the personal services costs in that section of the state agency.

32 (b) Upon the request of a state agency, the commissioner of administration shall

1 establish one or more periods during which the employees of that state agency who are
2 eligible under sec. 28(b) of this Act to participate in a retirement incentive plan may apply
3 to the commissioner of administration to participate in the state agency's approved plan. The
4 periods shall begin no earlier than June 30, 1996, and end no later than June 30, 1999. The
5 periods shall be no less than 30 days and no more than 60 days in duration, and may not
6 begin less than 30 days after their establishment. A state agency is not required to request
7 an application period and may request more than one application period.

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

12 (d) A proposed retirement incentive plan adopted under this section may permit
13 participation only by an employee who is eligible to participate under sec. 28(b) of this Act
14 and who

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

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

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

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

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

1 • Sec. 30. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF
2 THE UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of Alaska
3 may adopt, and file with the commissioner of administration for approval, a proposed
4 retirement incentive plan for university employees.

5 (b) Upon the request of the Board of Regents, the commissioner of administration
6 shall establish one or more periods during which the employees of the university who are
7 eligible under sec. 28(b) of this Act to participate in a retirement incentive plan may apply
8 to the commissioner of administration to participate in the university's approved plan. The
9 periods shall begin no earlier than June 30, 1996, and end no later than June 30, 1999. 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. The Board of Regents is not required to
12 request an application period and may request more than one application period.

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

20 (d) A participant in the optional university retirement program under AS 14.40.661 -
21 14.40.799 who is vested in the public employees' retirement system or the teachers'
22 retirement system may participate in a retirement incentive plan for that system if the
23 participant meets the other qualifications of secs. 28 - 41 of this Act. If a provision of this
24 subsection is inconsistent with another provision of law, the provision of this subsection
25 governs.

26 • Sec. 31. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER
27 EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The
28 governing body of a political subdivision of the state or public organization that has elected
29 to participate in the public employees' retirement system under AS 39.35.550 - 39.35.650
30 may adopt, and file with the commissioner of administration for approval, a proposed
31 retirement incentive plan for its employees. A plan adopted under this section must provide
32 that the application period for participation in the retirement incentive plan is December 31.