

SENATE BILL NO. 14

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - FIRST SESSION

BY SENATOR KAWASAKI

Introduced: 1/9/23

Referred: Prefiled

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to reemployment of persons who retire under the teachers' retirement**
2 **system as mentors; relating to retirement incentives for members of the defined benefit**
3 **retirement plan of the teachers' retirement system and the defined benefit retirement**
4 **plan of the Public Employees' Retirement System of Alaska; and providing for an**
5 **effective date."**

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

7 * **Section 1.** The uncoded law of the State of Alaska is amended by adding a new section
8 to read:

9 PURPOSE AND INTENT. The State of Alaska and many local governments and
10 school districts are facing the need to restructure their operations and workforces to reduce
11 expenditures and balance budgets. Retirement incentives are management tools that have been
12 used extensively by the private sector, the federal government, and other state and local
13 governments across the country. A purpose of this Act is to make those management tools

temporarily available to the state, local governments, and school districts in the state. This Act will enable those entities to reduce operating costs by allowing certain positions to become vacant and then eliminating those positions or leaving them vacant.

* **Sec. 2.** AS 14.20.136(a) is amended to read:

(a) Subject to (b) - (d) of this section, a school district may reemploy a member who is retired under a retirement plan established in AS 14.25.009 - 14.25.220, or a member who is retired under a retirement plan established in AS 14.25.310 - 14.25.590. [IN THIS SUBSECTION, "SCHOOL DISTRICT" HAS THE MEANING GIVEN IN AS 14.30.350.]

* **Sec. 3.** AS 14.20.136 is amended by adding new subsections to read:

(g) A school district may reemploy a member to mentor an individual employed by the district in the teaching profession, as that term is described in AS 14.20.370, who has worked in the teaching profession for less than four years. A member rehired solely to mentor under this subsection must be compensated on an hourly basis. The requirements of (c), (d), and (e)(1) of this section do not apply to the reemployment of a member under this subsection.

(h) In this section, "school district" has the meaning given in AS 14.30.350.

* **Sec. 4.** AS 14.25.043(f) is amended to read:

(f) A [IF A] member who retired under AS 14.25.110(a) **and** is reemployed by a school district under AS 14.20.136 **or a member who retired under AS 14.25.110(b) and is reemployed as a mentor under AS 14.20.136(g)** [,]

(1) [THE MEMBER] does not become an active member;

(2) **continues** [THE MEMBER SHALL CONTINUE] to receive retirement benefits from the plan as though the member were not reemployed by the school district;

(3) **is not required to make additional contributions to the plan** [DEDUCTIONS FROM THE MEMBER'S SALARY MAY NOT BE MADE] under AS 14.25.050; and

(4) **does** [THE MEMBER MAY] not receive credited service in the plan during the period of reemployment.

* **Sec. 5.** AS 14.25.043(g) is amended to read:

(g) Notwithstanding (f) of this section, a member who is retired under AS 14.25.110(a) and reemployed by a school district under AS 14.20.136 is eligible to receive the group health plan coverage provided to active members employed by that school district. **This subsection does not apply to a member who is reemployed as a mentor under AS 14.20.136(g).**

* Sec. 6. AS 14.25.070(a) is amended to read:

(a) Each employer shall contribute to the system every payroll period an amount calculated by applying a rate of 12.56 percent to the total of

(1) all base salaries paid by the employer to active members of the system and to members who are retired from the plan and reemployed under AS 14.20.136, except retired members who are reemployed as mentors under AS 14.20.136(g); and

(2) all [INCLUDING ANY] adjustments to contributions required by AS 14.25.173(a).

* Sec. 7. The uncodified law of the State of Alaska is amended by adding a new section to read:

RETIREMENT INCENTIVE PROGRAM. (a) An employer may elect to adopt a retirement incentive program under this Act. The employer may limit applicability of the program to employees

(1) in specific budget or administrative components designated by the employer;

(2) in specific job classifications designated by the employer;

(3) in specific geographic locations identified by the employer; or

(4) based on any combination of factors under (1) - (3) of this subsection.

(b) Only the administrator may approve or deny an employee's application to participate in a retirement incentive program adopted by an employer under (a) of this section. The administrator shall deny an application by a teacher if, after consulting with the school district that employs the teacher, the administrator determines that

(1) granting the application will create a vacant position that the school district more likely than not will be unable to fill in a timely manner; and

(2) the school district's inability to fill the vacant position in a timely manner

1 will create undue hardship for the school district.

2 (c) An employer that elects to adopt a retirement incentive program under (a) of this
3 section shall propose the adopted program to the administrator for approval. The administrator
4 shall approve the program if the program meets the requirements of this section and, if the
5 employer is a state agency, sec. 14(a) of this Act. A program proposed under this section must
6 include

7 (1) job classification designations, and specific budget and administrative
8 components related to those job classification designations, that are wholly or partially made
9 up of employees who may be eligible to participate in the program;

10 (2) a reimbursement agreement that requires

11 (A) the employer, for each employee who participates in the program,
12 to reimburse the defined benefit retirement plan in the appropriate retirement system,
13 within three years after the end of the fiscal year in which the employee is appointed
14 to retirement, in an amount equal to the actuarial equivalent of the difference between
15 the benefits the participant receives after the addition of the credit under (i) of this
16 section and the benefits the participant would have received without the credit, less the
17 amount the participant has paid on the indebtedness determined under (g) or (h) of this
18 section; and

19 (B) the employer's obligation to contribute under this section be given
20 priority over other financial obligations of the employer to the maximum extent
21 permitted by law.

22 (d) An employer that elects, under (a) of this section, to adopt a retirement incentive
23 program may request that the administrator establish one or more periods during which one or
24 more employees of the employer who are eligible under (e) of this section may apply to
25 participate in the program. When establishing a period under this subsection, the administrator
26 shall provide 30 days' notice before the period begins, end the period not later than June 30,
27 2026, and provide not less than 30 days and not more than 60 days for employees to apply to
28 participate in the program.

29 (e) The administrator may not allow an employee to participate in a retirement
30 incentive program adopted under this Act unless the employee is eligible under the program
31 for appointment to retirement not later than the earlier of

1 (1) the first day of the sixth month that follows the last day of the application
2 period established by the administrator under (d) of this section; or

3 (2) a date set under the retirement incentive program as the date employees are
4 required to be eligible for appointment to retirement.

5 (f) An employee is eligible to participate in a retirement incentive program under this
6 Act only if

7 (1) the employee is a vested member of a defined benefit retirement plan in
8 the public employees' retirement system or the teachers' retirement system;

9 (2) the employee has credit for service under AS 14.25.110 or AS 39.35.370
10 that occurred before July 1, 2006;

11 (3) the employee is at least 50 years of age, and, before application of credit
12 described in (i) of this section, has

13 (A) at least 15 years of credited service as a peace officer or firefighter,
14 as those terms are defined in AS 39.35.680; or

15 (B) at least 20 years of credited service as an employee other than an
16 employee described in (A) of this paragraph;

17 (4) the employee will be qualified to retire under AS 14.25.110 or
18 AS 39.35.370 after receipt of the credit described in (i) of this section;

19 (5) for an employer that is a state agency, the employee satisfies the additional
20 requirements under sec. 8 of this Act; and

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

24 (g) A member of the defined benefit retirement plan in the teachers' retirement system
25 who participates in an approved retirement incentive program under this Act is indebted to the
26 defined benefit retirement plan for an amount calculated under this subsection. The
27 indebtedness is 25.95 percent of the member's actual compensation for the school year in
28 which the member terminates employment, or the calculated school year compensation for a
29 member who works less than the entire school year, plus an appropriate share of the
30 administrative costs of the program. The member may apply annual or personal leave to the
31 indebtedness before appointment to retirement. If the indebtedness is outstanding

1 indebtedness at the time the member is appointed to retirement under the retirement incentive
 2 program, the pension benefits payable to the member shall be reduced by an actuarial
 3 adjustment that eliminates the indebtedness.

4 (h) A member of the defined benefit retirement plan in the public employees'
 5 retirement system who participates in an approved retirement incentive program under this
 6 Act is indebted to the defined benefit retirement plan for an amount calculated under this
 7 subsection. The indebtedness is 22 1/2 percent for a peace officer or firefighter, and 20 1/4
 8 percent for other members, of the member's actual annual compensation for the year in which
 9 the member terminates employment, or the calculated annual compensation for a member
 10 who works fewer than 12 months, plus an appropriate share of the administrative costs of the
 11 program. The member may apply annual or personal leave to the indebtedness before
 12 appointment to retirement. If the indebtedness is outstanding at the time the member is
 13 appointed to retirement under the retirement incentive program, the pension benefits payable
 14 to the member shall be reduced by an actuarial adjustment that eliminates the indebtedness.

15 (i) An employee who participates in an approved retirement incentive program under
 16 this Act receives a credit of three years. The three years must be applied in the following
 17 order of priority until exhausted:

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

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

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

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

25 * **Sec. 8.** The uncoded law of the State of Alaska is amended by adding a new section to
 26 read:

27 **AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE.** (a)
 28 Subject to (b) of this section, an employee of a state agency may participate in a retirement
 29 incentive program approved by the administrator under sec. 7 of this Act if the employee is
 30 eligible to participate under sec. 7 of this Act and the employee

31 (1) has been continuously employed by the state for at least one year before

1 the employee applies to participate in the program;

2 (2) is a permanent seasonal employee employed by the state in a permanent
3 seasonal position for the entire period the position was filled during the 12 months preceding
4 the employee's application to participate in the program;

5 (3) has been employed under a job-sharing agreement in which a state agency
6 allowed two or more employees to share a single position that is identified by a single
7 position control number, for the entire period in which the position was shared during the 12
8 months preceding the employee's application to participate in the program; or

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

10 (b) The governor, the lieutenant governor, and a commissioner, deputy commissioner,
11 or assistant commissioner of a principal department of the executive branch of state
12 government may not retire under a retirement incentive program adopted under this Act.

13 * **Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to
14 read:

15 **AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF THE**
16 **UNIVERSITY OF ALASKA.** Notwithstanding AS 14.40.661 - 14.40.799, a participant in a
17 university retirement program under AS 14.40.661 - 14.40.799 who is vested in a defined
18 benefit retirement plan in the public employees' retirement system or the teachers' retirement
19 system may participate in a retirement incentive program for that defined benefit retirement
20 plan if the participant satisfies the requirements under secs. 7 - 19 of this Act that apply to
21 participants in that retirement incentive program.

22 * **Sec. 10.** The uncodified law of the State of Alaska is amended by adding a new section to
23 read:

24 **POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.**
25 Notwithstanding AS 14.25 or AS 39.35, for purposes of determining the years of service
26 required for retirement under AS 14.25.110 or AS 39.35.370, as appropriate, an employee of a
27 state agency who has vested as a member of a defined benefit retirement plan in the teachers'
28 retirement system or the public employees' retirement system and applies to participate in a
29 retirement incentive program approved under this Act may receive credit for service while
30 employed with a political subdivision or a public organization that occurred before the
31 political subdivision or public organization elected to participate in that defined benefit

1 retirement plan. The credit may not be applied for the purpose of determining the amount of a
2 retirement benefit.

3 * **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to
4 read:

5 RECOVERY OF EMPLOYER DELINQUENCIES. To recover a delinquency owed
6 under this Act by an employer other than the state, the commissioner of administration may

7 (1) withhold an amount of money equal to the amount of the delinquency, or a
8 lesser amount, from money payable to the employer by the state, and credit it against the
9 delinquency; and

10 (2) bring an action against the employer.

11 * **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to
12 read:

13 STOPPING ENROLLMENT FOR ACTUARIAL REASONS. If the administrator
14 determines after approving a retirement incentive program under this Act that an increase in
15 the number of participants in that retirement incentive program will have a significant
16 negative effect on the actuarial soundness of a defined benefit retirement plan in the teachers'
17 retirement system or the public employees' retirement system, the administrator may close the
18 program to new applicants.

19 * **Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to
20 read:

21 REEMPLOYMENT INDEBTEDNESS; PROHIBITION ON REEMPLOYMENT. (a)
22 If an individual is reemployed as a member of the defined benefit retirement plan in the public
23 employees' retirement system under AS 39.35, the defined benefit retirement plan in the
24 teachers' retirement system under AS 14.25, the defined benefit retirement plan in the judicial
25 retirement system under AS 22.25, or the defined benefit retirement plan in the optional
26 university retirement program under AS 14.40.661 - 14.40.799 after appointment to
27 retirement under secs. 7 - 19 of this Act, that individual forfeits incentive credit received or
28 due under sec. 7(i) of this Act and incurs an indebtedness to the defined benefit retirement
29 plan under which the individual has been reemployed as a member. The indebtedness is 110
30 percent of the amount, including health insurance premium costs, that the individual received
31 solely as a result of participation in a retirement incentive program under this Act. The

1 administrator shall apply the amount the individual has paid under sec. 7 of this Act as a
 2 requirement for participation in the retirement incentive as a credit toward the member's
 3 reemployment indebtedness under this subsection. Interest on the reemployment indebtedness
 4 accrues from the date of reemployment until the date that the individual either is appointed to
 5 retirement and accepts an actuarial adjustment to the individual's future benefits or repays the
 6 indebtedness in full. The rate of interest is that established by regulation for the member's
 7 defined benefit retirement plan by the Alaska Retirement Management Board.

8 (b) An employer may not employ or contract for personal services with an individual
 9 who is appointed to retirement under a retirement incentive program authorized by this Act
 10 for a period of three years immediately following the date of the individual's appointment to
 11 retirement, except that

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

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

17 (3) the individual may accept employment with a school district as a substitute
 18 teacher; and

19 (4) the individual may accept employment with a school district if the
 20 individual participated in the defined benefit retirement plan in the teachers' retirement system
 21 and the employment is on an hourly basis and does not entitle the individual to receive
 22 retirement, health, or leave benefits.

23 (c) Notwithstanding the prohibition in (b) of this section, an employer may enter into
 24 a personal services contract with an individual who was appointed to retirement under secs. 7
 25 - 19 of this Act if the administrator approves the contract.

26 * **Sec. 14.** The uncodified law of the State of Alaska is amended by adding a new section to
 27 read:

28 OFFICE OF MANAGEMENT AND BUDGET. (a) The director of the office of
 29 management and budget shall review each retirement incentive program adopted by a state
 30 agency, determine whether the program will result in a net reduction to the operating costs of
 31 the state agency that adopted it for a five-year period beginning July 1, 2023, and report the

1 outcome of the review to the administrator. The administrator may not approve a retirement
 2 incentive program adopted by a state agency under sec. 7 of this Act unless the office of
 3 management and budget determines that the program's expected effect on the state agency's
 4 operation costs is a net reduction. The state agency that adopts the program shall cooperate
 5 with and provide information to the office of management and budget to aid with the
 6 preparation of the review under this subsection and reports under (b) of this section.

7 (b) Beginning January 15, 2024, and continuing through January 15, 2027, the office
 8 of management and budget shall submit to the senate secretary and the chief clerk of the
 9 house of representatives an annual report on the retirement incentive programs established
 10 under this Act and notify the legislature that the report is available. Each report must provide
 11 the information necessary for the legislature to evaluate the retirement incentive programs,
 12 including the effect of the programs on the defined benefit retirement plans of the teachers'
 13 retirement system and the public employees' retirement system, and whether the programs are
 14 economical for employers. The report must include, for each program,

- 15 (1) the designated employee categories;
- 16 (2) the employer's cost for each participant;
- 17 (3) the actual annual cost to the state;
- 18 (4) for state agencies, the budgeted annual cost;
- 19 (5) the cost paid by each participant;
- 20 (6) the number of positions that became vacant as a result of the program and
 21 how many of those positions remain vacant;
- 22 (7) for the relevant three-year period, the projected net savings and the actual
 23 net savings resulting from the program.

24 * **Sec. 15.** The uncoded law of the State of Alaska is amended by adding a new section to
 25 read:

26 PROGRAM CHANGES. An individual employee does not have a vested or
 27 contractual right to a benefit under secs. 7 - 19 of this Act until an agreement is executed with
 28 the administrator that authorizes the employee to participate in that retirement incentive
 29 program. The legislature may change a retirement incentive program established under this
 30 Act as it relates to employees for whom an agreement under this section has not been
 31 executed.

1 * **Sec. 16.** The uncodified law of the State of Alaska is amended by adding a new section to
2 read:

3 REGULATIONS. The commissioner of administration may adopt regulations under
4 AS 44.62 (Administrative Procedure Act) to implement and interpret secs. 7 - 19 of this Act.

5 * **Sec. 17.** The uncodified law of the State of Alaska is amended by adding a new section to
6 read:

7 DEFINITIONS. (a) Unless provided otherwise in this Act, the definitions set out in
8 AS 14.25.220 apply to provisions in secs. 7 - 16 of this Act that relate to the teachers'
9 retirement system and members of the teachers' retirement system.

10 (b) Unless provided otherwise in this Act, the definitions set out in AS 39.35.680
11 apply to provisions in secs. 7 - 16 of this Act that relate to the public employees' retirement
12 system and members of the public employees' retirement system.

13 (c) In secs. 7 - 19 of this Act,

14 (1) "administrator" means the commissioner of administration or the
15 commissioner's designee;

16 (2) "employer" has the meaning given in AS 14.25.220 and AS 39.35.680;

17 (3) "office of management and budget" means the office of management and
18 budget in the Office of the Governor;

19 (4) "public employees' retirement system" means the Public Employees'
20 Retirement System of Alaska (AS 39.35);

21 (5) "public organization" has the meaning given in AS 39.35.680;

22 (6) "state agency"

23 (A) means

24 (i) the legislative branch of state government;

25 (ii) a principal department of the executive branch of state
26 government;

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

30 (iv) the Office of the Governor;

31 (B) does not include

1 (i) the University of Alaska;

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

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

4 (7) "teachers' retirement system" means the teachers' retirement system under

5 AS 14.25.

6 * **Sec. 18.** The uncoded law of the State of Alaska is amended by adding a new section to
7 read:

8 APPLICABILITY TO EXISTING BENEFICIARIES. Sections 1 - 17 of this Act may
9 not impair or diminish the retirement benefits of a person who, before the effective date of
10 this Act, is appointed to retirement under a defined benefit retirement plan in the teachers'
11 retirement system or the public employees' retirement system or receives a benefit under that
12 plan.

13 * **Sec. 19.** The uncoded law of the State of Alaska is amended by adding a new section to
14 read:

15 APPLICABILITY TO CONTRACTS. Sections 1 - 18 of this Act apply to contracts
16 entered into on or after the effective date of this Act.

17 * **Sec. 20.** Sections 1 and 7 - 17 of this Act are repealed July 1, 2026.

18 * **Sec. 21.** This Act takes effect immediately under AS 01.10.070(c).