AN ACT

Relating to the teachers' and public employees' retirement systems and creating defined contribution and health reimbursement plans for members of the teachers' retirement system and the public employees' retirement system who are first hired after July 1, 2006; relating to university retirement programs; establishing the Alaska Retirement Management Board to replace the Alaska State Pension Investment Board, the Alaska Teachers' Retirement Board, and the Public Employees' Retirement Board; adding appeals of the decisions of the administrator of the teachers' and public employees' retirement systems to the jurisdiction of the office of administrative hearings; providing for nonvested members of the teachers' retirement system defined benefit plans to transfer into the teachers' retirement system defined contribution plan and for nonvested members of the public employees' retirement system defined benefit plans to transfer into the public employees' retirement system defined contribution plan; providing for political subdivisions and public organizations to request to participate in the public employees' defined contribution retirement plan; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1
AN ACT

Relating to the teachers' and public employees' retirement systems and creating defined contribution and health reimbursement plans for members of the teachers' retirement system and the public employees' retirement system who are first hired after July 1, 2006; relating to university retirement programs; establishing the Alaska Retirement Management Board to replace the Alaska State Pension Investment Board, the Alaska Teachers' Retirement Board, and the Public Employees' Retirement Board; adding appeals of the decisions of the administrator of the teachers' and public employees' retirement systems to the jurisdiction of the office of administrative hearings; providing for nonvested members of the teachers' retirement system defined benefit plans to transfer into the teachers' retirement system defined contribution plan and for nonvested members of the public employees' retirement system defined benefit plans to transfer into the public employees' retirement system defined...
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as soon as possible after the close of each fiscal year, and not later than six months after the close of each fiscal year, send to the governor and the legislature an annual statement on the operations of each of the plans in the system containing

(A) a balance sheet;

(B) a statement of income and expenditures for the previous fiscal year;

(C) a report on valuation of trust fund assets;

(D) a summary of assets held in the trust fund listed by the categories of investment, as provided by the Alaska Retirement Management Board;

(E) other statistical financial data that are necessary for proper understanding of the financial condition of the system as a whole and each plan in the system and the result of its operations;

engage an independent certified public accountant to conduct an annual audit of each plan's accounts and the annual report of the system's financial condition and activity;

report to the Legislative Budget and Audit Committee concerning the condition and administration of each plan and distribute the report to the members of each plan in the system;

publish an information handbook for each plan in the system at intervals that the administrator considers appropriate;

meet at least annually with the board to review the condition and management of the retirement systems and to review significant changes to policies, regulations, or benefits; and

do whatever else may be necessary to carry out the purposes of each plan in the system.

(b) The administrator is authorized to charge fees necessary to members' accounts to cover the ongoing cost of operating each plan in the system.

c) The administrator is authorized to contract with public and private entities to provide record keeping, benefits payments, and other functions necessary for the
Sec. 14.25.005. Regulations. (a) Regulations adopted by the commissioner of administration under this chapter relate to the internal management of a state agency, and the adoption of the regulations is not subject to AS 44.62 (Administrative Procedure Act).

(b) Notwithstanding (a) of this section, a regulation adopted under this chapter shall be published in the Alaska Administrative Register and Code for informational purposes.

(c) Each regulation adopted under this chapter must conform to the style and format requirements of the drafting manual for administrative regulations that is published under AS 44.62.050.

(d) At least 30 days before the adoption, amendment, or repeal of a regulation under this chapter, the commissioner of administration shall provide notice of the action that is being considered. The notice shall be

(1) posted in public buildings throughout the state;

(2) published in one or more newspapers of general circulation in each judicial district of the state;

(3) mailed to each person or group that has filed a request for notice of proposed action with the commissioner of administration; and

(4) furnished to each member of the legislature and to the Legislative Affairs Agency.

(e) Failure to mail notice to a person as required under (d)(3) of this section does not invalidate an action taken by the commissioner of administration.

(f) The commissioner of administration may hold a hearing on a proposed regulation.

(g) A regulation adopted under this chapter takes effect 30 days after adoption by the commissioner of administration.

(h) Notwithstanding the other provisions of this section, a regulation may be adopted, amended, or repealed, effective immediately, as an emergency regulation by the commissioner of administration. For an emergency regulation to be effective, the commissioner must find that the adoption, amendment, or repeal of the regulation is
necessary for the immediate preservation of the orderly operation of the system. The commissioner shall, within 10 days after adoption of an emergency regulation, give notice of the adoption under (d) of this section.

(i) In this section, "regulation" has the meaning given in AS 44.62.640(a).

Sec. 14.25.006. Appeals. An employer, member, annuitant, or beneficiary may appeal a decision made by the administrator to the office of administrative hearings established under AS 44.64. An aggrieved party may appeal a final decision to the superior court.

Sec. 14.25.007. Investment management of retirement system funds. The Alaska Retirement Management Board established under AS 37.10.210 is the fiduciary of the system funds.

Sec. 14.25.008. Definitions. In AS 14.25.001 - 14.25.008,

(1) "plan" means a retirement plan established in this chapter;

(2) "system" means all retirement plans established under the teachers' retirement system.

* Sec. 2. AS 14.25.008(1) is amended to read:

(1) "plan" means a retirement plan established in AS 14.25.009 - 14.25.220 or the retirement plan established in AS 14.25.310 - 14.25.590 [THIS CHAPTER];

* Sec. 3. AS 14.25 is amended by adding a new section to read:

Article 2. Teachers' Defined Benefit Retirement Plan.


* Sec. 4. AS 14.25.010 is amended to read:

Sec. 14.25.010. Retirement plan [SYSTEM] established; federal qualification requirements. (a) A joint-contributory retirement plan [SYSTEM] for teachers of the state is created.

(b) The retirement plan [SYSTEM] established by AS 14.25.009 - 14.25.220 [THIS CHAPTER] is intended to qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified retirement plan established and maintained by the state for its employees, for the employees of school districts and regional educational
attendance areas in the state, and for the employees of other employers whose participation is authorized by AS 14.25.009 - 14.25.220 [THIS CHAPTER] and who participate in this plan [SYSTEM].

(c) An amendment to AS 14.25.009 - 14.25.220 [THIS CHAPTER] does not provide a person with a vested right to a benefit if the Internal Revenue Service determines that the amendment will result in disqualification of the plan under the Internal Revenue Code.

* Sec. 5. AS 14.25.012(b) is amended to read:

(b) The plan [SYSTEM] created in AS 14.25.009 - 14.25.220 became effective as of July 1, 1955, at which time contributions by the participating employers and members began.

* Sec. 6. AS 14.25.012 is amended by adding a new subsection to read:

(c) Employees first hired after June 30, 2006, are not eligible to participate in the plan established in AS 14.25.009 - 14.25.220.

* Sec. 7. AS 14.25.040(a) is amended to read:

(a) Unless a teacher or member participates in a university retirement program under AS 14.40.661 - 14.40.799 or has filed an election under AS 14.25.043(b), a teacher or member contracting for service with a participating employer is subject to AS 14.25.009 - 14.25.220 [THIS CHAPTER].

* Sec. 8. AS 14.25.040(a) is amended to read:

(a) Unless a teacher or member participates in a university retirement program under AS 14.40.661 - 14.40.799, or has filed an election under AS 14.25.043(b), or has elected under AS 14.25.540 to participate in the plan established in AS 14.25.310 - 14.25.590, a teacher or member contracting for service with a participating employer is subject to AS 14.25.009 - 14.25.220.

* Sec. 9. AS 14.25.040(d) is amended to read:

(d) A person who is employed at least half-time in the plan [SYSTEM] during the same period that the person is employed at least half-time in a position in the public employees' retirement plan [SYSTEM] under AS 39.35.095 - 39.35.680 [AS 39.35] shall receive credited service under each plan [SYSTEM] for half-time
employment. However, the amount of credited service a person receives under the public employees' retirement plan [SYSTEM] during a school year may not exceed the amount necessary, when added to the amount of credited service earned during the school year under the plan [SYSTEM], to equal one year of credited service. A person who was employed at least half-time in a position in the public employees' retirement plan [SYSTEM] under AS 39.35.095 - 39.35.680 [AS 39.35] in the same period that the person was employed at least half-time in a position in this plan [SYSTEM] may claim credited service in both plans [SYSTEMS] for employment before May 31, 1989. To obtain this credited service, the person shall claim the service and verify the period of half-time employment. When eligibility for half-time service credit has been established, an indebtedness shall be determined to the retirement plan [SYSTEM] in which the person did not participate. The amount of the indebtedness is the full actuarial cost of providing benefits for the credited service claimed. Interest as prescribed by regulation accrues on that indebtedness beginning on the later of July 1, 1989, or the date on which the member is first eligible to claim the service. Any outstanding indebtedness existing at the time the person retires will require an actuarial adjustment to the benefits payable based on that service.

* Sec. 10. AS 14.25.070 is repealed and reenacted to read:

**Sec. 14.25.070. Contributions by employer.** An employer shall make contributions to the plan in an amount sufficient, after subtracting member contributions, to provide the benefits of AS 14.25.009 - 14.25.220. The amount shall be calculated by applying an employer contribution rate, certified by the board, against the sum total of the base salaries paid to members, including any adjustments to contributions required by AS 14.25.173(a).

* Sec. 11. AS 14.25.070 is amended by adding a new subsection to read:

(b) The employer contribution rate may not be less than the rate required, after subtracting the member contribution rate, to fully fund the actuarially calculated benefits expected to be earned by active members during a fiscal year.

* Sec. 12. AS 14.25.075(a) is amended to read:

(a) An employee who is eligible to purchase credited service under AS 14.25.047 or 14.25.048, a member who is eligible to purchase credited service
under AS 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, or
14.25.107, or a teacher who is eligible to purchase credited service under
directly to the plan, may elect to have the member's employer make payments as
provided in this section.

* Sec. 13. AS 14.25.075(b) is amended to read:

(b) A member may elect to have the employer make payments for all or any
portion of the amounts payable for the member's purchase of credited service through
a salary reduction program as follows:

(1) the amounts paid under a salary reduction program are in lieu of
contributions by the member making the election; the electing member's salary or
other compensation shall be reduced by the amount paid by the employer under this
subsection;

(2) the member shall make an irrevocable election under this
subsection to purchase credited service as permitted in AS 14.20.345, AS 14.25.047,
14.25.107 before the member's termination of employment; the irrevocable election
must specify the number of payroll periods that deductions will be made from the
member's compensation and the dollar amount of deductions for each payroll period
during the specified number of payroll periods; the deductions made under this
paragraph cease upon the earlier of the member's termination of employment with the
employer or the member's death; amounts paid by an employer under (f) of this
section may not be applied toward the payment of the dollar amount of the deductions
representing the portion of the credited service that is being purchased by the member
through payroll deduction in accordance with the member's irrevocable election under
this paragraph;

(3) amounts paid by an employer under this subsection shall be treated
as employer contributions for the purpose of determining tax treatment under 26
U.S.C. (Internal Revenue Code); the amounts paid by the employer under this section
may not be included in the member's gross income for income tax purposes until those
amounts are distributed by refund or retirement benefit payments.
* Sec. 14. * AS 14.25.075(e) is amended to read:

(e) Contributions to the **plan** [SYSTEM] to purchase credited service under this section do not qualify for treatment under this section if recognition of that service would cause a member to receive a retirement benefit for the same service from the **plan** [SYSTEM] and from one or more other retirement plans or systems of the state.

* Sec. 15. * AS 14.25.075(f) is amended to read:

(f) The administrator may accept rollover contributions from a member [,

AND DIRECT TRANSFERS AS DESCRIBED IN THIS SUBSECTION, FOR THE PURCHASE, IN WHOLE OR IN PART, OF FORFEITED CREDITED SERVICE UNDER THIS SECTION FOR THE REINSTATEMENT, IN WHOLE OR IN PART, OF FORFEITED CREDITED SERVICE UNDER AS 14.25.062]. Contributions made under this subsection may not be applied to purchase service being paid under (b) of this section. A rollover contribution [OR TRANSFER] as described in this subsection shall be treated as employer contributions for the purpose of determining tax treatment under the Internal Revenue Code and may be made by any one or a combination of the following methods:

(1) subject to the limitations prescribed in 26 U.S.C. 402(c), accepting eligible rollover distributions directly from one or more retirement programs of another employer that are qualified under 26 U.S.C. 401(a) or accepting rollovers directly from a member;

(2) subject to the limitations prescribed in 26 U.S.C. 408(d)(3)(A)(ii), accepting from a member conduit rollover contributions that are received by the member from one or more conduit rollover individual retirement accounts previously established by the member;

(3) subject to the limitations prescribed in 26 U.S.C. 403(b)(13), accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the member, on or after January 1, 2002, from a tax sheltered annuity described in 26 U.S.C. 403(b);

(4) subject to the limitations prescribed in 26 U.S.C. 457(e)(17), accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the member, on or after January 1, 2002, from an eligible deferred compensation plan of a
tax-exempt organization or a state or local government described in 26 U.S.C. 457(b);


* Sec. 16. AS 14.25.075(i) is amended to read:

(i) On satisfaction of the eligibility requirements of AS 14.20.345, AS 14.25.047, 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, 14.25.105, or 14.25.107, the requirements of this section, and the administrative filing requirements specified by the administrator, the plan shall adjust the member's credited service history and add any additional service credits acquired.

* Sec. 17. AS 14.25.115(a) is amended to read:

(a) A teacher in membership service on or after July 1, 1977, who is appointed to retirement on or after July 1, 1978, may elect to apply unused sick leave credit in computing the total number of years of credited service under AS 14.25.110(d) except for sick leave earned while participating in a [THE OPTIONAL] university retirement program under AS 14.40.661 - 14.40.799. To obtain service credit for unused sick leave, a teacher must apply to the administrator not [NO] later than one year after appointment to retirement. Unused sick leave shall be credited on a day-for-day basis in accordance with the table for service after July 1, 1969, contained in AS 14.25.220(45). Teacher contributions may not be required for credited unused sick leave.

* Sec. 18. AS 14.25.143(a), as that subsection read following amendment by sec. 3, ch. 146, SLA 1980, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

(a) When the administrator determines that the cost of living has increased and that the financial condition of the retirement fund permits, the administrator shall increase benefit payments to persons receiving benefits under this plan. For purposes of this subsection, the financial condition of the fund would only permit an increase in benefits when the ratio of total fund assets to the accrued liability meets or exceeds 105 percent. In this subsection, "accrued liability" means the present value of all member benefits accrued by member service in this plan [SYSTEM].
* Sec. 19. AS 14.25.143(a), as that subsection read following amendment by sec. 12, ch. 106, SLA 1988, until amended by sec. 12, ch. 97, SLA 1990, is amended to read:

(a) When the administrator determines that the cost of living has increased and that the financial condition of the retirement fund [SYSTEM] permits, the administrator shall increase benefit payments to persons receiving benefits under this plan. For purposes of this subsection, the financial condition of the fund would only permit an increase in benefits when the ratio of total fund assets to the accrued liability meets or exceeds 105 percent. In this subsection, "accrued liability" means the present value of all member benefits accrued by member service in this plan [SYSTEM].

* Sec. 20. AS 14.25.145 is amended to read:

Sec. 14.25.145. Interest on individual accounts. Interest shall be credited to each teacher's account at the end of each school year at the rate prescribed by the board [REGULATION] for that year.

* Sec. 21. AS 14.25.150 is amended by adding a new subsection to read:

(c) A member who has received a refund of contributions in accordance with this section forfeits corresponding credited service under AS 14.25.009 - 14.25.220.

* Sec. 22. AS 14.25.168(a) is repealed and reenacted to read:

(a) Except as provided in (c) of this section, the following persons are entitled to major medical insurance coverage under this section:

(1) for teachers first hired before July 1, 1990,

(A) a teacher who is receiving a monthly benefit from the plan and who has elected coverage;

(B) the spouse and dependent children of the teacher described in (A) of this paragraph;

(C) the surviving spouse of a deceased teacher who is receiving a monthly benefit from the plan and who has elected coverage;

(D) the dependent children of a deceased teacher who are dependent on the surviving spouse described in (C) of this paragraph;

(2) for teachers first hired on or after July 1, 1990,

(A) a teacher who is receiving a monthly benefit from the plan
and who has elected coverage for the teacher;

(B) the spouse of the teacher described in (A) of this paragraph if the teacher elected coverage for the spouse;

(C) the dependent children of the teacher described in (A) of this paragraph if the teacher elected coverage for the dependent children;

(D) the surviving spouse of a deceased teacher who is receiving a monthly benefit from the plan and who has elected coverage;

(E) the dependent children of a deceased teacher who are dependent on the surviving spouse described in (D) of this paragraph if the surviving spouse has elected coverage for the dependent children.

* Sec. 23. AS 14.25.173(c) is amended to read:

(c) **At least quarterly** [AT EACH REGULARLY SCHEDULED MEETING OF THE TEACHERS’ RETIREMENT BOARD], the administrator shall report to the commissioner of administration [BOARD] on all situations since the administrator's last report in which an adjustment has been prohibited under (b) of this section. If the commissioner of administration [BOARD] finds that there is reason to believe that one or more of the conditions set out in (b) of this section have not been met, the administrator shall notify the member or beneficiary that an adjustment will be made to recover the overpayment. A member or beneficiary who receives notice of adjustment under this subsection may **file a request with the commissioner of administration** [APPEAL TO THE BOARD] for a waiver of the adjustment under AS 14.25.175. An adjustment that requires the repayment of benefits may not be required while the **waiver request** [APPEAL] is pending.

* Sec. 24. AS 14.25.175(a) is amended to read:

(a) Upon **request** [APPEAL] by an affected member or beneficiary under (b) of this section, the commissioner of administration [BOARD] may waive an adjustment or a portion of an adjustment made under AS 14.25.173 if, in the opinion of the commissioner of administration [BOARD],

(1) the adjustment or portion of the adjustment will cause undue hardship to the member or beneficiary;

(2) the adjustment was not the result of erroneous information supplied
by the member or beneficiary;

(3) before the adjustment was made, the member or beneficiary received confirmation from the administrator that the member's or beneficiary's records were correct; and

(4) the member or beneficiary had no reasonable grounds to believe the records were incorrect before the adjustment was made.

* Sec. 25. AS 14.25.175(b) is amended to read:

(b) In order to obtain consideration of a waiver under this section, the affected member or beneficiary shall file a request with the commissioner of administration in writing within 30 days after receipt of notice that the records have been adjusted. The ruling of the commissioner of administration shall be in writing.

* Sec. 26. AS 14.25.175(c) is repealed and reenacted to read:

(c) A ruling of the commissioner of administration to deny a waiver under (b) of this section may be appealed to the office of administrative hearings.

* Sec. 27. AS 14.25.175(d) is amended to read:

(d) The office of administrative hearings may reverse the commissioner of administration's decision to deny a waiver and may impose conditions on granting a waiver that it considers equitable. These conditions may include requiring the member or beneficiary to make additional contributions to the plan.

* Sec. 28. AS 14.25.210(a) is amended to read:

(a) A person who knowingly makes a false statement, or falsifies or permits to be falsified any record of this plan, in an attempt to defraud this plan, is guilty of a class A misdemeanor AND FORFEITS ALL RIGHTS UNDER THIS CHAPTER.

* Sec. 29. AS 14.25.220(2) is amended to read:

(2) "actuarial adjustment" means the adjustment necessary to obtain equality in value of the aggregate expected payments under two different forms of pension payments, considering expected mortality and interest earnings on the basis of assumptions, factors, and methods specified in regulations issued under the plan.
that are formally adopted [UNDER AS 14.25.022] by the board and that
clearly preclude employer discretion in the determination of the amount of any
member's benefit;

* Sec. 30. AS 14.25.220(3) is amended to read:

(3) "administrator" means the [PERSON APPOINTED BY THE] commissioner of administration or the commissioner's designee under AS 14.25.003 [AS 14.25.015];

* Sec. 31. AS 14.25.220(9) is amended to read:

(9) "board" means the Alaska Retirement Management [ALASKA TEACHERS' RETIREMENT] Board established under AS 37.10.210 [AS 14.25.035];

* Sec. 32. AS 14.25.220(40) is amended to read:

(40) "supplemental contribution account" means the account maintained by the plan [SYSTEM] to record the supplemental contributions of each member, including interest and adjustments to the account [IN ACCORDANCE WITH AS 14.25.170];

* Sec. 33. AS 14.25.220(42) is amended to read:

(42) "teacher" and "member" are used interchangeably under this chapter and mean a person eligible to participate in the system and who is covered by the system, limited to

(A) a certificated full-time or part-time elementary or secondary teacher, a certificated school nurse, or a certificated person in a position requiring a teaching certificate as a condition of employment in a public school of the state, the Department of Education and Early Development, or the Department of Labor and Workforce Development;

(B) a full-time or part-time teacher of the University of Alaska or a person occupying a full-time administrative position at the University of Alaska that requires academic standing; the approval of the administrator must be obtained before an administrative position qualifies for membership in the system; however, a teacher or administrative person at the university who is participating in a [THE OPTIONAL] university retirement program under AS 14.40.661 - 14.40.799 is not a member under this system;
(C) a state legislator who elects membership under AS 14.25.040(b);

* Sec. 34. AS 14.25.220 is amended by adding a new paragraph to read:

(46) "plan" means the retirement benefit plan established under AS 14.25.009 - 14.25.220.

* Sec. 35. AS 14.25 is amended by adding new sections to read:

Article 3. Teachers First Hired on or after July 1, 2006.


Sec. 14.25.320. Defined contribution retirement plan established. (a) A defined contribution retirement plan for teachers of the state is created.

(b) The defined contribution retirement plan includes a plan in which savings are accumulated in an individual account for the exclusive benefit of the member or beneficiaries. The plan is established effective July 1, 2006, at which time contributions by employers and members begin.

(c) The defined contribution retirement plan is intended to qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified retirement plan established and maintained by the state for its employees and for the employees of school districts and regional educational attendance areas in the state.

(d) An amendment to the defined contribution retirement plan does not provide a person with a vested right to a benefit if the Internal Revenue Service determines that the amendment will result in disqualification of the plan under the Internal Revenue Code.

Sec. 14.25.330. Membership. (a) A teacher who first becomes a member on or after July 1, 2006, shall participate in the plan as a member of the defined contribution retirement plan.

(b) A teacher who is participating in a university retirement program under AS 14.40.661 - 14.40.799 may not participate as a member of the defined contribution retirement plan.
Sec. 14.25.340. Contributions by members. (a) Each member shall contribute to the member's individual account an amount equal to eight percent of the member's compensation from July 1 to the following June 30.

(b) Subject to the limitations on contributions under AS 14.25.380, a member may elect to make additional contributions to the member's individual account.

(c) The employer shall deduct the contribution from the member's compensation at the end of each payroll period, and the contribution shall be credited by the administrator to the member's individual account. The contributions shall be deducted from the member's compensation before the computation of applicable federal taxes and shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member may not have the option of making the payroll deduction directly in cash instead of having the contribution picked up by the employer.

Sec. 14.25.345. Employment contributions mandatory. (a) Contributions of members shall be made by payroll deductions. Each member shall be considered to consent to payroll deductions. It is of no consequence that a payroll deduction may cause the compensation paid in cash to a member to be reduced below the minimum required by law.

(b) Payment of a member's compensation, less payroll deductions, is a full and complete discharge and satisfaction of all claims and demands by the member relating to remuneration of services during the period covered by the payment, except with respect to the benefits provided under the plan.

Sec. 14.25.350. Contributions by employers. (a) An employer shall contribute to each member's individual account an amount equal to seven percent of the member's compensation from July 1 to the following June 30.

(b) An employer shall also contribute an amount equal to a percentage, as certified by the board, of each member's compensation from July 1 to the following June 30 to pay for retiree major medical insurance. This contribution shall be paid into the group health and life benefits fund established by the commissioner of administration under AS 39.30.095 and shall be accounted for in accordance with regulations established by the commissioner.

(c) Notwithstanding (b) of this section, the employer contribution for retiree
major medical insurance for fiscal year 2007 shall be 1.75 percent of each member's compensation from July 1 to the following June 30.

(d) An employer shall also make contributions to the health reimbursement arrangement plan under AS 39.30.300.

Sec. 14.25.360. Rollover contributions and distributions. (a) A teacher entering the plan may elect, at the time and in the manner prescribed by the administrator, to have all or part of a direct rollover distribution from an eligible retirement plan owned by the member paid directly into the member's individual account.

(b) Rollover contributions do not count as a purchase of membership service for the purpose of determining years of service.

(c) A distributee may elect, at the time and in the manner prescribed by the administrator, to have all or part of a direct rollover distribution paid directly to an eligible retirement plan specified by the distributee in the direct rollover.

(d) In this section,

(1) "direct rollover" means the payment of an eligible rollover distribution by the plan to an eligible retirement plan specified by a distributee who is eligible to elect a direct rollover;

(2) "distributee" means a member, or a beneficiary who is the surviving spouse of the member, or an alternate payee;

(3) "eligible retirement plan" means

(A) a conduit individual retirement account described in 26 U.S.C. 408(d)(3)(A);

(B) an annuity plan described in 26 U.S.C. 403(a);

(C) a qualified trust described in 26 U.S.C. 401(a);

(D) an annuity plan described in 26 U.S.C. 403(b); or

(E) a governmental plan described in 26 U.S.C. 457(b);

(4) "eligible rollover distribution" means a distribution of all or part of a total account to a distributee, except for

(A) a distribution that is one of a series of substantially equal installments payable not less frequently than annually over the life expectancy
of the distributee or the joint and last survivor life expectancy of the distributee and the distributee's designated beneficiary, as defined in 26 U.S.C. 401(a)(9);

(B) a distribution that is one of a series of substantially equal installments payable not less frequently than annually over a specified period of 10 years or more;

(C) a distribution that is required under 26 U.S.C. 401(a)(9);

(D) the portion of any distribution that is not includable in gross income;

(E) a distribution that is on account of hardship; and

(F) other distributions that are reasonably expected to total less than $200 during a year.

Sec. 14.25.370. Transmittal of contributions. All contributions deducted in accordance with AS 14.25.310 - 14.25.590 shall be transmitted to the plan for deposit in the trust fund as soon as administratively feasible, but in no event later than 15 days following the close of the payroll period.

Sec. 14.25.380. Limitations on contributions. Notwithstanding any other provisions of this plan, the annual additions to each member's individual account under this plan and under all defined contribution plans of the employer required to be aggregated with the contributions from this plan under the provisions of 26 U.S.C. 415 may not exceed, for any limitation year, the amount permitted under 26 U.S.C. 415 at any time. If the amount of a member's defined contribution plan contributions exceeds the limitation of 26 U.S.C. 415(c) for any limitation year, the administrator shall take any necessary remedial action to correct an excess contribution. The provisions of 26 U.S.C. 415, and the regulations adopted under that statute, as applied to qualified defined contribution plans of governmental employees are incorporated as part of the terms and conditions of the plan.

Sec. 14.25.390. Vesting. (a) A participating member is immediately and fully vested in that member's contributions and related earnings.

(b) A member is fully vested in the employer contributions made on that member's behalf, and related earnings, after five years of service. A member is partially vested in the employer contributions made on that member's behalf, and the
related earnings, in the ratio of

(1) 25 percent with two years of service;
(2) 50 percent with three years of service; and
(3) 75 percent with four years of service.

**Sec. 14.25.400. Investment of individual accounts.** (a) The board shall provide a range of investment options and permit a participant to exercise investment control over the participant's assets in the member's individual account as provided in this section. If a participant exercises control over the assets in the individual account, the participant is not considered a fiduciary for any reason on the basis of exercising that control.

(b) A participant may direct investment of plan funds held in an account among available investment funds in accordance with rules established by the board.

(c) A participant may elect to change or transfer all or a portion of the participant's existing account balance among available investment funds not more often than once each day in accordance with the rules established by the administrator. Only the last election received by the administrator before the transmittal of contributions to the trust fund for allocation to the individual account will be used to direct the investment of the contributions received.

(d) Except to the extent clearly set out in the terms of the investment plans offered by the employer to the employee, the employer is not liable to the participant for investment losses if the prudent investment standard has been met.

(e) The employer, administrator, state, board, or a person or entity who is otherwise a fiduciary is not liable by reason for any participant's investment loss that results from the participant's directing the investment of plan assets allocated to the participant's account.

(f) To the extent that a member's individual account has been divided as provided in a qualified domestic relations order between participants, each participant shall be treated as the holder of a separate individual account for purposes of investment yields, decisions, transfers, and time limitations imposed by this section.

**Sec. 14.25.410. Distribution election at termination.** (a) A member is eligible to elect distribution of the member's account in accordance with this section
60 days after termination of employment.

(b) Notwithstanding (a) of this section, distribution of all or a portion of the individual account of a member may take place before the 60th day after the termination of employment with the approval of the administrator if the member makes a written request for a distribution under this subsection. The member's spouse must consent to the request in writing if the member is married. Distribution of an individual account may only be made on account of an immediate and heavy financial need of the member for the following reasons and in the amount the need is demonstrated for:

1. medical care described in 26 U.S.C. 213(d) incurred by the member, the member's spouse, or the member's dependent, or necessary to obtain that medical care;
2. the purchase of a principal residence for the member;
3. postsecondary education tuition and related educational fees for the next 12-month period for the member, the member's spouse, or a dependent of the member; in this paragraph, "dependent" has the meaning given in 26 U.S.C. 152;
4. prevention of the eviction of the member from the member's principal residence or foreclosure on the mortgage of the member's principal residence; or
5. any need prescribed by the United States Department of the Treasury, Internal Revenue Service, in a revenue ruling, notice, or other document of general applicability that satisfies the safe harbor definition of hardship under regulations adopted under 26 U.S.C. 401(k).

(c) If a member dies before benefits commence, the member's beneficiary is immediately eligible to elect distribution of the member's share of the member's individual account.

(d) Distributions are payable to an alternate payee in accordance with the terms and conditions of a qualified domestic relations order that is received and approved by the administrator as specified in AS 14.25.460.

(e) Distributions that are being paid to a member may not be affected by the member's subsequent reemployment with the employer. Upon reemployment, a new
individual account shall be established for the member to which any future contributions shall be allocated. Upon subsequent termination of employment, the member's new individual account shall be distributed in accordance with this section.

**Sec. 14.25.420. Forms of distribution.** (a) A participant may elect to receive distribution of the participant's share of the individual account in a

1. lump sum payment, which is a single payment of the entire balance in the account;
2. periodic lump sum payment, which is a payment of a portion of the balance in the account, not more than twice each year;
3. period certain annuity payment, which is an annuity payable in a fixed number of monthly installments for a duration of 60, 120, or 180 months;
4. life annuity with a period certain payment, which is an annuity payable until the later of the first day of the month in which the annuitant's death occurs, or the date on which the payment of a fixed number of monthly installments is completed; the period certain for installments is 120 or 180 months;
5. single life annuity payment, which is an annuity payable monthly until the first of the month in which the annuitant's death occurs; or
6. joint and survivor annuity payment, which is an annuity payable monthly to the member until the first of the month in which the member's death occurs; after the member's death, a survivor annuity equal to 50 percent or 100 percent of the member's benefit, as previously elected by the member, shall be paid monthly to the joint annuitant for the remainder of the survivor's lifetime.

(b) Upon the death of an annuitant whose payments have commenced, an annuitant's beneficiary shall receive further payments only to the extent provided in accordance with the form of payment that was being made to the annuitant. The remaining portion of the interest shall continue to be distributed at least as rapidly as under the method of distribution being used before the annuitant's death.

(c) If a participant dies before the distribution commencement date, distribution of the participant's entire interest to a beneficiary shall be payable in any form other than a joint and survivor annuity.

(d) If an unmarried member or other participant fails to elect a form of
payment before the distribution commencement date, the account shall be paid to a
beneficiary in the form of a lump sum to the extent required by the minimum
distribution requirements set out in the Internal Revenue Code. If a married member
fails to elect a form of payment before the distribution commencement date, the
account shall be paid in the form of a 50 percent joint and survivor annuity, with the
member's spouse as the joint annuitant.

Sec. 14.25.430. Manner of electing distributions. (a) Any election or any
alteration or revocation of a prior election by a participant for any purpose under this
plan shall be on forms or made in a manner prescribed for that purpose by the plan
administrator. To be effective, the forms required or the required action for any
purpose under this plan must be completed and received in accordance with
regulations adopted by the commissioner of administration.

(b) At any time, but not less than seven days before the distribution
commencement date, a member, alternate payee, or beneficiary may change

(1) the form of payment election;
(2) an election to commence benefits; or
(3) the joint annuitant designation.

(c) Changes in elections are not allowed on or after seven days before the
distribution commencement date.

Sec. 14.25.440. Distribution requirements. (a) Payments to a participant
shall commence as soon as administratively feasible following the distribution
commencement date. The distribution commencement date is the first date on which
one of the following occurs:

(1) a member meets the requirements of AS 14.25.410 and has made a
complete application for payment under AS 14.25.430;

(2) a participant has elected to defer receipt of the account to a date
specified, the date has been attained, and the participant has made a complete
application for payment;

(3) a member attains normal retirement age and has not made an
application for payment or elected to defer receipt of the account to a date later than
normal retirement age;
(4) a member's beneficiary does not make an application for benefits, and five years have elapsed since the member's death;

(5) notwithstanding (1) - (4) of this subsection, a participant whose account has a balance of $1,000 or less meets the requirements of AS 14.25.410, at which time the participant must take payment of the participant's account.

(b) The entire interest of a participant must be distributed or must begin to be distributed not later than the member's required beginning date.

(c) If a member dies after the distribution of the member's interest has begun but before the distribution has been completed, the remaining portion of the interest shall continue to be distributed at least as rapidly as under the method of distribution being used before the member's death.

(d) If a member has made a distribution election and dies before the distribution of the member's interest begins, distribution of the member's entire interest shall be completed by December 31 of the calendar year containing the fifth anniversary of the member's death. However, if any portion of the member's interest is payable to a designated beneficiary, distributions may be made over the life of the designated beneficiary or over a period certain not greater than the life expectancy of the designated beneficiary, commencing on or before December 31 of the calendar year immediately following the calendar year in which the member died, and, if the designated beneficiary is the member's surviving spouse, the date distributions are required to begin may not be earlier than the later of December 31 of the calendar year (1) immediately following the calendar year in which the member died, or (2) in which the member would have attained 70 1/2 years of age, whichever is earlier. If the surviving spouse dies after the member but before payments to the spouse have begun, the provisions of this subsection apply as if the surviving spouse were the member. An amount paid to a child of the member shall be treated as if it were paid to the surviving spouse if the amount becomes payable to the surviving spouse when the child reaches the age of majority.

(e) If a member has not made a distribution election before the member's death, the member's designated beneficiary must elect the method of distribution not later than December 31 of the calendar year (1) in which distributions would be
required to begin under this section, or (2) that contains the fifth anniversary of the
date of death of the member, whichever is earlier. If the member does not have a
designated beneficiary or if the designated beneficiary does not elect a method of
distribution, distribution of the member's entire interest must be completed by
December 31 of the calendar year containing the fifth anniversary of the member's
death.

(f) For purposes of (b) of this section, distribution of a member's interest is
considered to begin (1) on the member's required beginning date, or (2) if the
designated beneficiary is the member's surviving spouse and the surviving spouse dies
after the member but before payments to the spouse have begun, on the date
distribution is required to begin to the surviving spouse. If distribution in the form of
an annuity irrevocably commences to the member before the required beginning date,
the date distribution is considered to begin is the date that the distribution actually
commences.

(g) Notwithstanding any contrary provisions of AS 14.25.310 - 14.25.590, the
requirements of this section apply to all distributions of a member's interest and take

(h) All distributions required under this section are determined and made in
accordance with 26 U.S.C. 401(a)(9) and regulations adopted under that statute,
including any minimum distribution incidental benefit requirement.

(i) In this section,

(1) "designated beneficiary" means the individual who is designated as
the beneficiary under the plan in accordance with 26 U.S.C. 401(a)(9) and regulations
adopted under that statute;

(2) "required beginning date" means the first day of April of the
calendar year following the calendar year in which the member either attains 70 1/2
years of age or actually terminates employment, whichever is later.

Sec. 14.25.450. Designation of beneficiary. (a) Each participant shall have
the right to designate a beneficiary and shall have the right, at any time, to revoke the
designation or to substitute another beneficiary, subject to the following limitation: if
a married member elects a nonspouse beneficiary, the value of the benefit payable to
the beneficiary may not exceed 50 percent of the member's portion of the account balance, and the member's spouse shall automatically be considered the beneficiary for the remaining 50 percent of the account balance, unless the spouse consents to the beneficiary designation in a writing that is notarized or witnessed by the administrator. If the spouse consents in this manner, a married member may designate a nonspouse beneficiary for the entire benefit or any portion of the benefit as part of an available form of payment contained in this plan,

(1) except to the extent a qualified domestic relations order filed with the administrator provides for payment to a former spouse or other dependent of the member; or

(2) unless the member filed a revocation of beneficiary accompanied by a written consent to the revocation from the present spouse and each person entitled under the order; however, consent of the present spouse is not required if the member and the present spouse had been married for less than one year on the date of the member's death and if the member established when filing the revocation that the member and the present spouse were not cohabiting.

(b) Except as provided in (a) of this section, the member may change or revoke the designation without notice to the beneficiary or beneficiaries at any time. If a member designates more than one beneficiary, each shares equally unless the member specifies a different allocation or preference. The designation of a beneficiary, a change or revocation of a beneficiary, and a consent to revocation of a beneficiary shall be made on a form provided by the administrator and is not effective until filed with the administrator.

(c) If a member fails to designate a beneficiary, or if no designated beneficiary survives the member, the death benefit shall be paid

(1) to the surviving spouse or, if there is none surviving;

(2) to the surviving children of the member in equal parts or, if there are none surviving;

(3) to the surviving parents in equal parts or, if there are none surviving;

(4) to the estate.
(d) A person claiming entitlement to benefits payable under AS 14.25.310 - 14.25.590 as a consequence of a member's death shall provide the administrator with a marriage certificate, divorce or dissolution judgment, or other evidence of entitlement. Documents establishing entitlement may be filed with the administrator immediately after a change in the member's marital status. If the administrator does not receive notification of a claim before the date 10 days after the member's death, the person claiming entitlement is not entitled to receive from the division of retirement and benefits any benefit already paid by the administrator.

Sec. 14.25.460. Rights under qualified domestic relations order. (a) Notwithstanding the nonalienation provisions in AS 14.25.500(a), the administrator may direct that benefits be paid to someone other than a member or beneficiary under a valid qualified domestic relations order that is executed by the judge of a competent court in accordance with applicable state law and that has been accepted by the administrator.

(b) The administrator shall determine whether an order meets the requirements of this section within a reasonable period after receiving an order. The administrator shall notify the member and any alternate payee that an order has been received and indicate to the member and any alternate payee when the order is accepted. A separate account for the alternate payee portion shall be established as soon as administratively feasible after the order has been accepted by the administrator.

Sec. 14.25.470. Eligibility for retirement and medical benefits. (a) In order to obtain medical benefits under AS 14.25.480, a member must retire directly from the plan. A member is eligible to retire from the plan if the member has been an active member for at least 12 months before application for retirement and

(1) the member has at least 30 years of service; or

(2) the member reaches the normal retirement age and has at least 10 years of service.

(b) The normal retirement age is the age set for Medicare eligibility at the time the member retires.

(c) A member's surviving spouse is eligible to elect medical benefits under AS 14.25.480 if the member had retired, or was eligible for retirement and medical
benefits at the time of the member's death.

   (d) A member shall apply for retirement and medical benefits on the forms and in the manner prescribed by the administrator.

   (e) Participation in the retiree major medical insurance plan is not required in order to participate in the health reimbursement arrangement.

   (f) A person eligible for retirement and medical benefits is not required to participate in the health reimbursement arrangement in order to elect participation in the retiree major medical insurance plan.

   (g) An eligible person shall make the irrevocable election to participate or not participate in the retiree major medical insurance plan by reaching 70 1/2 years of age, or upon application for retirement and medical benefits, whichever is later.

Sec. 14.25.480. Medical benefits. (a) The medical benefits available to eligible persons are access to the retiree major medical insurance plan and to the health reimbursement arrangement under AS 39.30.300. Access to the retiree major medical insurance plan means that an eligible person may not be denied insurance coverage except for failure to pay the required premium.

   (b) Retiree major medical insurance plan coverage elected by an eligible member under this section covers the eligible member, the spouse of the eligible member, and the dependent children of the eligible member.

   (c) Retiree major medical insurance plan coverage elected by a surviving spouse of an eligible member under this section covers the surviving spouse and the dependent children of the eligible member who are dependent on the surviving spouse.

   (d) Major medical insurance coverage takes effect on the first day of the month following the date of the administrator's approval of the election and stops when the person who elects coverage dies or fails to make a required premium payment.

   (e) The coverage for persons 65 years of age or older is the same as that available for persons under 65 years of age. The benefits payable to those persons 65 years of age or older supplement any benefits provided under the federal old age, survivors and disability insurance program.

   (f) The medical and optional insurance premiums owed by the person who
elects coverage may be deducted from the health reimbursement arrangement. If the amount of the health reimbursement arrangement becomes insufficient to pay the premiums, the person who elects coverage under (a) of this section shall pay the premiums directly.

(g) The cost of premiums for retiree major medical insurance coverage for an eligible member or surviving spouse who is

(1) not eligible for Medicare is an amount equal to the full monthly group premiums for retiree major medical insurance coverage;

(2) eligible for Medicare is the following percentage of the premium amounts established for retirees who are eligible for Medicare:

   (A) 30 percent if the member had 10 or more, but less than 15, years of service;
   (B) 25 percent if the member had 15 or more, but less than 20, years of service;
   (C) 20 percent if the member had 20 or more, but less than 25, years of service;
   (D) 15 percent if the member had 25 or more, but less than 30, years of service;
   (E) 10 percent if the member had 30 or more years of service.

(h) The eligibility for retiree major medical insurance coverage for an alternate payee under a qualified domestic relations order shall be determined based on the eligibility of the member to elect coverage. The alternate payee shall pay the full monthly premium for retiree major medical insurance coverage.

(i) A person who is entitled to retiree major medical insurance coverage shall

(1) be informed by the administrator in writing

   (A) that the health insurance coverage available to retired members may be different from the health insurance coverage provided to employees;

   (B) of time limits for selecting optional health insurance coverage and whether the election is irrevocable; and

   (2) indicate in writing on a form provided by the administrator that the
person has received the information required by this subsection and whether the
person has chosen to receive optional health insurance coverage.

(j) The monthly group premiums for retiree major medical insurance coverage
are established by the administrator in accordance with AS 39.30.095. Nothing in
AS 14.25.310 - 14.25.590 guarantees a person who elects coverage under (a) of this
section a monthly group premium rate for retiree major medical insurance coverage
other than the premium in effect for the month in which the premium is due for
coverage for that month.

(k) In this section, "health reimbursement arrangement" means the plan
established in AS 39.30.300.

Sec. 14.25.485. Occupational disability benefits and reemployment of
disabled members. (a) A member is eligible for an occupational disability benefit if
employment is terminated because of a total and apparently permanent occupational
disability before the member's normal retirement date.

(b) The occupational disability benefits accrue beginning the first day of the
month following termination of employment as a result of the disability and are
payable the last day of the month. If a final determination granting the benefit is not
made in time to pay the benefit when due, a retroactive payment shall be made to
cover the period of deferment. The last payment shall be for the first month in which
the disabled member

(1) dies;
(2) recovers from the disability;
(3) fails to meet the requirements under (f) or (h) of this section; or
(4) reaches normal retirement age.

(c) If the disabled member becomes ineligible to receive occupational
disability benefits before the normal retirement date, the disabled member shall then
be entitled to receive retirement benefits if the member would have been eligible for
the benefit had employment continued during the period of disability. The period of
disability constitutes membership service in regard to determining eligibility for
retirement.

(d) The monthly amount of an occupational disability benefit is 40 percent of
the disabled member's gross monthly compensation at the time of termination due to
disability. While a member is receiving disability benefits, based on the disabled
member's gross monthly compensation at the time of termination due to disability, the
employer shall make contributions to the

(1) member's individual account under AS 14.25.340 on behalf of the
member, without deduction from the member's disability payments; and

(2) appropriate accounts and funds on behalf of the member under

(e) A member is not entitled to an occupational disability benefit unless the
member files an application for an occupational disability benefit with the
administrator within 90 days after the date of terminating employment. If the member
is unable to meet a filing requirement of this subsection, the filing requirement may be
waived by the administrator if there are extraordinary circumstances that resulted in
the member's inability to meet the filing requirement.

(f) A disabled member receiving an occupational disability benefit shall
undergo a medical examination as often as the administrator considers advisable, but
not more frequently than once each year. The administrator shall determine the place
of the examination and engage the physician or physicians. If, in the judgment of the
administrator, the examination indicates that the disabled member is no longer
incapacitated because of a total and apparently permanent occupational disability, the
administrator may not issue further disability benefits to the member.

(g) A disabled member's occupational disability benefit terminates when the
disabled member first attains eligibility for normal retirement. At that time, the
member's retirement benefit shall be determined under the provisions of AS 14.25.420
- 14.25.440, 14.25.470, and 14.25.480. A member receiving disability benefits up
until eligibility for retirement shall be considered to have retired directly from the
plan.

(h) A member appointed to disability benefits shall apply to the division of
vocational rehabilitation of the Department of Labor and Workforce Development
within 30 days after the date disability benefits commence. The member shall be
enrolled in a rehabilitation program if the member meets the eligibility requirements
of the division of vocational rehabilitation. Unless the member demonstrates cause, benefits shall terminate at the end of the first month in which a disabled member

(1) fails to report to the division of vocational rehabilitation;

(2) is certified by the division of vocational rehabilitation as failing to cooperate in a vocational rehabilitation program;

(3) fails to interview for a job; or

(4) fails to accept a position offered.

(i) Upon the death of a disabled member who is receiving or is entitled to receive an occupational disability benefit, the administrator shall pay the surviving spouse a surviving spouse's pension, equal to 40 percent of the member's monthly compensation at the termination of employment because of occupational disability. If there is no surviving spouse, the administrator shall pay the survivor's pension in equal parts to the dependent children of the member. The first payment of the surviving spouse's pension or of a dependent child's pension shall accrue from the first day of the month following the member's death and is payable the last day of the month. The last payment shall be made for the last month in which there is an eligible surviving spouse or child. On the date the normal retirement of the member would have occurred if the member had lived, the retirement benefit shall be determined under the provisions of AS 14.25.420 - 14.25.440, 14.25.470, and 14.25.480. A member who died while receiving disability benefits shall be considered to have retired directly from the plan on the date the normal retirement of the member would have occurred if the member had lived.

(j) In this section, "occupational disability" has the meaning given in AS 39.35.680.

Sec. 14.25.487. Occupational death benefit. (a) If (1) the death of a member occurs before the member's retirement and before the member's normal retirement date, (2) the proximate cause of death is a bodily injury sustained or a hazard undergone while in the performance and within the scope of the member's duties, and (3) the injury or hazard is not the proximate result of willful negligence of the member, a monthly survivor's pension shall be paid to the surviving spouse. If there is no surviving spouse or if the spouse later dies, the monthly survivor's pension
shall be paid in equal parts to the dependent children of the member.

(b) The first payment of the surviving spouse's pension or of a dependent child's pension shall be made for the month following the month in which the member dies, and payment shall cease to be made beginning with the month in which the member would have first qualified for retirement.

(c) The monthly survivor's pension in (b) of this section for survivors of members is 40 percent of the member's monthly compensation in the month in which the member dies. While the monthly survivor's pension is being paid, the employer shall make contributions on behalf of the member's beneficiaries based on the deceased member's gross monthly compensation at the time of occupational death

(1) to the member's individual account under AS 14.25.340, without deduction from the survivor's pension; and

(2) to the appropriate accounts and funds on behalf of the member under AS 14.25.350.

(d) If a member's death is caused by an act of assault, assassination, or terrorism directly related to the person's status as a member, whether the act occurs on or off the member's job site, the death shall be considered to have occurred in the performance of and within the scope of the member's duties for purposes of (a)(2) of this section. If the expressed or apparent motive and intent of the perpetrator of the harm inflicted upon the member was due to the performance of the member's job duties or employment, the death shall be considered to be directly related to the member's status as a member. A member's job duties are those performed within the course and scope of the person's employment with an employer.

(e) On the date the normal retirement of the member would have occurred if the member had lived, the retirement benefit shall be determined under the provisions of AS 14.25.420 - 14.25.440, 14.25.470, and 14.25.480. A member who died and whose survivors receive occupational death benefits under this section shall be considered to have retired directly from the plan on the date the normal retirement of the member would have occurred if the member had lived.

Sec. 14.25.490. Amendment and termination of plan. (a) The state has the right to amend the plan at any time and from time to time, in whole or in part,
including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

(b) The plan administrator may not modify or amend the plan retroactively in such a manner as to reduce the benefits of any member accrued to date under the plan by reason of contributions made before the modification or amendment except to the extent that the reduction is permitted by the Internal Revenue Code.

(c) The state may, in its discretion, terminate the plan in whole or part at any time without liability for the termination. If the plan is terminated, all investments remain in force until all individual accounts have been completely distributed under the plan, and, after all plan liabilities are satisfied, excess assets revert to the employer.

(d) Any contribution made by an employer to the plan because of a mistake of fact must be returned to the employer by the administrator within one year after the contribution or discovery, whichever is later.

Sec. 14.25.500. Exclusive benefit. (a) The corpus or income of the assets held in trust as required by the plan may not be diverted or used for other than the exclusive benefit of the participants.

(b) If plan benefits are provided through the distribution of annuity or insurance contracts, any refunds or credits in excess of plan benefits due to dividends, earnings, or other experience rating credits, or surrender or cancellation credits, shall be paid to the trust fund.

(c) The assets of the plan may not be used to pay premiums or contributions of the employer under another plan maintained by the employer.

Sec. 14.25.510. Nonguarantee of returns, rates, or benefit amounts. The plan created by AS 14.25.310 - 14.25.590 is a defined contribution plan, not a defined benefit plan. The amount of money in the account of a participant depends on the amount of contributions and the rate of return from investments of the account that varies over time. If benefits are paid in the form of an annuity, the benefit amount payable is dependent on the amount of money in the account and the interest rates applied and service fees charged by the annuity payor at the time benefits are first paid. Nothing in this plan guarantees a participant

(1) a rate of return or interest rate other than that actually earned by the account of the participant, less applicable administrative expenses; or
(2) an annuity based on interest rates or service charges other than interest rates available from and service charges by the annuity payor in effect at the time the annuity is paid.

Sec. 14.25.520. Nonguarantee of employment. The provisions of AS 14.25.310 - 14.25.590 are not a contract of employment between an employer and an employee, nor do they confer a right of an employee to be continued in the employment of an employer, nor are they a limitation of the right of an employer to discharge an employee with or without cause.

Sec. 14.25.530. Fraud. (a) A person who knowingly makes a false statement or falsifies or permits to be falsified a record of this plan in an attempt to defraud the plan is guilty of a class A misdemeanor.

(b) In this section, "knowingly" has the meaning given in AS 11.81.900(a).

Sec. 14.25.540. Transfer into defined contribution retirement plan by nonvested members of defined benefit retirement plan. (a) Subject to (i) of this section, an active member of the defined benefit retirement plan of the teachers' retirement system is eligible to participate in the defined contribution retirement plan established under AS 14.25.310 - 14.25.590 if that member has not vested. Participation in the defined contribution retirement plan is in lieu of participation in the defined benefit retirement plan established under AS 14.25.009 - 14.25.220.

(b) A member who has vested in a defined benefit retirement plan is not eligible to transfer under this section.

(c) Each eligible member who elects to participate in the defined contribution retirement plan shall have transferred to a new account the member contribution account balance held in trust for the member under the defined benefit retirement plan of the teachers' retirement system. A matching employer contribution shall be made on behalf of that employee to the new account. The employer shall make the matching contribution from funds other than the trust funds of the defined benefit retirement plan.

(d) Upon a transfer, all membership service previously earned under the defined benefit retirement plan shall be nullified for purposes of entitlement to a future benefit under the defined benefit retirement plan but shall be credited for purposes of
eligibility to elect medical benefits under AS 14.25.470. Membership service allowed
for credit toward medical benefits does not include any service credit purchased under
AS 14.25.075 for employment by an employer who is not a participating employer in
this chapter.

(e) An eligible member whose accounts are subject to a qualified domestic
relations order may not make an election to participate in the defined contribution
retirement plan under this subsection unless the qualified domestic relations order is
amended or vacated and court-certified copies of the order are received by the
administrator.

(f) As directed by the participant, the board shall transfer or cause to be
transferred the appropriate amounts to the designated account. The board shall
establish transfer procedures by regulation, but the actual transfer may not be later
than 30 days after the effective date of the member's participation in the defined
contribution retirement plan unless the major financial markets for securities available
for a transfer are seriously disrupted by an unforeseen event that also causes the
suspension of trading on any national securities exchange in the country where the
securities were issued. In that event, the 30-day period of time may be extended by a
resolution of the board of trustees. Transfers are not commissionable or subject to
other fees and may be in the form of securities or cash as determined by the board.
Securities shall be valued as of the date of receipt in the participant's account.

(g) If the board or the administrator receives notification from the United
States Department of the Treasury, Internal Revenue Service, that this section or a
portion of this section will cause the retirement system under this chapter, or a portion
of the retirement system under this chapter, to be disqualified for tax purposes under
the Internal Revenue Code, the portion that will cause the disqualification does not
apply, and the board and the administrator shall notify the presiding officers of the
legislature.

(h) The election to participate in the defined contribution retirement plan must
be made in writing on forms and in the manner prescribed by the administrator.
Before accepting an election to participate in the defined contribution retirement plan,
the administrator must provide the employee planning on making an election to
participate in the defined contribution retirement plan with information, including calculations to illustrate the effect of moving the employee's retirement plan from the defined benefit retirement plan to the defined contribution retirement plan as well as other information to clearly inform the employee of the potential consequences of the employee's election. An election made under this subsection to participate in the defined contribution retirement plan is irrevocable. Upon making the election, the participant shall be enrolled as a member of the defined contribution retirement plan, the member's participation in the plan shall be governed by the provisions of AS 14.25.310 - 14.25.590, and the member's participation in the defined benefit retirement plan under AS 14.25.009 - 14.25.220 shall terminate. The participant's enrollment in the defined contribution retirement plan shall be effective the first day of the month after the administrator receives the completed enrollment forms. An election made by an eligible member who is married is not effective unless the election is signed by the individual's spouse.

(i) A member may make an election under this section only if the member's employer participates in both the defined benefit retirement plan and the defined contribution retirement plan and consents to transfers under this section. The employer shall notify the administrator if the employer consents to allowing the employer's members to choose to transfer from the defined benefit retirement plan to the defined contribution retirement plan under this section. An employer's notice to allow transfers is irrevocable and applicable to all eligible employees of the employer.

(j) In this section,

(1) "defined benefit retirement plan" means the retirement plan established in AS 14.25.009 - 14.25.220;

(2) "defined contribution retirement plan" means the retirement plan established in AS 14.25.310 - 14.25.590.

Sec. 14.25.550. Membership in teachers' and public employees' retirement systems. A person who is employed at least half-time in the public employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the same period that the person is employed at least half-time in a position in the teachers' defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited
service under each plan for half-time employment. However, the amount of credited
service a person receives under the public employees' defined contribution retirement
plan during a school year may not exceed the amount necessary, when added to the
amount of credited service earned during the school year under the teachers' defined
contribution retirement plan, to equal one year of credited service.

Sec. 14.25.560. Legislators who have been teachers. (a) A state legislator
who was an active member of the defined contribution plan under other sections of
AS 14.25.310 - 14.25.590 within the 12 months immediately preceding election to
office may, subject to the requirements of (b) of this section, elect to be an active
member of the teachers' defined contribution retirement plan for as long as the state
legislator serves continuously as a state legislator if, within 90 days after taking the
oath of office,

(1) the state legislator directs the employer in writing to
   (A) pay into this plan the employer contributions required for a
       member under AS 14.25.310 - 14.25.590; and
   (B) deduct from the state legislator's salary and pay into this
       plan
       (i) the employee contributions required for a member
           under AS 14.25.310 - 14.25.590; and
       (ii) an amount equal to the difference between the total
           employer and state contributions required for a member under
           AS 14.25.310 - 14.25.590 and the employer contributions that would be
           required under the public employees' defined contribution retirement
           plan (AS 39.35.700 - 39.35.990) if the legislator were covered under
           that plan; and
   (2) notice is given the administrator in writing.

(b) A state legislator is not entitled to elect membership under (a) of this
section if the state legislator is covered for the same period of service under the public
employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990). An
election of membership under (a) of this section is retroactive to the date the state
legislator took the oath of office. A state legislator may not receive membership credit
under (a) of this section for legislative service performed before the legislative session
during which the state legislator elected membership under (a) of this section. In order
to continue in membership service under (a) of this section, the state legislator must
earn at least 0.3 years of membership service under other sections of AS 14.25.310 -
14.25.590 during each five-year period.

Sec. 14.25.570. Participation by National Education Association
employees. An employee or former employee of the National Education Association
of Alaska may participate in the teachers' defined contribution retirement plan under
AS 14.25.310 - 14.25.590 if the employee or former employee possesses or is eligible
to possess a teacher certificate under AS 14.20.020.

Sec. 14.25.580. Participation by Special Education Service Agency
employees. An employee of the Special Education Service Agency may participate in
the system under this chapter if the employee possesses or is eligible to possess a
teacher certificate under AS 14.20.020.

requires otherwise,

(1) "administrator" has the meaning given in AS 14.25.220;
(2) "alternate payee" means a person entitled to a portion of the
distribution from an individual account under a qualified domestic relations order;
(3) "annuitant" means a member, beneficiary, or alternate payee who is
receiving a benefit under this plan;
(4) "beneficiary" means the person or persons entitled to receive
benefits that may be due from the plan upon the death of the member or alternate
payee;
(5) "board" has the meaning given in AS 14.25.220;
(6) "calendar year" has the meaning given in AS 39.35.680;
(7) "compensation"
(A) means
(i) the total remuneration earned by an employee for
personal services rendered, including cost-of-living differentials, as
reported on the employee's Federal Income Tax Withholding Statement
(Form W-2) from the employer for the calendar year;

(ii) the member contribution to the teachers’ retirement system under AS 14.25.340;

(B) does not include retirement benefits, severance pay or other separation bonuses, welfare benefits, per diem, expense allowances, workers' compensation payments, payments for leave not used whether those leave payments are scheduled payments, lump-sum payments, donations, or cash-ins, any remuneration contributed by the employer for or on account of the employee under this plan or under any other qualified or nonqualified employee benefit plan, any remuneration not specifically included above that would have been excluded under 26 U.S.C. 3121(a) (Internal Revenue Code) if the employer had remained in the Federal Social Security System, or any remuneration paid by the employer in excess of the Social Security Taxable Wage Base for the calendar year;

(C) notwithstanding (B) of this paragraph, includes any amount that is contributed by the employer under a salary reduction agreement and that is not includible in the gross income of the employee under 26 U.S.C. 125, 132(f)(4), 402(e)(3), 402(h)(1)(B), or 403(b) (Internal Revenue Code); the annual compensation limitation for the member, which is so taken into account for those purposes, may not exceed $200,000, as adjusted for the cost of living in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the limitation for a fiscal year being the limitation in effect for the calendar year within which the fiscal year begins;

(8) "dependent child" has the meaning given in AS 14.25.220;

(9) "distribution commencement date" has the meaning given in AS 14.25.440(a);

(10) "employer" means a public school district, the Board of Regents of the University of Alaska, the Department of Education and Early Development, or the regional resource centers;

(11) "fund" means the assets of the plan;

(12) "individual account" means the total maintained by the plan in an
investment account within the trust fund, established for each member for the purposes
of allocation of the member's contributions, employer contributions on behalf of the
member, and earnings credited to each of those contributions, investment gains and
losses, and expenses, as well as reporting of the member's benefit under the plan;

(13) "Internal Revenue Code" has the meaning given in AS 14.25.220;

(14) "investment funds" means those separate funds that are provided
within and that make up the trust fund and that are established for the purpose of
directing investment through the exercise of the sole control of a member, beneficiary,
or alternate payee under the terms of the plan and trust agreement;

(15) "limitation year" means the year for which contributions are made
to a member's individual account as reported to the Internal Revenue Service under the
limits described in 26 U.S.C. 415(c);

(16) "member" means an employee of an employer or a former
employee of an employer who retains a right to benefits under the plan;

(17) "membership service" means full-time or part-time employment
with an employer in the plan;

(18) "normal retirement age" means the age set for Medicare eligibility
at the time the member retires;

(19) "participant" means the person who has a vested right to an
individual account, such as a member, an alternate payee if the account is subject to a
qualified domestic relations order, the member's beneficiary if the member is
deceased, or an alternate payee's beneficiary if the alternate payee is deceased;

(20) "plan" means the retirement benefit plan established under
AS 14.25.310 - 14.25.590;

(21) "prudent investment standard" means the degree of care, skill,
prudence, and diligence under the circumstances then prevailing that a prudent person
acting in a like capacity and familiar with such matters would use in the conduct of an
enterprise of a like character and with like aims;

(22) "qualified domestic relations order" means a divorce or
dissolution judgment under AS 25.24, including an order approving a property
settlement, that
(A) creates or recognizes the existence of an alternate payee's right to, or assigns to an alternate payee the right to, receive all or a portion of the individual account, or the benefits payable with respect to a member;

(B) sets out the name and last known mailing address, if any, of the member and of each alternate payee covered by the order;

(C) sets out the amount or percentage of the member's benefit, or of any survivor's benefit, to be paid to the alternate payee, or sets out the manner in which that amount or percentage is to be determined;

(D) sets out the number of payments or period to which the order applies;

(E) sets out the retirement plan to which the order applies;

(F) does not require any type or form of benefit or any option not otherwise provided by AS 14.25.310 - 14.25.590;

(G) does not require an increase of benefits in excess of the amount provided by AS 14.25.310 - 14.25.590; and

(H) does not require the payment, to an alternate payee, of benefits that are required to be paid to another alternate payee under another order previously determined to be a qualified domestic relations order;

(23) "retiree" means an eligible person who has elected to receive the medical benefits under AS 14.25.480;

(24) "retirement fund" or "fund" means the fund in which the assets of the plan, including income and interest derived from the investment of money, are deposited and held;

(25) "school year" has the meaning given in AS 14.25.220;

(26) "system" has the meaning given in AS 14.25.220;

(27) "teacher" and "member" are used interchangeably under AS 14.25.310 - 14.25.590 and mean a person eligible to participate in the plan and who is covered by the plan, limited to

(A) a certificated full-time or part-time elementary or secondary teacher, a certificated school nurse, or a certificated person in a position requiring a teaching certificate as a condition of employment in a
public school of the state, the Department of Education and Early
Development, or the Department of Labor and Workforce Development;

(B) a full-time or part-time teacher of the University of Alaska
or a person occupying a full-time administrative position at the University of
Alaska that requires academic standing; the approval of the administrator must
be obtained before an administrative position qualifies for membership in the
plan; however, a teacher or administrative person at the university who is
participating in a university retirement program under AS 14.40.661 -
14.40.799 is not a member under this plan;

(C) a full-time or part-time instructor of the Department of
Labor and Workforce Development;

(28) "year of service" means service during the dates set for the school
year; partial-year service credit is given for membership service as follows:

(A) during any school year,

(i) less than nine days, no credit;
(ii) nine days or more but less than 27 days, 0.1 years;
(iii) 27 days or more but less than 45 days, 0.2 years;
(iv) 45 days or more but less than 63 days, 0.3 years;
(v) 63 days or more but less than 81 days, 0.4 years;
(vi) 81 days or more but less than 100 days, 0.5 years;
(vii) 100 days or more but less than 118 days, 0.6 years;
(viii) 118 days or more but less than 136 days, 0.7
years;
(ix) 136 days or more but less than 154 days, 0.8 years;
(x) 154 days or more but less than 172 days, 0.9 years;
(xi) 172 days or more, 1.0 years;

(B) service performed on a part-time basis of half time or more
shall be credited in proportion to the amount of credit that would have been
received for service performed on a full-time basis.

* Sec. 36. AS 14.40.280(c) is amended to read:

(c) Except as provided by (b) of this section, the monetary gifts, bequests, or
endowments that are made to the University of Alaska shall be managed and invested by the Board of Regents. In carrying out its management and investment responsibilities under this subsection, the Board of Regents has the same power and obligations to carry out duties with respect to the endowments of the University of Alaska as are provided to and required of the Alaska Retirement Management [STATE PENSION INVESTMENT] Board under AS 37.10.220 [AS 14.25.180].

* Sec. 37. AS 14.40.400(b) is amended to read:

(b) The Board of Regents is the fiduciary of the fund. The Board of Regents shall account for and invest the fund. In carrying out its investment responsibilities under this subsection, the Board of Regents has the same powers and duties with respect to the fund as are provided to and required of the Alaska Retirement Management [STATE PENSION INVESTMENT] Board under AS 37.10.220 [AS 14.25.180].

* Sec. 38. AS 14.40.661 is amended to read:

Sec. 14.40.661. Authority of board. (a) The board may establish and maintain [AN OPTIONAL] university retirement programs [PROGRAM] for eligible employees in which retirement and death benefits are provided through the purchase of annuity contracts, either fixed, variable, or a combination of fixed and variable. Participation in a university retirement [THE] program is in place of participation in a state retirement system. The university may establish retirement programs for new employees in a participating position at any time. Retirement programs must be optional.

(b) The board shall

(1) provide for the administration of the retirement programs [PROGRAM], including procedures for resolving complaints from participating employees;

(2) designate the company or companies to which payment of the contributions required under AS 14.40.691 may be made, after considering the

(A) nature and extent of the rights and benefits that the contracts will provide to employees who elect to participate and to their beneficiaries;
(B) relation of the contractual rights and benefits to the contributions to be made under AS 14.40.661 - 14.40.799;

(C) suitability of the contractual rights and benefits to the needs and interests of employees who [ELECTING TO] participate and to the interest of the university in the employment and retention of employees;

(D) ability of the designated company or companies to provide rights and benefits under the contracts; and

(E) efficacy of the contracts in the recruitment and retention of faculty and administrators;

(3) take other actions required to ensure that the retirement programs comply with applicable provisions of 26 U.S.C. 401 - 417 [PROGRAM QUALIFIES AS A QUALIFIED TRUST UNDER 26 U.S.C. 401(a)] (Internal Revenue Code).

* Sec. 39. AS 14.40.671 is amended to read:

Sec. 14.40.671. Participation. (a) An employee in a participating position may elect to participate in a [THE OPTIONAL] university retirement program or to participate in the appropriate state retirement system. Eligibility to participate in a [THE] program begins on an employee's appointment to a participating position.

(b) An election under (a) of this section to participate in a university retirement [THE] program is irrevocable. The election shall be made in writing on a form provided by the board and approved for the state by the commissioner of administration. The form must be filed with the university not later than 30 days after the date on which the employee is notified by the university that the employee is eligible to participate in the program. A copy of the form shall be delivered to the appropriate state retirement system. The election becomes irrevocable on the date it is received by the board.

(c) Participation in a university retirement [THE ELECTION TO PARTICIPATE IN THE] program constitutes a waiver of all rights and benefits under the state retirement systems earned on or after the effective date of the election while the employee is participating in a university retirement [THE] program.

(d) Except as provided in (e) of this section, if a nonvested member of a state
retirement system participates [ELECTS TO PARTICIPATE] in a university retirement [THE] program, the employee may choose to transfer the amount in the employee's contribution account to a university retirement [THE] program. If the employee chooses to transfer the account, the appropriate state retirement system shall pay to the university on behalf of the employee an amount equal to the balance in the account. The payment must be made within 45 days after notice of the employee's decision to transfer the employee's contribution account to a university retirement program [THE ELECTION] is received by the state retirement system. The financial officer of the university shall immediately pay the amount received to the designated company or companies for the benefit of the employee. An employee who transfers assets under this subsection may not reclaim the corresponding service in the state retirement system if the employee is reemployed under the state retirement system.

(e) An employee whose rights to transfer assets out of a state retirement system are subject to a qualified domestic relations order is entitled to transfer assets from the state retirement system to a university retirement [THE] program only if the requirements for receiving a refund under AS 14.25.150(b) or AS 39.35.200(c), as appropriate, are met.

(f) If a vested member of a state retirement system elects to participate in a university retirement [THE] program, the employee ceases to be an active member of the state retirement system on the effective date of the participation in a university retirement [THE] program. The employee retains all benefits accrued in the state retirement system.

(g) An employee who does not [ELECT TO] participate in a university retirement [THE] program under this section becomes or remains a member of the appropriate state retirement system.

* Sec. 40. AS 14.40.671(e) is amended to read:

(e) An employee whose rights to transfer assets out of a state retirement system are subject to a qualified domestic relations order is entitled to transfer assets from the state retirement system to a university retirement program only if the requirements for receiving a refund under AS 14.25.150(b), 14.25.360, [OR]
AS 39.35.200(c), or 39.35.760, as appropriate, are met.

* Sec. 41. AS 14.40.671 is amended by adding a new subsection to read:

(h) Notwithstanding (b) of this section, the university may offer an employee who made an election not to participate in an optional university retirement program at the time the employee was eligible to participate in the program an option to enroll in a different university retirement program.

* Sec. 42. AS 14.40.681 is amended to read:

Sec. 14.40.681. Retirement system membership. An [ELIGIBLE] employee participating [ELECTING TO PARTICIPATE] in a university retirement program may not participate in a state retirement system during the time the employee is employed in a participating position. If the employee is later employed in a position covered by a state retirement system that is not a participating position, the employee may not continue to participate in a university retirement program and shall begin to participate in the state retirement system.

* Sec. 43. AS 14.40.691(c) is amended to read:

(c) The board may specify that contributions required by this section are made by a reduction in salary under 26 U.S.C. 403(b) or 26 U.S.C. 414(h)(2) (Internal Revenue Code).

* Sec. 44. AS 14.40.701 is amended to read:

Sec. 14.40.701. Benefits. Payment of benefits to participants of the program is the responsibility of the company or companies designated by the board and is not the responsibility of the board, the university, or the state. The benefits are payable to participants or their beneficiaries in accordance with the terms of the applicable retirement plan document [ANNUITY CONTRACT OR CONTRACTS. HOWEVER, RETIREMENT BENEFITS MUST BE PAID IN THE FORM OF A LIFETIME INCOME. EXCEPT FOR DEATH BENEFITS, A SINGLE-SUM CASH PAYMENT IS NOT PERMITTED UNDER THIS SECTION].

* Sec. 45. AS 14.40.799(3) is amended to read:

(3) "contribution account" means the member contribution account under AS 14.25.009 - 14.25.220 [AS 14.25] or the employee contribution account under AS 39.35.095 - 39.35.680 [AS 39.35], whichever is appropriate;
*Sec. 46.* AS 14.40.799(3) is amended to read:

(3) "contribution account" means the member contribution account under AS 14.25.009 - 14.25.220, **the individual account under AS 14.25.310 - 14.25.590,** [OR] the employee contribution account under AS 39.35.095 - 39.35.680, or **the individual account under AS 39.35.700 - 39.35.990,** whichever is appropriate;

*Sec. 47.* AS 14.40.799(5) is amended to read:

(5) "participating position" means a position that is a permanent position that is at least a .5 full-time appointment **and is included in the applicable retirement plan document** [AS

(A) A FACULTY APPOINTMENT; OR

(B) AN ADMINISTRATOR AND THE POSITION HAS BEEN DESIGNATED BY THE BOARD FOR INCLUSION IN THE PROGRAM];

*Sec. 48.* AS 14.40.799(6) is amended to read:

(6) "program" means a [THE OPTIONAL] university retirement program;

*Sec. 49.* AS 14.40.799 is amended by adding a new paragraph to read:

(8) "university" means the University of Alaska.

*Sec. 50.* AS 22.25.048(c) is amended to read:

(c) The Alaska **Retirement Management** [STATE PENSION INVESTMENT] Board is the fiduciary of the fund and has the same powers and duties under this section in regard to the judicial retirement trust fund as are provided in **AS 37.10.220** [AS 14.25.180].

*Sec. 51.* AS 22.25.900(1) is amended to read:

(1) "actuarial equivalent" means the adjustment necessary to obtain equality in value of the aggregate expected payments under two different forms of pension payments, considering expected mortality and interest earnings on the basis of assumptions, factors, and methods specified in regulations issued under the system that are formally adopted [UNDER AS 22.25.027] by the **Alaska Retirement Management Board** [COMMISSIONER OF ADMINISTRATION] that clearly preclude employer discretion in the determination of the amount of any justice's,
judge's, or member's benefit;

* Sec. 52. AS 26.05.226(a) is amended to read:

    (a) The Department of Military and Veterans' Affairs shall contribute to the Alaska National Guard and Alaska Naval Militia retirement system the amounts determined by the Alaska Retirement Management Board [COMMISSIONER OF ADMINISTRATION] as necessary to

    (1) fund the system based on the actuarial requirements of the system as established by the Alaska Retirement Management Board [COMMISSIONER OF ADMINISTRATION]; and

    (2) administer the system.

* Sec. 53. AS 26.05.228(c) is amended to read:

    (c) The Alaska Retirement Management [STATE PENSION INVESTMENT] Board is the fiduciary of the fund and has the same powers and duties under this section in regard to the fund as are provided under AS 37.10.220 [AS 14.25.180].

* Sec. 54. AS 36.30.015(f) is amended to read:

    (f) The board of directors of the Alaska Housing Finance Corporation, notwithstanding AS 18.56.088, and the board of directors of the Knik Arm Bridge and Toll Authority under AS 19.75.111, shall adopt regulations under AS 44.62 (Administrative Procedure Act) and the board of trustees of the Alaska Retirement Management [STATE PENSION INVESTMENT] Board shall adopt regulations under AS 37.10.240 to govern the procurement of supplies, services, professional services, and construction for the respective public corporation and board. The regulations must reflect competitive bidding principles and provide vendors reasonable and equitable opportunities to participate in the procurement process and must include procurement methods to meet emergency and extraordinary circumstances. Notwithstanding the other provisions of this subsection, the Alaska Housing Finance Corporation, the Knik Arm Bridge and Toll Authority, and the Alaska Retirement Management [STATE PENSION INVESTMENT] Board shall comply with AS 36.30.170(b).

* Sec. 55. AS 36.30.990(1) is amended to read:
(1) "agency"

(A) means a department, institution, board, commission, division, authority, public corporation, the Alaska Pioneers' Home, the Alaska Veterans' Home, or other administrative unit of the executive branch of state government;

(B) does not include

(i) the University of Alaska;

(ii) the Alaska Railroad Corporation;

(iii) the Alaska Housing Finance Corporation;

(iv) a regional Native housing authority created under AS 18.55.996 or a regional electrical authority created under AS 18.57.020;

(v) the Department of Transportation and Public Facilities, in regard to the repair, maintenance, and reconstruction of vessels, docking facilities, and passenger and vehicle transfer facilities of the Alaska marine highway system;

(vi) the Alaska Aerospace Development Corporation;

(vii) the Alaska Retirement Management [STATE PENSION INVESTMENT] Board;

(viii) the Alaska Seafood Marketing Institute;

*Sec. 56.* AS 37.10.071(d) is amended to read:

(d) In exercising investment, custodial, or depository powers or duties under this section, the fiduciary or the fiduciary's designee is liable for a breach of a duty that is assigned or delegated under this section, or under [AS 14.25.180,] AS 14.40.255, 14.40.280(c), 14.40.400(b), AS 37.10.070, AS 37.14.110(c), 37.14.160, or 37.14.170 [, OR AS 39.35.080]. However, the fiduciary or the designee is not liable for a breach of a duty that has been delegated to another person if the delegation is prudent under the applicable standard of prudence set out in statute or if the duty is assigned by law to another person, except to the extent that the fiduciary or designee

(1) knowingly participates in, or knowingly undertakes to conceal, an act or omission of another person knowing that the act or omission is a breach of that
person's duties under this chapter;

(2) by failure to comply with this section in the administration of specific responsibilities, enables another person to commit a breach of duty; or

(3) has knowledge of a breach of duty by another person, unless the fiduciary or designee makes reasonable efforts under the circumstances to remedy the breach.

* Sec. 57. AS 37.10.071(f) is amended to read:

(f) In this section, “fiduciary of a state fund” or "fiduciary" means

(1) the commissioner of revenue for investments under AS 37.10.070;

(2) with respect to the Alaska Retirement Management [STATE PENSION INVESTMENT] Board, for investments of the collective funds that it manages and administers [UNDER OR SUBJECT TO AS 14.25.180],

(A) each trustee who serves on the board of trustees; and

(B) any other person who exercises control or authority with respect to management or disposition of assets for which the board is responsible or who gives investment advice to the board; or

(3) the person or body provided by law to manage the investments for investments not subject to [AS 14.25.180 OR] AS 37.10.070.

* Sec. 58. AS 37.10.210 is repealed and reenacted to read:

Sec. 37.10.210. Alaska Retirement Management Board. (a) The Alaska Retirement Management Board is established in the Department of Revenue. The board's primary mission is to serve as the trustee of the assets of the state's retirement systems, the State of Alaska Supplemental Annuity Plan, and the deferred compensation program for state employees. Consistent with standards of prudence, the board has the fiduciary obligation to manage and invest these assets in a manner that is sufficient to meet the liabilities and pension obligations of the systems, plan, and program. The board may, with the approval of the commissioner of revenue and upon agreement with the responsible fiduciary, manage and invest other state funds so long as the activity does not interfere with the board's primary mission. In making investments, the board shall exercise the powers and duties of a fiduciary of a state fund under AS 37.10.071.
(b) The Alaska Retirement Management Board consists of nine trustees, as follows:

(1) two members, consisting of the commissioner of administration and the commissioner of revenue;

(2) seven trustees appointed by the governor who meet the eligibility requirements for an Alaska permanent fund dividend and who are professionally credentialed or have recognized competence in investment management, finance, banking, economics, accounting, pension administration, or actuarial analysis as follows:

(A) two trustees who are members of the general public; the trustees appointed under this subparagraph may not hold another state office, position, or employment and may not be members or beneficiaries of a retirement system managed by the board;

(B) one trustee who is employed as a finance officer for a political subdivision participating in either the public employees' retirement system or the teachers' retirement system;

(C) two trustees who are members of the public employees' retirement system, selected from a list of four nominees submitted from among the public employees' retirement system bargaining units;

(D) two trustees who are members of the teachers' retirement system selected from a list of four nominees submitted from among the teachers' retirement system bargaining units;

(E) the lists of the nominees shall be submitted to the governor under (C) and (D) of this paragraph within the time period specified in regulations adopted under AS 37.10.240(a).

(c) The trustees, other than the two commissioners, shall serve for staggered terms of four years and may be reappointed to the board.

(d) The governor may, by written notice to the trustee, remove an appointed trustee for cause. After an appointed trustee receives written notice of removal, the trustee may not participate in board business and may not be counted for purposes of establishing a quorum.
(e) A vacancy on the board of trustees shall be promptly filled. A person filling a vacancy holds office for the balance of the unexpired term of the person’s predecessor. A vacancy on the board does not impair the authority of a quorum of the board to exercise all the powers and perform all the duties of the board.

(f) Five trustees constitute a quorum for the transaction of business and the exercise of the powers and duties of the board.

(g) A trustee may not designate another person to serve on the board in the absence of the trustee.

(h) The board shall provide annual training to its members on the duties and powers of a fiduciary of a state fund and other training as necessary to keep the members of the board educated about pension management and investment.

(i) The board shall elect a trustee to serve as chair and a trustee to serve as vice-chair for one-year terms. A trustee may be reelected to serve additional terms as chair or vice-chair.

* Sec. 59. AS 37.10 is amended by adding a new section to read:

**Sec. 37.10.215. Attorney general.** The attorney general is the legal counsel for the board and shall advise the board and represent it in a legal proceeding.

* Sec. 60. AS 37.10.220 is repealed and reenacted to read:

**Sec. 37.10.220. Powers and duties of the board.** (a) The board shall

(1) hold regular and special meetings at the call of the chair or of at least five members; meetings are open to the public, and the board shall keep a full record of all its proceedings;

(2) after reviewing recommendations from the Department of Revenue, adopt investment policies for each of the funds entrusted to the board;

(3) determine the appropriate investment objectives for the defined benefit plans established under the teachers’ retirement system under AS 14.25 and the public employees’ retirement system under AS 39.35;

(4) assist in prescribing the policies for the proper operation of the systems and take other actions necessary to carry out the intent and purpose of the systems in accordance with AS 37.10.210 - 37.10.390;

(5) provide a range of investment options and establish the rules by
which participants can direct their investments among those options with respect to accounts established under

(A) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary Annuity Plan); and

(B) AS 39.45.010 - 39.45.060 (public employees' deferred compensation program);

(6) establish the rate of interest that shall be annually credited to each member's individual contribution account in accordance with AS 14.25.145 and AS 39.35.100; the rate of interest shall be adopted on the basis of the probable effective rate of interest on a long-term basis, and the rate may be changed from time to time;

(7) adopt a contribution surcharge as necessary under AS 39.35.160(c);

(8) coordinate with the retirement system administrator to have an annual actuarial valuation of each retirement system prepared to determine system assets, accrued liabilities, and funding ratios and to certify to the appropriate budgetary authority of each employer in the system

(A) an appropriate contribution rate for normal costs; and

(B) an appropriate contribution rate for liquidating any past service liability;

(9) review actuarial assumptions prepared and certified by a member of the American Academy of Actuaries and conduct experience analyses of the retirement systems not less than once every four years, except for health cost assumptions, which shall be reviewed annually; the results of all actuarial assumptions prepared under this paragraph shall be reviewed and certified by a second member of the American Academy of Actuaries before presentation to the board;

(10) contract for an independent audit of the state's actuary not less than once every four years;

(11) contract for an independent audit of the state's performance consultant not less than once every four years;

(12) obtain an external performance review to evaluate the investment policies of each fund entrusted to the board and report the results of the review to the
appropriate fund fiduciary;

(13) by the first day of each regular legislative session, report to the
governor, the legislature, and the individual employers participating in the state's
retirement systems on the financial condition of the systems in regard to

(A) the valuation of trust fund assets and liabilities;
(B) current investment policies adopted by the board;
(C) a summary of assets held in trust listed by the categories of
investment;
(D) the income and expenditures for the previous fiscal year;
(E) the return projections for the next calendar year;
(F) one-year, three-year, five-year, and 10-year investment
performance for each of the funds entrusted to the board; and
(G) other statistical data necessary for a proper understanding
of the financial status of the systems;

(14) submit quarterly updates of the investment performance reports to
the Legislative Budget and Audit Committee; and

(15) develop an annual operating budget.

(b) The board may

(1) employ outside investment advisors to review investment policies;
(2) enter into an agreement with the fiduciary of another state fund in
order to assume the management and investment of those assets;
(3) contract for other services necessary to execute the board's powers
and duties;
(4) enter into confidentiality agreements that would exempt records
from AS 40.25.110 and 40.25.120 if the records contain information that could affect
the value of investment by the board or that could impair the ability of the board to
acquire, maintain, or dispose of investments.

(c) Expenses for the board and the operations of the board shall be paid from
the retirement fund.

* Sec. 61. AS 37.10.220(a) is amended to read:

(a) The board shall
(1) hold regular and special meetings at the call of the chair or of at least five members; meetings are open to the public, and the board shall keep a full record of all its proceedings;

(2) after reviewing recommendations from the Department of Revenue, adopt investment policies for each of the funds entrusted to the board;

(3) determine the appropriate investment objectives for the defined benefit plans established under the teachers' retirement system under AS 14.25 and the public employees' retirement system under AS 39.35;

(4) assist in prescribing the policies for the proper operation of the systems and take other actions necessary to carry out the intent and purpose of the systems in accordance with AS 37.10.210 - 37.10.390;

(5) provide a range of investment options and establish the rules by which participants can direct their investments among those options with respect to accounts established under

(A) **AS 14.25.340 - 14.25.350 (teachers' retirement system defined contribution individual accounts)**;

(B) **AS 39.30.150 - 39.30.180 (State of Alaska Supplementary Annuity Plan)**;

(C) **AS 39.35.730 - 39.35.750 (public employees' retirement system defined contribution individual accounts)**; and

(D) **[B] AS 39.45.010 - 39.45.060 (public employees' deferred compensation program)**;

(6) establish the rate of interest that shall be annually credited to each member's individual contribution account in accordance with AS 14.25.145 and AS 39.35.100 **and the rate of interest that shall be annually credited to each member's account in the health reimbursement arrangement plan under AS 39.30.300 - 39.30.495**; the rate of interest shall be adopted on the basis of the probable effective rate of interest on a long-term basis, and the rate may be changed from time to time;

(7) adopt a contribution surcharge as necessary under AS 39.35.160(c);

(8) coordinate with the retirement system administrator to have an...
annual actuarial valuation of each retirement system prepared to determine system
assets, accrued liabilities, and funding ratios and to certify to the appropriate
budgetary authority of each employer in the system

(A) an appropriate contribution rate for normal costs; and
(B) an appropriate contribution rate for liquidating any past
service liability;

(9) review actuarial assumptions prepared and certified by a member
of the American Academy of Actuaries and conduct experience analyses of the
retirement systems not less than once every four years, except for health cost
assumptions, which shall be reviewed annually; the results of all actuarial assumptions
prepared under this paragraph shall be reviewed and certified by a second member of
the American Academy of Actuaries before presentation to the board;

(10) contract for an independent audit of the state's actuary not less
than once every four years;

(11) contract for an independent audit of the state's performance
consultant not less than once every four years;

(12) obtain an external performance review to evaluate the investment
policies of each fund entrusted to the board and report the results of the review to the
appropriate fund fiduciary;

(13) by the first day of each regular legislative session, report to the
governor, the legislature, and the individual employers participating in the state's
retirement systems on the financial condition of the systems in regard to

(A) the valuation of trust fund assets and liabilities;
(B) current investment policies adopted by the board;
(C) a summary of assets held in trust listed by the categories of
investment;
(D) the income and expenditures for the previous fiscal year;
(E) the return projections for the next calendar year;
(F) one-year, three-year, five-year, and 10-year investment
performance for each of the funds entrusted to the board; and
(G) other statistical data necessary for a proper understanding
of the financial status of the systems;

(14) submit quarterly updates of the investment performance reports to the Legislative Budget and Audit Committee; and

(15) develop an annual operating budget.

* Sec. 62. AS 37.10.250 is amended to read:

**Sec. 37.10.250. Compensation of trustees.** Trustees, other than trustees who are employees of the state, or a political subdivision of the state, or a school district or regional educational attendance area in the state, receive an honorarium of $400 [$150] for each day spent at a meeting of the board or at a meeting of a subcommittee of the board or at a public meeting as a representative of the board, including a day in which a trustee travels to or from a meeting. Trustees who are state employees are entitled to administrative leave for service as a trustee. Trustees who are employees of a political subdivision of the state or a school district or regional educational attendance area in the state are entitled to leave benefits provided by their employers comparable to those provided to state employees for service as a trustee. Trustees are entitled to per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

* Sec. 63. AS 37.10.270(a) is amended to read:

(a) The board may appoint an investment advisory council composed of at least three and not more than five members. Members of the council shall possess experience and expertise in financial investments and management of investment portfolios for public, corporate, or union pension benefit funds, foundations, or endowments.

* Sec. 64. AS 37.10.390 is amended to read:

**Sec. 37.10.390. Definitions.** In AS 37.10.210 - 37.10.390, unless the context otherwise requires,

(1) "board" means the board of trustees of the Alaska Retirement Management [STATE PENSION INVESTMENT] Board;

(2) "fund" means the fund or funds composed of the assets of each of the retirement systems administered and managed by the board;

(3) "recognized competence" means a minimum of 10 years'
professional experience working or teaching in the field of investment
management, finance, banking, economics, accounting, pension administration,
or actuarial analysis;

(4) "retirement systems" or "systems" means the teachers' retirement
system, the judicial retirement system, the Alaska National Guard and Alaska Naval
Militia retirement system, [AND] the public employees' retirement system, the State
of Alaska Teachers' and Public Employees' Retiree Health Reimbursement
Arrangement Plan, and the elected public officers' retirement system under
former AS 39.37.

* Sec. 65. AS 37.14.160 is amended to read:

Sec. 37.14.160. Duties of the commissioner of revenue. The commissioner
of revenue is the treasurer of the trust fund created in AS 37.14.110 and shall

(1) in carrying out investment duties under this section, exercise the
same powers and duties established for the Alaska Retirement Management [STATE
PENSION INVESTMENT] Board in AS 37.10.220 [AS 14.25.180(c)];

(2) deposit the principal and income from investments in separate
principal and income accounts for the fund;

(3) invest and maintain accounting records that distinguish between the
principal and income of the fund;

(4) provide reports to the board established under AS 37.14.120 on the
condition and investment performance of the fund.

* Sec. 66. AS 37.14.210(4) is amended to read:

(4) invest and reinvest the assets of the trust as provided in this section
and as provided for the investment of funds under [AS 14.25.180(c) AND]
AS 37.14.170;

* Sec. 67. AS 37.14.520(4) is amended to read:

(4) invest and reinvest the assets of the fund as provided in this section
and as provided for the investment of funds under [AS 14.25.180(c) AND]
AS 37.14.170;

* Sec. 68. AS 37.14.610 is amended to read:

Sec. 37.14.610. Duties of the commissioner. The commissioner of revenue
has the power and duty to

(1) act as official custodian of the cash and investments belonging to the Arctic Winter Games Team Alaska trust by securing adequate and safe custodial facilities;

(2) exercise the same powers and duties as those established for the Alaska Retirement Management [STATE PENSION INVESTMENT] Board in AS 37.10.220 [AS 14.25.180(b) AND (c)];

(3) invest the assets of the trust in a manner likely to yield at least five percent real rate of return over time;

(4) maintain accounting records of the trust in accordance with investment accounting principles;

(5) enter into and enforce contracts or agreements considered necessary for the investment purposes of the trust;

(6) report annually to the board of directors of the Arctic Winter Games Team Alaska the condition and performance of the trust;

(7) monitor use of trust money by the Arctic Winter Games Team Alaska; and

(8) do all acts that the commissioner of revenue considers necessary or proper in administering the assets of the trust.

* Sec. 69. AS 39.30.090(a) is amended to read:

(a) The Department of Administration may obtain a policy or policies of group insurance covering state employees, persons entitled to coverage under AS 14.25.168, 14.25.480, AS 22.25.090, AS 39.35.535, 39.35.880, or former AS 39.37.145, employees of other participating governmental units, or persons entitled to coverage under AS 23.15.136, subject to the following conditions:

(1) A group insurance policy shall provide one or more of the following benefits: life insurance, accidental death and dismemberment insurance, weekly indemnity insurance, hospital expense insurance, surgical expense insurance, dental expense insurance, audiovisual insurance, or other medical care insurance.

(2) Each eligible employee of the state, the spouse and the unmarried children chiefly dependent on the eligible employee for support, and each eligible
employee of another participating governmental unit shall be covered by the group
policy, unless exempt under regulations adopted by the commissioner of
administration.

(3) A governmental unit may participate under a group policy if
(A) its governing body adopts a resolution authorizing
participation, and payment of required premiums;
(B) a certified copy of the resolution is filed with the
Department of Administration; and
(C) the commissioner of administration approves the
participation in writing.

(4) In procuring a policy of group health or group life insurance as
provided under this section or excess loss insurance as provided in AS 39.30.091, the
Department of Administration shall comply with the dual choice requirements of
AS 21.86.310, and shall obtain the insurance policy from an insurer authorized to
transact business in the state under AS 21.09, a hospital or medical service corporation
authorized to transact business in this state under AS 21.87, or a health maintenance
organization authorized to operate in this state under AS 21.86. An excess loss
insurance policy may be obtained from a life or health insurer authorized to transact
business in this state under AS 21.09 or from a hospital or medical service corporation
authorized to transact business in this state under AS 21.87.

(5) The Department of Administration shall make available bid
specifications for desired insurance benefits or for administration of benefit claims and
payments to (A) all insurance carriers authorized to transact business in this state
under AS 21.09 and all hospital or medical service corporations authorized to transact
business under AS 21.87 who are qualified to provide the desired benefits; and (B) to
insurance carriers authorized to transact business in this state under AS 21.09, hospital
or medical service corporations authorized to transact business under AS 21.87, and
third-party administrators licensed to transact business in this state and qualified to
provide administrative services. The specifications shall be made available at least
once every five years. The lowest responsible bid submitted by an insurance carrier,
hospital or medical service corporation, or third-party administrator with adequate
servicing facilities shall govern selection of a carrier, hospital or medical service
corporation, or third-party administrator under this section or the selection of an
insurance carrier or a hospital or medical service corporation to provide excess loss
insurance as provided in AS 39.30.091.

(6) If the aggregate of dividends payable under the group insurance
policy exceeds the governmental unit's share of the premium, the excess shall be
applied by the governmental unit for the sole benefit of the employees.

(7) A person receiving benefits under AS 14.25.110, AS 22.25,
AS 39.35, or former AS 39.37 may continue the life insurance coverage that was in
effect under this section at the time of termination of employment with the state or
participating governmental unit.

(8) A person electing to have insurance under (7) of this subsection
shall pay the cost of this insurance.

(9) For each permanent part-time employee electing coverage under
this section, the state shall contribute one-half the state contribution rate for permanent
full-time state employees, and the permanent part-time employee shall contribute the
other one-half.

(10) A person receiving benefits under AS 14.25, AS 22.25, AS 39.35,
or former AS 39.37 may obtain auditory, visual, and dental insurance for that person
and eligible dependents under this section. The level of coverage for persons over 65
shall be the same as that available before reaching age 65 except that the benefits
payable shall be supplemental to any benefits provided under the federal old age,
survivors, and disability insurance program. A person electing to have insurance
under this paragraph shall pay the cost of the insurance. The commissioner of
administration shall adopt regulations implementing this paragraph.

(11) A person receiving benefits under AS 14.25, AS 22.25, AS 39.35,
or former AS 39.37 may obtain long-term care insurance for that person and eligible
dependents under this section. A person who elects insurance under this paragraph
shall pay the cost of the insurance premium. The commissioner of administration
shall adopt regulations to implement this paragraph.

(12) Each licensee holding a current operating agreement for a vending
facility under AS 23.15.010 - 23.15.210 shall be covered by the group policy that applies to governmental units other than the state.

* Sec. 70. AS 39.30.095(d) is amended to read:

(d) If the commissioner of administration determines that there is more money in the fund than the amount needed to pay premiums, benefits, and administrative costs for the current fiscal year, the surplus, or so much of it as the commissioner of administration considers advisable, may be invested by the commissioner of revenue in the same manner as retirement funds are invested under AS 37.10.220 [AS 14.25.180].

* Sec. 71. AS 39.30.150(b) is amended to read:

(b) Employees of the division of marine transportation included in AS 39.35.095 - 39.35.680 [THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM] through the process of collective bargaining under AS 39.35.680(21)(D) may, under the terms of a collective bargaining agreement, utilize contributions made under (a) of this section on their behalf to offset the costs of inclusion in the public employees' retirement system; however,

(1) the state is placed under no obligation to continue making contributions under this section if the state resumes participation in the federal social security system;

(2) the bargaining agreement must provide a mechanism for satisfying any residual liabilities that might exist if the state resumes participation in the federal social security system; and

(3) funds contributed under (a) of this section on behalf of employees who are not covered by maritime union contracts may not be obligated or expended to pay any costs associated with the inclusion of marine transportation employees in AS 39.35.095 - 39.35.680 [THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM].

* Sec. 72. AS 39.30 is amended by adding a new section to read:

Sec. 39.30.151. Administrator. The commissioner of administration or the commissioner's designee is the administrator of the system.

* Sec. 73. AS 39.30 is amended by adding a new section to read:

Sec. 39.30.154. Powers and duties of the administrator. The administrator
has the same powers and duties with regard to the plan as those set out in
AS 14.25.004.

* Sec. 74. AS 39.30.155 is repealed and reenacted to read:

Sec. 39.30.155. Management and investment of fund. The Alaska
Retirement Management Board is the fiduciary of the fund and has the same powers
and duties under this section in regard to the fund as are provided under AS 37.10.220.

* Sec. 75. AS 39.30.160(a) is amended to read:

(a) The Department of Administration shall, in accordance with policies
prescribed by regulations of the Alaska Retirement Management [PUBLIC
EMPLOYEES RETIREMENT] Board, provide to employees for whom special
individual employee benefit accounts are established under AS 39.30.150(c)
[AS 39.30.150] the following benefit options:

(1) supplemental health benefits; [ .]
(2) supplemental death benefits; [ .]
(3) supplemental disability benefits; [ .] and
(4) supplemental dependent care benefits.

* Sec. 76. AS 39.30.160(b) is amended to read:

(b) An employee may select the types and amounts of supplemental benefits to
be purchased with the money deposited in the employee's special individual employee
benefit accounts under AS 39.30.150. The selection for employees described in
AS 39.30.150(a) must be from the benefit options listed in (a) of this section.

* Sec. 77. AS 39.30.160(e) is amended to read:

(e) Regulations adopted by the board [PUBLIC EMPLOYEES
RETIREMENT BOARD] implementing AS 39.30.150 and this section are not subject
to AS 44.62 (Administrative Procedure Act).

* Sec. 78. AS 39.30.175(a) is amended to read:

(a) The board [ALASKA STATE PENSION INVESTMENT BOARD] is the
fiduciary of the mandatory receipts, under AS 39.30.150(a), of the employee benefits
program established under AS 39.30.150 - 39.30.180 and has the same powers and
duties concerning the management and investment in regard to those receipts as are
provided under AS 37.10.220 [AS 14.25.180].
* Sec. 79. AS 39.30.180 is amended by adding a new paragraph to read:

(3) "board" means the board of trustees of the Alaska Retirement Management Board established under AS 37.10.210.

* Sec. 80. AS 39.30 is amended by adding new sections to read:


Sec. 39.30.300. State of Alaska Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan established. The State of Alaska Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan is established for teachers who first become members of the defined contribution plan of the teachers' retirement system under AS 14.25.310 - 14.25.590 on or after July 1, 2006, and employees of the state, political subdivisions of the state, and public organizations of the state who first become members of the defined contribution plan of the public employees' retirement system under AS 39.35.700 - 39.35.990 on or after July 1, 2006.

Sec. 39.30.310. Purpose and effective date. (a) The purpose of the plan is to allow medical care expenses to be reimbursed from individual savings accounts established for eligible persons.

(b) The plan becomes effective July 1, 2006, at which time contributions by employers begin.

Sec. 39.30.320. Attorney general. The attorney general of the state is the legal counsel for the plan and shall advise the administrator and represent the plan in a legal proceeding.

Sec. 39.30.330. Administrator. The commissioner of administration or the commissioner's designee is the administrator of the plan.

Sec. 39.30.340. Powers and duties of the administrator. The administrator shall establish a teachers' and public employees' retiree health reimbursement arrangement plan trust fund in which the assets of the plan shall be deposited and held. The administrator has the same powers and duties with regard to the plan and the trust fund as provided in AS 14.25.004.

Sec. 39.30.350. Employer contribution fund. The fund established under
AS 39.30.340 is an employer contribution fund. The value of the fund reflects employer contributions, expenses, and investment gains and losses. Employee contributions to the fund are not permitted.

Sec. 39.30.360. Management and investment of the fund. The Alaska Retirement Management Board is the fiduciary of the fund and has the same powers and duties under this section in regard to the fund as are provided under AS 37.10.220.

Sec. 39.30.370. Contributions by employers. For each member of the plan, an employer shall contribute to the teachers' and public employees' retiree health reimbursement arrangement plan trust fund an amount equal to three percent of the employer's average annual employee compensation. The administrator shall maintain a record for each member to account for employer contributions on behalf of that member. The board shall establish by regulation the rate of interest to be applied annually to the amount in a member's individual account.

Sec. 39.30.380. Termination of employment. A person who terminates employment before meeting the eligibility requirements of AS 14.25.470 or AS 39.35.870 loses any right to the contributions made on behalf of the person to the teachers' and public employees' retiree health reimbursement arrangement trust fund. If a person returns to employment with a participating employer by December 31 of the year in which the person reaches 65 years of age, the person's account balance shall be restored in the amount recorded on the date of termination from the trust, adjusted for inflation at the rate of the Consumer Price Index for Anchorage, Alaska. The earlier period of employment with a participating employer shall be credited toward eligibility for medical benefits.

Sec. 39.30.390. Eligibility and reimbursement. Persons who meet the eligibility requirements of AS 14.25.470 and AS 39.35.870 are eligible for reimbursements from the individual account established for a member under the plan, except members do not have to retire directly from the system. A person who is the dependent child of an eligible member is eligible for reimbursements if the eligible member and surviving spouse have both died so long as the person meets the definition of dependent child.

Sec. 39.30.400. Benefits payable from the individual account. (a) The
administrator may deduct the cost of monthly premiums from the individual account for retiree major medical insurance on behalf of an eligible person who elected retiree major medical insurance under AS 14.25.480 or AS 39.35.880.

(b) Upon application of an eligible person, the administrator shall reimburse to the eligible person the costs for medical care expenses as defined in 26 U.S.C. 213(d). Reimbursement is limited to the medical expenses of

(1) an eligible member, the spouse of an eligible member, and the dependent children of an eligible member; or

(2) a surviving spouse and the dependent children of an eligible member dependent on the surviving spouse.

(c) When the member's individual account balance is exhausted, the insurance premium deductions under (a) of this section and the reimbursement of medical care expenses under (b) of this section end.

(d) If all eligible persons die before exhausting the member's individual account, the account balance shall revert to the plan.

Sec. 39.30.410. Exemption from taxation and process. (a) Contributions and other amounts held in the plan on behalf of a member or other person who is or may become eligible for benefits under the plan may be used only to reimburse eligible medical expenses, are exempt from Alaska state and municipal taxes and federal taxes to the extent allowed under the Internal Revenue Code, and are not subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge of any kind, either voluntary or involuntary, before they are received by the person entitled to the amount under the terms of the plan. Any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of any right to amounts accrued in the plan is void. However, a member's right to receive benefits may be assigned

(1) under a qualified domestic relations order; or

(2) to a trust or similar legal device that meets the requirements for a Medicaid-qualifying trust under AS 47.07.020(f) and 42 U.S.C. 1396p(d)(4).

(b) Notwithstanding AS 09.38.065, contributions and other amounts held in the plan and benefits payable under this plan are exempt from garnishment, execution,
Sec. 39.30.420. Amendment and termination of plan.  (a) The state has the right to amend the plan at any time and from time to time, in whole or in part, including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

(b) The plan administrator may not modify or amend the plan retroactively in such a manner as to reduce the benefits of any member accrued to date under the plan by reason of contributions made before the modification or amendment except to the extent that the reduction is permitted by the Internal Revenue Code.

(c) The state may, in its discretion, terminate the plan in whole or part at any time without liability for the termination. If the plan is terminated, all investments remain in force until all individual accounts have been completely distributed under the plan, and, after all plan liabilities are satisfied, excess assets revert to the employer.

(d) Any contribution made by an employer to the plan because of a mistake of fact must be returned to the employer by the administrator within one year after the contribution or discovery, whichever is later.

Sec. 39.30.430. Exclusive benefit.  (a) The corpus or income of the assets held in trust as required by the plan may not be diverted or used for other than the exclusive benefit of the participants.

(b) The assets of the plan may not be used to pay premiums or contributions of the employer under another plan maintained by the employer.

Sec. 39.30.495. Definitions. Unless the context requires otherwise, in AS 39.30.300 - 39.30.495,

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

(2) "board" means the Alaska Retirement Management Board established under AS 37.10.210;

(3) "compensation" has the meaning given in AS 14.25.590;

(4) "dependent child" has the meaning given in AS 39.35.680;

(5) "eligible person" means a person who meets the eligibility requirements of AS 14.25.470 or AS 39.35.870;

(6) "employer" has the meaning given in AS 14.25.590 for employers.
of teachers in the defined contribution plan established in AS 14.25.310 - 14.25.590
and has the meaning given in AS 39.35.990 for employers of public employees in the
defined contribution plan established in AS 39.35.700 - 39.35.990;

(7) "fund" means the assets of the teachers' and public employees' retiree health reimbursement arrangement plan trust fund;

(8) "individual account" means the record established by the administrator for individual employees under the teachers' and public employees' retiree health reimbursement arrangement plan;

(9) "member" means a member of the defined contribution plan of the teachers' retirement system in AS 14.25.310 - 14.25.590 or a member of the public employees' retirement system in AS 39.35.700 - 39.35.990;

(10) "plan" means the State of Alaska Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan established in AS 39.30.300;

(11) "qualified domestic relations order" has the meaning given in AS 14.25.220.

* Sec. 81. AS 39.35 is amended by adding new sections to read:

Article 1. Administration of the Public Employees' Retirement System of Alaska.

Sec. 39.35.001. Purpose. The purpose of this chapter is to encourage qualified personnel to enter and remain in service with participating employers by establishing plans for the payment of retirement, disability, and death benefits to or on behalf of the members.

Sec. 39.35.002. Attorney general. The attorney general of the state is the legal counsel for the system and shall advise the administrator and represent the system in a legal proceeding.

Sec. 39.35.003. Administrator. (a) The commissioner of administration or the commissioner's designee is the administrator of the system.

(b) The commissioner of administration shall adopt regulations to govern the operation of the system.

Sec. 39.35.004. Powers and duties of the administrator. (a) The administrator shall

(1) establish and maintain an adequate system of accounts;
transmit the funds deposited in the system to the retirement fund established and maintained by the Alaska Retirement Management Board;

approve or disapprove claims for retirement benefits;

make payments for the various purposes specified;

submit periodic reports or statements of account that are needed;

issue a statement of account to an employee not less than once each year showing the amount of the employee's contributions to the applicable plan in the system;

formulate and recommend to the commissioner of administration regulations to govern the operation of the system;

as soon as possible after the close of each fiscal year, and not later than six months after the close of each fiscal year, send to the governor and the legislature an annual statement on the operations of each of the plans in the system containing

(A) a balance sheet;

(B) a statement of income and expenditures for the year;

(C) a report on valuation of trust fund assets;

(D) a summary of assets held in the trust fund listed by the categories of investment, as provided by the Alaska Retirement Management Board;

(E) other statistical financial data that are necessary for proper understanding of the financial condition of the system as a whole and each plan in the system and the result of its operations;

engage an independent certified public accountant to conduct an annual audit of each plan's accounts and the annual report of the system's financial condition and activity;

report to the Legislative Budget and Audit Committee concerning the condition and administration of each plan and distribute the report to the members of each plan in the system;

publish an information handbook for each plan in the system at intervals that the administrator considers appropriate;
meet at least annually with the board to review the condition and
management of the retirement systems and to review significant changes to policies,
regulations or benefits; and

(13) do whatever else may be necessary to carry out the purposes of
each plan in the system.

(b) The administrator is authorized to charge uniform fees to members'
accounts to cover the ongoing cost of operating each plan in the system.

(c) The administrator is authorized to contract with public and private entities
to provide record keeping, benefits payments, and other functions necessary for the
administration of each plan in the system.

Sec. 39.35.005. Regulations. (a) Regulations adopted by the commissioner
of administration under this chapter relate to the internal management of state
agencies, and the adoption of these regulations is not subject to AS 44.62
(Administrative Procedure Act).

(b) Notwithstanding (a) of this section, a regulation adopted under this chapter
shall be published in the Alaska Administrative Register and Code for informational
purposes.

(c) Each regulation adopted under this chapter must conform to the style and
format requirements of the drafting manual for administrative regulations that is
published under AS 44.62.050.

(d) At least 30 days before the adoption, amendment, or repeal of a regulation
under this chapter, the commissioner shall provide notice of the action that is being
considered. The notice shall be

(1) posted in public buildings throughout the state;

(2) published in one or more newspapers of general circulation in each
judicial district of the state;

(3) mailed to each person or group that has filed a request for notice of
proposed action with the commissioner; and

(4) furnished to each member of the legislature and to the Legislative
Affairs Agency.

(e) Failure to mail notice to a person as required under (d)(3) of this section
does not invalidate an action taken by the commissioner.

(f) The commissioner may hold a public hearing on a proposed regulation.

(g) A regulation adopted under this chapter takes effect 30 days after adoption by the commissioner.

(h) Notwithstanding the other provisions of this section, a regulation may be adopted, amended, or repealed, effective immediately, as an emergency regulation by the commissioner. For an emergency regulation to be effective, the commissioner must find that the adoption, amendment, or repeal of the regulation is necessary for the immediate preservation of the orderly operation of the system. The commissioner shall, within 10 days after adoption of an emergency regulation, give notice of the adoption under (d) of this section.

(i) In this section, "regulation" has the meaning given in AS 44.62.640(a).

Sec. 39.35.006. Appeals. An employer, member, annuitant, or beneficiary may appeal a decision made by the administrator to the office of administrative hearings established under AS 44.64. An aggrieved party may appeal a final decision to the superior court.

Sec. 39.35.007. Investment management of retirement system funds. The Alaska Retirement Management Board established under AS 37.10.210 is the fiduciary of the system funds.

Sec. 39.35.008. Definitions. In AS 39.35.001 - 39.35.008,

(1) "commissioner" means the commissioner of administration;

(2) "plan" means the retirement plan established in AS 39.35.095 - 39.35.680;

(3) "system" means all retirement plans established under the public employees' retirement system.

* Sec. 82. AS 39.35.008 is amended to read:

Sec. 39.35.008. Definitions. In AS 39.35.001 - 39.35.008,

(1) "commissioner" means the commissioner of administration;

(2) "plan" means the retirement plan established in AS 39.35.095 -

39.35.680 or the retirement plan established in AS 39.35.700 - 39.35.990;

(3) "system" means all retirement plans established under the public
employees' retirement system.

* Sec. 83. AS 39.35 is amended by adding a new section to read:

**Article 2. Public Employees' Defined Benefit Retirement Plan.**

Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680. The following provisions of this chapter apply only to members first hired before July 1, 2006: AS 39.35.095 - 39.35.680.

* Sec. 84. AS 39.35.100 is amended to read:

Sec. 39.35.100. Accounting. (a) The commissioner of administration shall establish and maintain an adequate system of accounts and records for the plan [SYSTEM]. The accounts and records shall be integrated with the accounts, records, and procedures of the employers to the end that they operate most effectively and at minimum expense, and that duplication of records and accounts is avoided.

(b) All income of the pension fund and all disbursements made by the fund shall be credited or charged, whichever is appropriate, to the following accounts:

(1) An individual account shall be maintained for each employee to record the amount of the employee's mandatory contributions collected under AS 39.35.160(a). As of the last day of each calendar year and each fiscal year beginning with June 30, 1969, this account shall be credited with interest, by applying [ONE HALF OF] the prescribed rate of interest as determined by the board to the balance in the account as of that date. Within one year following retirement, the amount actuarially determined as necessary to fully fund the benefits to be received shall be transferred first from the employee contribution account and, after the employee contribution account has been exhausted, then from the employer contribution account into the retirement reserve account.

(2) An individual account shall be maintained for each employee to record the amount of the employee's voluntary contributions. As of the last day of each calendar year and each fiscal year beginning with June 30, 1969, this account shall be credited with interest, by applying [ONE HALF OF] the prescribed rate of interest as determined by the board to the balance in the account as of that date. Amounts that, before termination of employment, are withdrawn by an employee from the employee's savings account shall be charged to that account. Upon retirement, the
amount actuarially determined as necessary to fully fund the benefits to be received shall be transferred first from the employee savings account and, after the employee savings account has been exhausted, then from the employer contribution account into the retirement reserve account.

(3) A separate account for each employer shall be maintained. The account shall be credited with contributions of the employer. This account shall be charged with the employer's actuarial charge for pension, death benefits, and other benefits paid under this plan [SYSTEM] to or on behalf of the employee of the employer. After an allowance for interest credited to employee contribution accounts and employee savings accounts, the investment income of the pension fund shall be allocated to the retirement reserve account and to each employer asset share account according to the ratio that the average of the assets in the account as of the beginning and as of the end of the fiscal year bears to the total of the average balance of the retirement reserve account and all employer accounts.

(4) An expense account shall be maintained for the plan [SYSTEM]. This account shall be charged with all disbursements representing administrative expenses incurred by the plan [SYSTEM]. At the end of the year the expense account shall be allocated to each employer in accordance with (3) of this subsection. Expenditures from this account shall be included in the governor's budget for each fiscal year and are subject to approval by the legislature.

* Sec. 85. AS 39.35 is amended by adding a new section to read:

Sec. 39.35.115. Defined benefit retirement plan. (a) A defined benefit retirement plan for employees of the state, political subdivisions, and public organizations is created. The plan becomes effective January 1, 1961, at which time contributions by the employers and members begin.

(b) The retirement plan established by AS 39.35.095 - 39.35.680 is intended to qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified retirement plan established and maintained by the state for its employees and for the employees of political subdivisions, public corporations, and public organizations of the state, and for the employees of other employers whose participation is authorized by AS 39.35.095 - 39.35.680 and who participate in this plan.
(c) An amendment to AS 39.35.095 - 39.35.680 does not provide a person with a vested right to a benefit if the Internal Revenue Service determines that the amendment will result in disqualification of the plan under the Internal Revenue Code.

* Sec. 86. AS 39.35.120 is amended to read:

Sec. 39.35.120. Commencement of participation. (a) An employee of the state shall be included in this system upon commencement of employment with the state, or on January 1, 1961, whichever is later. Unless an employee participates in a [HAS ELECTED TO PARTICIPATE IN THE OPTIONAL] university retirement program under AS 14.40.661 - 14.40.799, an employee of a political subdivision or public organization that becomes an employer shall be included in the system on the effective date of the employer's participation or the date of the employee's commencement of employment with the employer, whichever is later.

(b) Inclusion in the system is a condition of employment for an employee except as otherwise provided for

(1) an elected official;
(2) an employee making an election under AS 39.35.150(b); and

* Sec. 87. AS 39.35.131 is amended to read:

Sec. 39.35.131. Membership in teachers' and public employees' retirement systems. (a) A person who is employed at least half-time in the plan [SYSTEM] during the same period that the person is employed at least half-time in a position in the teachers' retirement plan [SYSTEM] under AS 14.25.009 - 14.25.220 [AS 14.25] shall receive credited service under each plan [SYSTEM] for half-time employment. However, the amount of credited service a person receives under the plan [SYSTEM] during a school year may not exceed the amount necessary, when added to the amount of credited service earned during the school year under the teachers' retirement plan [SYSTEM], to equal one year of credited service.

(b) A person who was employed at least half-time in a position in the teachers' retirement plan [SYSTEM] under AS 14.25.009 - 14.25.220 [AS 14.25] in the same
period that the person was employed at least half-time in a position in this plan [SYSTEM] may claim credited service in both plan [SYSTEMS] for employment before May 31, 1989. To obtain this credited service, the person shall claim the service and verify the period of half-time employment. When eligibility for half-time service credit has been established, an indebtedness shall be determined to the retirement plan [SYSTEM] in which the person did not participate. The amount of the indebtedness is the full actuarial cost of providing benefits for the credited service claimed. Interest as prescribed by regulation accrues on that indebtedness beginning on the later of July 1, 1989, or the date on which the member is first eligible to claim the service. Any outstanding indebtedness existing at the time the person retires will require an actuarial adjustment to the benefits payable based on that service.

* Sec. 88. AS 39.35.158 is amended to read:

Sec. 39.35.158. Administrative director of courts. An administrative director of the Alaska court system who withdraws from the judicial retirement system under AS 22.25.012 is eligible for membership in the plan [SYSTEM] and shall receive credited service in the plan [SYSTEM] for service rendered as administrative director. To be eligible for membership in the plan [SYSTEM] under this subsection, the administrative director must contribute to the plan [SYSTEM]

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

(2) any contributions for services as administrative director refunded by the plan [SYSTEM] at the time the director became a member of the judicial retirement system.

* Sec. 89. AS 39.35.165(a) is amended to read:

(a) An employee who is eligible to purchase credited service under AS 39.35.310, 39.35.330, 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, or 39.35.370, a member who is eligible to purchase credited service under AS 39.35.375, or an elected public official who is eligible to purchase credited service under AS 39.35.381 is an employee for purposes of this section. An employee may, in lieu of making payments directly to the plan, elect to have the employee's employer make
payments as provided in this section.

*Sec. 90.* AS 39.35.165(b) is amended to read:

(b) An employee may elect to have the employer make payments for all or any portion of the amounts payable for the employee's purchase of credited service through a salary reduction program as follows:

1. the amounts paid under a salary reduction program are in lieu of contributions by the employee making the election; the electing employee's salary or other compensation shall be reduced by the amount paid by the employer under this subsection;
2. the employee shall make an irrevocable election under this section to purchase credited service as permitted in AS 39.35.310, 39.35.330, 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or 39.35.381 and before the employee's termination of employment; the irrevocable election must specify the number of payroll periods that deductions will be made from the employee's compensation and the dollar amount of deductions for each payroll period during the specified number of payroll periods; the deductions made under this paragraph cease upon the earlier of the member's termination of employment with the employer or the member's death; amounts paid by an employer under (f) of this section may not be applied toward the payment of the dollar amount of the deductions representing the portion of the credited service that is being purchased by the member through payroll deduction in accordance with the member's irrevocable election under this subsection;
3. amounts paid by an employer under this subsection shall be treated as employer contributions for the purpose of determining tax treatment under the Internal Revenue Code; the amounts paid by the employer under this section may not be included in the member's gross income for income tax purposes until those amounts are distributed by refund or retirement benefit payments.

*Sec. 91.* AS 39.35.165(f) is amended to read:

(f) The commissioner may accept rollover contributions from a member [AND DIRECT TRANSFERS, AS DESCRIBED IN THIS SUBSECTION, FOR THE PURCHASE, IN WHOLE OR IN PART, OF CREDITED SERVICE FOR THE
REINSTATEMENT, IN WHOLE OR IN PART, OF FORFEITED CREDITED
SERVICE UNDER AS 39.35.350]. A rollover contribution [OR TRANSFER] as
described in this subsection shall also be treated as employer contributions for the
purpose of determining tax treatment under the Internal Revenue Code and may be
made by any one or a combination of the following methods:

(1) subject to the limitations prescribed in 26 U.S.C. 401(a)(3) and 26
U.S.C. 402(c), accepting eligible rollover distributions directly from one or more
retirement programs of another employer that are qualified under 26 U.S.C. 401(a) or
accepting rollovers directly from a member;

(2) subject to the limitations prescribed in 26 U.S.C. 408(d)(3)(A)(ii),
accepting from a member conduit rollover contributions that are received by the
employee from one or more conduit rollover individual retirement accounts previously
established by the member;

(3) subject to the limitations prescribed in 26 U.S.C. 403(b)(13),
accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
member, on or after January 1, 2002, from a tax sheltered annuity described in 26
U.S.C. 403(b);

(4) subject to the limitations prescribed in 26 U.S.C. 457(e)(17),
accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
member, on or after January 1, 2002, from an eligible deferred compensation plan of a
tax-exempt organization or a state or local government described in 26 U.S.C. 457(b);

(5) accepting direct trustee-to-trustee transfer from an account
established for the benefit of the member in AS 39.30.150 - 39.30.180 (Alaska
Supplemental Annuity Plan).

* Sec. 92. AS 39.35.165(g) is amended to read:

  (g) Payments made under this section shall be applied to reduce the
employee's outstanding indebtedness described in AS 39.35.310, 39.35.330,
39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
39.35.381 at the time that the contributions are received by the plan.

* Sec. 93. AS 39.35.165(i) is amended to read:

  (i) On satisfaction of the eligibility requirements of AS 39.35.310, 39.35.330,
39.35.340, 39.35.341, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or 39.35.381, the requirements of this section, and the administrative filing requirements specified by the commissioner, the plan shall adjust the employee's credited service history and add any additional service credits acquired.

* Sec. 94. AS 39.35.200 is amended by adding a new subsection to read:

(d) An employee who receives a refund of contributions in accordance with this section forfeits corresponding credited service under AS 39.35.095 - 39.35.680.

* Sec. 95. AS 39.35.270 is amended to read:

Sec. 39.35.270. Amount of employer's contributions. The amount of each employer's contributions shall be determined by applying the employer's contribution rate, as certified by the board, to the total compensation paid to the active employees of the employer for each payroll period and by including any adjustments to contributions required by AS 39.35.520(a). This amount shall be remitted by the employer to the administrator in accordance with AS 39.35.610.

* Sec. 96. AS 39.35.270 is amended by adding a new subsection to read:

(b) The employer contribution rate may not be less than the rate required, after subtracting the member contribution rate, to fully fund the actuarially calculated benefits expected to be earned by active members during a fiscal year.

* Sec. 97. AS 39.35.340(f) is amended to read:

(f) An employee may not be credited with a period of active military service in the armed forces of the United States under this section if credit for that military service was granted under AS 14.25.009 - 14.25.220 [AS 14.25].

* Sec. 98. AS 39.35.340(h) is amended to read:

(h) The combined period of military service claimed under this section and under AS 14.25.009 - 14.25.220 [AS 14.25] may not exceed five years.

* Sec. 99. AS 39.35.360(i) is amended to read:

(i) An employee who completes three years of credited service with an employer, for which the employee makes contributions required by AS 39.35.095 - 39.35.680 [THIS CHAPTER], is entitled to credited service on a year-for-year basis for service credited in the Civil Service Retirement System, rendered as an employee of an Alaska Bureau of Indian Affairs (BIA) school, other than service as a teacher.
When eligibility for retroactive credited service under this subsection has been established, an indebtedness of the employee to the plan [SYSTEM] shall be determined as follows: (1) the employee’s actual annual compensation, or the calculated annual compensation for an employee who works fewer than 12 months, for the most recent calendar year in which service is rendered to an employer before the calendar year in which the employee first becomes eligible to claim service under this subsection, multiplied by (2) the number of years of service in Alaska BIA schools that is credited under this subsection, and this product multiplied by (3) six percent for employees first eligible to claim this service before January 1, 1987, or eight and one-half percent for employees first eligible to claim this service on or after January 1, 1987. Interest as prescribed by regulation accrues on the indebtedness beginning on the date the employee may first claim the retroactive credited service. Any outstanding indebtedness that exists at the time the employee retires requires an actuarial adjustment to the benefits that are based on retroactive credited service under this subsection. A retirement benefit payable under this subsection for Alaska BIA service shall be reduced by an amount equal to the retirement benefits paid to the member by the United States government for the same service.

* Sec. 100. AS 39.35.360(l) is amended to read:

(l) An administrative director of the Alaska Court System who withdraws from the judicial retirement system under AS 22.25.012(b) is eligible for membership in the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] and shall receive credited service in this plan [SYSTEM] for service rendered as administrative director. To be eligible for membership in this plan [SYSTEM] under this subsection, the administrative director must contribute to the plan [SYSTEM]

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

(2) any contributions for service as administrative director refunded from the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] at the time the administrative director became a member of the judicial retirement system.

* Sec. 101. AS 39.35.370(g) is amended to read:
(g) When an employee who was employed as a dispatcher in a state trooper office or in a police or fire department in the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] applies for appointment to retirement, the employee may convert the credited service for that position to credited service as a peace officer by claiming the service as peace officer service. An employee who has converted credited service to peace officer service under this subsection shall be treated as a peace officer for purposes of AS 39.35.095 - 39.35.680 [THIS CHAPTER]. When the member claims this credited service as peace officer service, an indebtedness of the member to the plan [SYSTEM] shall be established. The indebtedness is equal to the full actuarial cost of the conversion of the credited service to treatment as peace officer service. Any outstanding indebtedness that exists at the time the member is appointed to retirement shall [WILL] require an actuarial adjustment to the benefits payable based upon the conversion of the credited service.

* Sec. 102. AS 39.35.375(a) is amended to read:

(a) An active or inactive member who has never been vested in this plan [SYSTEM] or in the teachers' retirement plan [SYSTEM] under AS 14.25.009 - 14.25.220 [AS 14.25], who has at least two years of credited service in this plan [SYSTEM], and who has membership service in the teachers' retirement system may claim credited service in this plan [SYSTEM] in an amount equal to the membership service the member has in the teachers' retirement system. The claimed credited service may be added to service earned under AS 39.35.095 - 39.35.680 [THIS CHAPTER] to enable the member to qualify for a public service benefit under this section. The member may not claim credited service for membership service for which the member has received a refund under AS 14.25.150 unless the member fully pays the indebtedness as established under AS 14.25.063. The member may not claim credited service in this plan [SYSTEM] based on unused sick leave under AS 14.25.115.

* Sec. 103. AS 39.35.375(b) is amended to read:

(b) To claim credited service under this section, the member shall file a written request with the administrator when the member applies to retire. The administrator shall determine the full actuarial cost of benefits based on the member's
total credited service and shall transfer from the teachers' retirement system to this plan [SYSTEM] an amount equal to the sum of the member contributions and any indebtedness payments to the teachers' retirement system and the employer contributions to the teachers' retirement system made on behalf of the employee together with interest earned on those contributions and indebtedness payments. If the amount to be transferred, when combined with the amount of employee contributions and indebtedness payments to this plan [SYSTEM] and the amount of employer contributions on behalf of the employee in this plan [SYSTEM], and interest earned on contributions and indebtedness payments for the employee, is less than the full actuarial cost computed under this subsection, an indebtedness to the plan [SYSTEM] equal to the amount of the difference is established. Interest as prescribed by regulation accrues on the indebtedness. The member must pay any outstanding indebtedness existing at the time the member applies for retirement in full before the member is appointed to retirement under this section.

* Sec. 104. AS 39.35.375(c) is amended to read:

(c) A member is entitled to receive a public service benefit under this section if the member has at least a total of five years credited service under AS 39.35.095 - 39.35.680 [THIS CHAPTER] and credited service from the teachers' retirement plan under AS 14.25.009 - 14.25.220 [SYSTEM] claimed under this section. A public service benefit shall be calculated using the higher of the average monthly compensation for service in this plan [SYSTEM] or the average base salary for service in the teachers' retirement plan under AS 14.25.009 - 14.25.220 [SYSTEM]. The amount of the benefit shall be calculated in accordance with AS 39.35.370(c).

* Sec. 105. AS 39.35.375(d) is amended to read:

(d) Credited service earned under either this plan [SYSTEM] or the teachers' retirement system that has been claimed for a public service benefit under this section may not be used for any other purpose. A member who claims credited service under this section loses all rights to benefits under AS 14.25 based on the claimed credited service. A member may not claim credited service under this section unless the member claims all of the membership service the member has in the teachers' retirement system. A public service benefit does not constitute a normal or early
retirement benefit for purposes of qualifying for a conditional service retirement 
benefit under AS 14.25.125 or AS 39.35.385.

* Sec. 106. AS 39.35.375(f) is amended to read:

(f) Notwithstanding AS 14.25.063 and AS 39.35.350, a former member of the 
teachers' retirement system who is an active member or inactive member of this plan 
SYSTEM may reinstate, under this section, membership service earned under 
AS 14.25 for which the member received a refund of contributions.

* Sec. 107. AS 39.35.375(f) is amended to read:

(f) Notwithstanding AS 14.25.063 [AND AS 39.35.350], a former member of 
the teachers' retirement system who is an active member or inactive member of this 
plan may reinstate, under this section, membership service earned under AS 14.25 for 
which the member received a refund of contributions.

* Sec. 108. AS 39.35.375(g) is amended to read:

(g) If a member retires under this section and subsequently returns to work for 
an employer under this plan [SYSTEM] or the teachers' retirement system, benefits 
under this section shall cease during the period of reemployment and shall 
recommence when the reemployment is ended. The credited service earned during the 
period of reemployment may not be added to the credited service claimed for a public 
service benefit under this section. If a member vests and meets the other eligibility 
requirements under this system or the teachers' retirement system during the 
reemployment, the member is entitled to a benefit under AS 14.25.009 - 14.25.220 

* Sec. 109. AS 39.35.375 is amended by adding a new subsection to read:

(h) In this section,

(1) "teachers' retirement system" and "teachers' retirement system 
under AS 14.25" mean the teachers' retirement plan established in AS 14.25.009 - 
14.25.220;

(2) "membership service earned under AS 14.25" means membership 
service earned under AS 14.25.009 - 14.25.220.

* Sec. 110. AS 39.35.381(a) is amended to read:

(a) An elected public officer is eligible for a public officer benefit if the officer
is retired under AS 14.25.009 - 14.25.220 [AS 14.25 (TEACHERS’ RETIREMENT SYSTEM)]. Only fully paid credited service as an elected public officer of a municipality or other political subdivision, earned while the municipality or political subdivision was an employer under this plan [SYSTEM] and while the person was employed full-time under AS 14.25.009 - 14.25.220 [AS 14.25], may be counted under this section.

* Sec. 111. AS 39.35.410(f) is amended to read:

  (f) An employee is not entitled to an occupational disability benefit unless the employee files an application for it with the administrator within 90 days of the date of terminating employment. If the employee is unable to meet a filing requirement of this subsection, it may be waived by the commissioner [PUBLIC EMPLOYEES' RETIREMENT BOARD] if there are extraordinary circumstances that resulted in the employee's inability to meet the filing requirement. [THE BOARD MAY DELEGATE THE AUTHORITY TO WAIVE A FILING DEADLINE UNDER THIS SUBSECTION TO THE ADMINISTRATOR.]

* Sec. 112. AS 39.35.475(a), as that subsection read following amendment by sec. 34, ch. 146, SLA 1980, until amended by sec. 41, ch. 82, SLA 1986, is amended to read:

  (a) When the administrator determines that the cost of living has increased and that the financial condition of the retirement fund permits, the administrator [HE] shall increase benefit payments to persons receiving benefits under this plan. For purposes of this subsection, the financial condition of the fund would only permit an increase in benefits when the ratio of total fund assets to the accrued liability meets or exceeds 105 percent. In this subsection, "accrued liability" means the present value of all member benefits accrued by member service in this plan [SYSTEM].

* Sec. 113. AS 39.35.485(a) is amended to read:

  (a) An employee who is eligible for a benefit calculated in accordance with AS 39.35.370(c) is entitled to a benefit of at least $25 a month for each year of credited service, not including adjustments made under AS 39.35.340 for military service, [AS 39.35.350 FOR REINSTATEMENT OF CREDITED SERVICE,] AS 39.35.360 for credit for earlier service, AS 39.35.370(c) for early retirement,
AS 39.35.420 for nonoccupational death benefits, AS 39.35.450 for the survivor's option, former AS 39.35.460 for the level income option, AS 39.35.475 for the post-retirement pension adjustment, and AS 39.35.480 for the cost of living.

* Sec. 114. AS 39.35.520(c) is amended to read:

(c) **At least quarterly** [AT EACH REGULARLY SCHEDULED MEETING OF THE PUBLIC EMPLOYEES' RETIREMENT BOARD], the administrator shall report to the commissioner of administration [BOARD] on all situations since the administrator's last report in which an adjustment has been prohibited under (b) of this section. If the commissioner of administration [BOARD] finds that there is reason to believe that one or more of the conditions set out in (b) of this section have not been met, the administrator shall notify the member or beneficiary that an adjustment will be made to recover the overpayment. A member or beneficiary who receives notice of adjustment under this subsection may **file a request with the commissioner of administration** [APPEAL TO THE BOARD] for a waiver of the adjustment under AS 39.35.522. An adjustment may not be required while the **waiver request** [APPEAL] is pending.

* Sec. 115. AS 39.35.522(a) is amended to read:

(a) **Upon request** [APPEAL] by an affected member or beneficiary under (b) of this section, the commissioner of administration [BOARD] may waive an adjustment or any portion of an adjustment made under AS 39.35.520 if, in the opinion of the commissioner of administration [BOARD],

(1) the adjustment or portion of the adjustment will cause undue hardship to the member or beneficiary;

(2) [REPEALED]

(3) [REPEALED]

(4) the adjustment was not the result of erroneous information supplied by the member or beneficiary;

(3) [(5)] before the adjustment was made, the member or beneficiary received confirmation from the administrator that the employee's or beneficiary's records were correct; and

(4) [(6)] the member or beneficiary had no reasonable grounds to
believe the employee's or beneficiary's records were incorrect before the adjustment was made.

* Sec. 116. AS 39.35.535(a) is repealed and reenacted to read:

(a) Except as provided in (d) of this section, the following persons are entitled to major medical insurance coverage under this section:

(1) for employees first hired before July 1, 1986,

(A) an employee who is receiving a monthly benefit from the plan and who has elected coverage;

(B) the spouse and dependent children of the employee described in (A) of this paragraph;

(C) the surviving spouse of a deceased employee who is receiving a monthly benefit from the plan and who has elected coverage;

(D) the dependent children of a deceased employee who are dependent on the surviving spouse described in (C) of this paragraph;

(2) for members first hired on or after July 1, 1986,

(A) an employee who is receiving a monthly benefit from the plan and who has elected coverage for the employee;

(B) the spouse of the employee described in (A) of this paragraph if the employee elected coverage for the spouse;

(C) the dependent children of the employee described in (A) of this paragraph if the employee elected coverage for the dependent children;

(D) the surviving spouse of a deceased employee who is receiving a monthly benefit from the plan and who has elected coverage;

(E) the dependent children of a deceased employee who are dependent on the surviving spouse described in (D) of this paragraph if the surviving spouse has elected coverage for the dependent children.

* Sec. 117. AS 39.35.680(2) is amended to read:

(2) "actuarial adjustment" means the adjustment necessary to obtain equality in value of the aggregate expected payments under two different forms of pension payments, considering expected mortality and interest earnings on the basis of assumptions, factors, and methods specified in regulations issued under this plan.
[SYSTEM] that are formally adopted [UNDER AS 39.35.042] by the board that clearly preclude employer discretion in the determination of the amount of any member's benefit;

* Sec. 118. AS 39.35.680(6) is amended to read:

(6) "board" means the **Alaska Retirement Management** [PUBLIC EMPLOYEES RETIREMENT] Board;

* Sec. 119. AS 39.35.680(21) is amended to read:

(21) "member" or "employee"

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

(B) includes

(i) an active member;

(ii) an inactive member;

(iii) a vested member;

(iv) a deferred vested member;

(v) a nonvested member;

(vi) a disabled member;

(vii) a retired member;

(viii) an elected public officer under AS 39.35.381;

(C) does not include

(i) former members;

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

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

(iv) persons covered by the Alaska Teachers' Retirement System except as provided under AS 39.35.131 and 39.35.381, or persons covered by a [THE OPTIONAL] university retirement program;

(v) employees of the division of marine transportation engaged in operating the state ferry system who are covered by a union or group retirement system to which the state makes contributions;
(vi) justices of the supreme court or judges of the court of appeals or of the superior or district courts of Alaska;

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

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

(ix) contractual employees of the legislative branch of state government under AS 24.10.060(f);

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

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

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

*Sec. 120.* AS 39.35.680(34) is amended to read:

(34) "qualified domestic relations order" means a divorce or dissolution judgment under AS 25.24, including an order approving a property settlement, that

(A) creates or recognizes the existence of an alternate payee's right to, or assigns to an alternate payee the right to, receive all or a portion of employee contribution account or the benefits payable with respect to an employee;

(B) sets out the name and last known mailing address, if any, of the employee and of each alternate payee covered by the order;

(C) sets out the amount or percentage of the employee's benefit, or of any survivor's benefit, to be paid to the alternate payee, or sets out the manner in which that amount or percentage is to be determined;

(D) sets out the number of payments or period to which the
order applies;

    (E) sets out the retirement plan [SYSTEM] to which the order applies;

    (F) does not require any type or form of benefit or any option not otherwise provided by AS 39.35.095 - 39.35.680 [THIS CHAPTER];

    (G) does not require an increase of benefits in excess of the amount provided by AS 39.35.095 - 39.35.680 [THIS CHAPTER], determined on the basis of actuarial value; and

    (H) does not require the payment to an alternate payee of benefits that are required to be paid to another alternate payee under another order previously determined to be a qualified domestic relations order;

* Sec. 121. AS 39.35.680 is amended by adding new paragraphs to read:

    (41) "commissioner" means the commissioner of administration;

    (42) "plan" means the retirement plan established in AS 39.35.095 - 39.35.680.

* Sec. 122. AS 39.35 is amended by adding new sections to read:

    Article 9. Employees First Hired on or after July 1, 2006.

    Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990. The provisions of AS 39.35.700 - 39.35.990 apply only to members first hired on or after July 1, 2006, or to members who transfer into the defined contribution plan under AS 39.35.940.

    Sec. 39.35.710. Defined contribution retirement plan established; federal qualification requirements. (a) A defined contribution retirement plan is established for employees of the state or a political subdivision or public organization of the state.

    (b) The defined contribution retirement plan is a plan in which savings are accumulated in an individual retirement account for the exclusive benefit of the member or beneficiaries. The plan is established effective July 1, 2006, at which time contributions by employers and members begin.

    (c) The retirement plan established by AS 39.35.700 - 39.35.990 is intended to qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified retirement plan established and maintained by the state for its employees, for the employees of political subdivisions, public corporations, and public organizations of
the state, and for the employees of other employers whose participation is authorized
by AS 39.35.700 - 39.35.990 and who participate in the plan set out in AS 39.35.700 -
39.35.990.

(d) An amendment to AS 39.35.700 - 39.35.990 does not provide a person
with a vested right to a benefit if the Internal Revenue Service determines that the
amendment will result in disqualification of the plan under the Internal Revenue Code.

Sec. 39.35.720. Membership. An employee who becomes a member on or
after July 1, 2006, shall participate in the plan set out in AS 39.35.700 - 39.35.990.

Sec. 39.35.730. Contributions by members. (a) Each member shall
contribute to the member's individual account an amount equal to eight percent of the
member's compensation from July 1 to the following June 30.

(b) Subject to the limitations on contributions under AS 39.35.780, a member
may elect to make additional contributions to the member's individual account.

(c) The employer shall deduct the contribution from the member's
compensation at the end of each payroll period, and the contribution shall be credited
by the plan to the member's individual account. The contributions shall be deducted
from the member's compensation before the computation of applicable federal taxes
and shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member
may not have the option of making the payroll deduction directly in cash instead of
having the contribution picked up by the employer.

Sec. 39.35.740. Employment contributions mandatory. Contributions of
employees shall be made by payroll deductions. Every included employee shall be
considered to consent to payroll deductions. It is of no consequence that a payroll
deduction may cause the compensation paid in cash to an employee to be reduced
below the minimum required by law. Payment of an employee's compensation, less
payroll deductions, is a full and complete discharge and satisfaction of all claims and
demands by the employee relating to remuneration of services during the period
covered by the payment, except with respect to the benefits provided under the plan.

Sec. 39.35.750. Contributions by employers. (a) An employer shall
contribute to each member's individual account an amount equal to five percent of the
member's compensation from July 1 to the following June 30.
(b) An employer shall also contribute an amount equal to a percentage, as certified by the board, of each member's compensation from July 1 to the following June 30 to pay for retiree major medical insurance. This contribution shall be paid into the group health and life benefits fund established by the commissioner of administration under AS 39.30.095 and shall be accounted for in accordance with regulations established by the commissioner.

(c) Notwithstanding (b) of this section, the employer contribution for retiree major medical insurance for fiscal year 2007 shall be 1.75 percent of each member's compensation from July 1 to the following June 30.

(d) An employer shall also make contributions to the health reimbursement arrangement plan under AS 39.30.300.

(e) An employer shall make annual contributions to the plan in an amount determined by the board to be actuarially required to fully fund the cost of providing occupational disability and occupational death benefits under AS 39.35.890 and 39.35.892. The contribution required under this subsection for peace officers and fire fighters and the contribution required under this subsection for other employees shall be separately calculated based on the actuarially calculated costs for each group of employees.

Sec. 39.35.760. Rollover contributions and distributions.

(a) An employee entering the plan may elect, at the time and in the manner prescribed by the administrator, to have all or part of a direct rollover distribution from an eligible retirement plan owned by the member paid directly into the member's individual account.

(b) Rollover contributions do not count as a purchase of membership service for the purpose of determining years of service.

(c) A distributee may elect, at the time and in the manner prescribed by the administrator, to have all or part of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in the direct rollover.

(d) In this section,

(1) "direct rollover" means the payment of an eligible rollover distribution by the plan to an eligible retirement plan specified by a distributee who is
eligible to elect a direct rollover;

(2) "distributee" means a member, or a beneficiary who is the surviving spouse of the member, or an alternate payee;

(3) "eligible retirement plan" means

(A) a conduit individual retirement account described in 26 U.S.C. 408(d)(3)(A);
(B) an annuity plan described in 26 U.S.C. 403(a);
(C) a qualified trust described in 26 U.S.C. 401(a);
(D) an annuity plan described in 26 U.S.C. 403(b); or
(E) a governmental plan described in 26 U.S.C. 457(b);

(4) "eligible rollover distribution" means a distribution of all or part of a total account to a distributee, except for

(A) a distribution that is one of a series of substantially equal installments payable not less frequently than annually over the life expectancy of the distributee or the joint and last survivor life expectancy of the distributee and the distributee's designated beneficiary, as defined in 26 U.S.C. 401(a)(9);
(B) a distribution that is one of a series of substantially equal installments payable not less frequently than annually over a specified period of 10 years or more;
(C) a distribution that is required under 26 U.S.C. 401(a)(9);
(D) the portion of any distribution that is not includable in gross income;
(E) a distribution that is on account of hardship; and
(F) other distributions that are reasonably expected to total less than $200 during a year.

Sec. 39.35.770. Transmittal of contributions. All contributions deducted in accordance with AS 39.35.700 - 39.35.990 shall be transmitted to the plan for deposit in the trust fund as soon as administratively feasible, but in no event later than 15 days following the close of the payroll period.

Sec. 39.35.780. Limitations on contributions. Notwithstanding any other provisions of this plan, the annual additions to each member's individual account
under this plan and under all defined contribution plans of the employer required to be aggregated with the contributions from this plan under the provisions of 26 U.S.C. 415 may not exceed, for any limitation year, the amount permitted under 26 U.S.C. 415 at any time. If the amount of a member's defined contribution plan contributions exceeds the limitation of 26 U.S.C. 415(c) for any limitation year, the administrator shall take any necessary remedial action to correct an excess contribution. The provisions of 26 U.S.C. 415, and the regulations adopted under that statute, as applied to qualified defined contribution plans of governmental employees are incorporated as part of the terms and conditions of the plan.

Sec. 39.35.790. Vesting. (a) A participating member is immediately and fully vested in that member's contributions and related earnings.

(b) A member shall be fully vested in the employer contributions made on that member's behalf, and related earnings, after five years of service. A member is partially vested in the employer contributions made on that member's behalf, and the related earnings, in the ratio of

1. 25 percent with two years of service;
2. 50 percent with three years of service; and
3. 75 percent with four years of service.

Sec. 39.35.800. Investment of individual accounts. (a) The board shall provide a range of investment options and permit a participant to exercise investment control over the participant's assets in the member's individual account as provided in this section. If a participant exercises control over the assets in the individual account, the participant is not considered a fiduciary for any reason on the basis of exercising that control.

(b) A participant may direct investment of plan funds held in an account among available investment funds in accordance with rules established by the board.

(c) A participant may elect to change or transfer all or a portion of the participant's existing account balance among available investment funds not more often than once each day in accordance with the rules established by the administrator. Only the last election received by the administrator before the transmittal of contributions to the trust fund for allocation to the individual account shall be used to
direct the investment of the contributions received.

(d) Except to the extent clearly set out in the terms of the investment plans offered by the employer to the employee, the employer is not liable to the participant for investment losses if the prudent investment standard has been met.

(e) The employer, administrator, state, board, or a person or entity who is otherwise a fiduciary is not liable by reason for any participant's investment loss that results from the participant's directing the investment of plan assets allocated to the participant's account.

(f) To the extent that a member's individual account has been divided as provided in a qualified domestic relations order between participants, each participant shall be treated as the holder of a separate individual account for purposes of investment yields, decisions, transfers, and time limitations imposed by this section.

Sec. 39.35.810. Distribution election at termination. (a) A member is eligible to elect distribution of the member's account in accordance with this section 60 days after termination of employment.

(b) Notwithstanding (a) of this section, distribution of all or a portion of the individual account of a member may take place before the 60th day after the termination of employment with the approval of the administrator if the member makes a written request for a distribution under this subsection. The member's spouse must consent to the request in writing if the member is married. Distribution of an individual account may only be made on account of an immediate and heavy financial need of the member for the following reasons and in the amount the need is demonstrated for

(1) medical care described in 26 U.S.C. 213(d) incurred by the member, the member's spouse, or the member's dependent, or necessary to obtain that medical care;

(2) the purchase of a principal residence for the member;

(3) postsecondary education tuition and related educational fees for the next 12-month period for the member, the member's spouse, or a dependent of the member; in this paragraph, "dependent" has the meaning given in 26 U.S.C. 152;

(4) prevention of the eviction of the member from the member's
principal residence or foreclosure on the mortgage of the member's principal residence; or

(5) any need prescribed by the United States Department of the Treasury, Internal Revenue Service, in a revenue ruling, notice, or other document of general applicability that satisfies the safe harbor definition of hardship under regulations adopted under 26 U.S.C. 401(k).

(c) If a member dies before benefits commence, the member's beneficiary is immediately eligible to elect distribution of the member's share of the member's individual account.

(d) Distributions are payable to an alternate payee in accordance with the terms and conditions of a qualified domestic relations order that is received and approved by the administrator as specified in AS 39.35.860.

(e) Distributions that are being paid to a member may not be affected by the member's subsequent reemployment with the employer. Upon reemployment, a new individual account shall be established for the member to which any future contributions shall be allocated. Upon subsequent termination of employment, the member's new individual account shall be distributed in accordance with this section.

Sec. 39.35.820. Forms of distribution. (a) A participant may elect to receive the participant's share of the individual account in a

(1) lump sum payment, which is a single payment of the entire balance in the account;

(2) periodic lump sum payment, which is a payment of a portion of the balance in the account, not more than twice each year;

(3) period certain annuity payment, which is an annuity payable in a fixed number of monthly installments for a duration of 60, 120, or 180 months;

(4) life annuity with a period certain payment, which is an annuity payable until the later of the first day of the month in which the annuitant's death occurs, or the date on which the payment of a fixed number of monthly installments is completed; the period certain for installments is 120 or 180 months;

(5) single life annuity payment, which is an annuity payable monthly until the first of the month in which the annuitant's death occurs; or
(6) joint and survivor annuity payment, which is an annuity payable monthly to the member until the first of the month in which the member's death occurs; after the member's death, a survivor annuity equal to 50 percent or 100 percent of the member's benefit, as previously elected by the member, shall be paid monthly to the joint annuitant for the remainder of the survivor's lifetime.

(b) Upon the death of an annuitant whose payments have commenced, an annuitant's beneficiary shall receive further payments only to the extent provided in accordance with the form of payment that was being made to the annuitant. The remaining portion of the interest shall continue to be distributed at least as rapidly as under the method of distribution being used before the annuitant's death.

(c) If a participant dies before the distribution commencement date, distribution of the participant's entire interest to a beneficiary shall be payable in any form other than a joint and survivor annuity.

(d) If an unmarried member or other participant fails to elect a form of payment before the distribution commencement date, the account shall be paid to a beneficiary in the form of a lump sum to the extent required by the minimum distribution requirements set out in the Internal Revenue Code. If a married member fails to elect a form of payment before the distribution commencement date, the account shall be paid in the form of a 50 percent joint and survivor annuity, with the member's spouse as the joint annuitant.

Sec. 39.35.830. Manner of electing distributions. (a) Any election or any alteration or revocation of a prior election by a participant for any purpose under this plan shall be on forms or made in a manner prescribed for that purpose by the plan administrator. To be effective, the forms required or the required action for any purpose under this plan must be completed and received in accordance with regulations adopted by the commissioner of administration.

(b) At any time, but not less than seven days before the benefit commencement date, a member, alternate payee, or beneficiary may change

   (1) the form of payment election;

   (2) an election to commence benefits; or

   (3) the joint annuitant designation.
(c) Changes in elections are not allowed on or after seven days before the benefit commencement date.

Sec. 39.35.840. Distribution requirements. (a) Payments to a participant shall commence as soon as administratively feasible following the distribution commencement date. The distribution commencement date is the first date on which one of the following occurs:

(1) a member meets the requirements of AS 39.35.810 and has made a complete application for payment under AS 39.35.830;

(2) a participant has elected to defer receipt of the account to a date specified, the date has been attained, and the participant has made a complete application for payment;

(3) a member attains normal retirement age and has not made an application for payment or elected to defer receipt of the account to a date later than normal retirement age;

(4) a member's beneficiary does not make an application for benefits, and five years have elapsed since the member's death;

(5) notwithstanding (1) - (4) of this subsection, a participant whose account has a balance of $1,000 or less meets the requirements of AS 39.35.810, at which time the participant must take payment of the participant's account.

(b) The entire interest of a member must be distributed or must begin to be distributed not later than the member's required beginning date.

(c) If a member dies after the distribution of the member's interest has begun but before the distribution has been completed, the remaining portion of the interest shall continue to be distributed at least as rapidly as under the method of distribution being used before the member's death.

(d) If a member has made a distribution election and dies before the distribution of the member's interest begins, distribution of the member's entire interest shall be completed by December 31 of the calendar year containing the fifth anniversary of the member's death. However, if any portion of the member's interest is payable to a designated beneficiary, distributions may be made over the life of the designated beneficiary or over a period certain not greater than the life expectancy of
the designated beneficiary, commencing on or before December 31 of the calendar year immediately following the calendar year in which the member died, and, if the designated beneficiary is the member's surviving spouse, the date distributions are required to begin may not be earlier than the later of December 31 of the calendar year (1) immediately following the calendar year in which the member died, or (2) in which the member would have attained 70 1/2 years of age, whichever is earlier. If the surviving spouse dies after the member but before payments to the spouse have begun, the provisions of this subsection apply as if the surviving spouse were the member. An amount paid to a child of the member shall be treated as if it were paid to the surviving spouse if the amount becomes payable to the surviving spouse when the child reaches the age of majority.

(e) If a member has not made a distribution election before the member's death, the member's designated beneficiary must elect the method of distribution not later than December 31 of the calendar year (1) in which distributions would be required to begin under this section, or (2) that contains the fifth anniversary of the date of death of the member, whichever is earlier. If the member does not have a designated beneficiary or if the designated beneficiary does not elect a method of distribution, distribution of the member's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the member's death.

(f) For purposes of (b) of this section, distribution of a member's interest is considered to begin (1) on the member's required beginning date, or (2) if the designated beneficiary is the member's surviving spouse and the surviving spouse dies after the member but before payments to the spouse have begun, on the date distribution is required to begin to the surviving spouse. If distribution in the form of an annuity irrevocably commences to the member before the required beginning date, the date distribution is considered to begin is the date that the distribution actually commences.

(g) Notwithstanding any contrary provisions of AS 39.35.700 - 39.35.990, the requirements of this section apply to all distributions of a member's interest and take precedence over any inconsistent provisions of AS 39.35.700 - 39.35.990.
(h) All distributions required under this section are determined and made in accordance with 26 U.S.C. 401(a)(9) and regulations adopted under that statute, including any minimum distribution incidental benefit requirement.

(i) In this section,

1. "designated beneficiary" means the individual who is designated as the beneficiary under the plan in accordance with 26 U.S.C. 401(a)(9) and regulations adopted under that statute;

2. "required beginning date" means the first day of April of the calendar year following the calendar year in which the member either attains 70 1/2 years of age or actually terminates employment, whichever is later.

Sec. 39.35.850. Designation of beneficiary. (a) Each participant shall have the right to designate a beneficiary and shall have the right, at any time, to revoke the designation or to substitute another beneficiary, subject to the following limitation: if a married member elects a nonspouse beneficiary, the value of the benefit payable to the beneficiary may not exceed 50 percent of the member's portion of the account balance, and the member's spouse shall automatically be considered the beneficiary for the remaining 50 percent of the account balance, unless the spouse consents to the beneficiary designation in a writing that is notarized or witnessed by the administrator. If the spouse consents in this manner, a married member may designate a nonspouse beneficiary for the entire benefit or any portion the benefit as part of an available form of payment contained in this plan,

1. except to the extent a qualified domestic relations order filed with the administrator provides for payment to a former spouse or other dependent of the member; or

2. unless the member filed a revocation of beneficiary accompanied by a written consent to the revocation from the present spouse and each person entitled under the order; however, consent of the present spouse is not required if the member and the present spouse had been married for less than one year on the date of the member's death and if the member established when filing the revocation that the member and the present spouse were not cohabiting.

(b) Except as provided in (a) of this section, the member may change or
revoke the designation without notice to the beneficiary or beneficiaries at any time. If a member designates more than one beneficiary, each shares equally unless the member specifies a different allocation or preference. The designation of a beneficiary, a change or revocation of a beneficiary, and a consent to revocation of a beneficiary shall be made on a form provided by the administrator and is not effective until filed with the administrator.

(c) If a member fails to designate a beneficiary, or if no designated beneficiary survives the member, the death benefit shall be paid

   (1) to the surviving spouse or, if there is none surviving;
   (2) to the surviving children of the member in equal parts or, if there are none surviving;
   (3) to the surviving parents in equal parts or, if there are none surviving;
   (4) to the estate.

(d) A person claiming entitlement to benefits payable under AS 39.35.700 - 39.35.990 as a consequence of a member's death shall provide the administrator with a marriage certificate, divorce or dissolution judgment, or other evidence of entitlement. Documents establishing entitlement may be filed with the administrator immediately after a change in the member's marital status. If the administrator does not receive notification of a claim before the date 10 days after the member's death, the person claiming entitlement is not entitled to receive from the division of retirement and benefits any benefit already paid by the administrator.

Sec. 39.35.860. Rights under qualified domestic relations order. (a) Notwithstanding the nonalienation provisions in AS 39.35.900(a), the plan administrator may direct that benefits be paid to someone other than a member or beneficiary under a valid qualified domestic relations order that is executed by the judge of a competent court in accordance with applicable state law and that has been accepted by the administrator.

(b) The administrator shall determine whether an order meets the requirements of this section within a reasonable period after receiving an order. The administrator shall notify the member and any alternate payee that an order has been received and
indicate to the member and any alternate payee when the order is accepted. A separate account for the alternate payee portion shall be established as soon as administratively feasible after the order has been accepted by the administrator.

Sec. 39.35.870. Eligibility for retirement and medical benefits. (a) In order to obtain medical benefits under AS 39.35.880, an active member must retire directly from the plan. A member is eligible to retire from the plan if the member has been an active member for at least 12 months before application for retirement and

(1) the member has at least 25 years of membership service as a peace officer or fire fighter or at least 30 years of membership service for all other employees; or

(2) the member reaches the normal retirement age and has at least 10 years of membership service.

(b) The normal retirement age is the age set for Medicare eligibility at the time the member retires.

(c) A member's surviving spouse is eligible to elect medical benefits under AS 39.35.880 if the member had retired, or was eligible for retirement and medical benefits at the time of the member's death.

(d) Members shall apply for retirement and medical benefits on the forms and in the manner prescribed by the administrator.

(e) Participation in the retiree major medical insurance plan is not required in order to participate in the health reimbursement arrangement.

(f) A person eligible for retirement and medical benefits is not required to participate in the health reimbursement arrangement in order to participate in the retiree major medical insurance plan.

(g) An eligible person must make the irrevocable election to participate or not participate in the retiree major medical insurance plan by reaching 70 1/2 years of age, or upon application for retirement and medical benefits, whichever is later.

Sec. 39.35.880. Medical benefits. (a) The medical benefits available to eligible persons are access to the retiree major medical insurance plan and to the health reimbursement arrangement under AS 39.30.300. Access to the retiree major medical insurance plan means that an eligible person may not be denied insurance
coverage except for failure to pay the required premium.

(b) Retiree major medical insurance plan coverage elected by an eligible member under this section covers the eligible member, the spouse of the eligible member, and the dependent children of the eligible member.

(c) Retiree major medical insurance plan coverage elected by a surviving spouse of an eligible member under this section covers the surviving spouse and the dependent children of the eligible member who are dependent on the surviving spouse.

(d) Major medical insurance coverage takes effect on the first day of the month following the date of the administrator's approval of the election and stops when the person who elects coverage dies or fails to make a required premium payment.

(e) The coverage for persons 65 years of age or older is the same as that available for persons under 65 years of age. The benefits payable to those persons 65 years of age or older supplement any benefits provided under the federal old age, survivors and disability insurance program.

(f) The medical and optional insurance premiums owed by the person who elects coverage may be deducted from the health reimbursement arrangement. If the amount of the health reimbursement arrangement becomes insufficient to pay the premiums, the person who elects coverage under (a) of this section shall pay the premiums directly.

(g) The cost of premiums for retiree major medical insurance coverage for an eligible member or surviving spouse who is

(1) not eligible for Medicare is an amount equal to the full monthly group premiums for retiree major medical insurance coverage;

(2) eligible for Medicare is the following percentage of the premium amounts established for retirees who are eligible for Medicare:

(A) 30 percent if the member had 10 or more, but less than 15, years of service;

(B) 25 percent if the member had 15 or more, but less than 20, years of service;

(C) 20 percent if the member had 20 or more, but less than 25,
years of service;
(D) 15 percent if the member had 25 or more, but less than 30, years of service;
(E) 10 percent if the member had 30 or more years of service.
(h) The eligibility for retiree major medical insurance coverage for an alternate payee under a qualified domestic relations order shall be determined based on the eligibility of the member to elect coverage. The alternate payee shall pay the full monthly premium for retiree major medical insurance coverage.
(i) A person who is entitled to retiree major medical insurance coverage shall
(1) be informed by the administrator in writing
(A) that the health insurance coverage available to retired members may be different from the health insurance coverage provided to employees;
(B) of time limits for selecting optional health insurance coverage and whether the election is irrevocable; and
(2) indicate in writing on a form provided by the administrator that the person has received the information required by this subsection and whether the person has chosen to receive optional health insurance coverage.
(j) The monthly group premiums for retiree major medical insurance coverage are established by the administrator in accordance with AS 39.30.095. Nothing in AS 39.35.700 - 39.35.990 guarantees a person who elects coverage under (a) of this section a monthly group premium rate for retiree major medical insurance coverage other than the premium in effect for the month in which the premium is due for coverage for that month.
(k) In this section, "health reimbursement arrangement" means the plan established in AS 39.30.300.

Sec. 39.35.890. Occupational disability benefits and reemployment of disabled employees. (a) An employee is eligible for an occupational disability benefit if employment is terminated because of a total and apparently permanent occupational disability before the employee's normal retirement date.
(b) The occupational disability benefits accrue beginning the first day of the
month following termination of employment as a result of the disability and are payable the last day of the month. If a final determination granting the benefit is not made in time to pay the benefit when due, a retroactive payment shall be made to cover the period of deferment. The last payment shall be for the first month in which the disabled employee

(1) dies;
(2) recovers from the disability;
(3) fails to meet the requirements under (f) or (j) of this section; or
(4) reaches normal retirement age.

(c) If the disabled employee becomes ineligible to receive occupational disability benefits before the normal retirement date, the disabled employee shall then be entitled to receive retirement benefits if the employee would have been eligible for the benefit had employment continued during the period of disability. The period of disability constitutes membership service in regard to determining eligibility for retirement.

(d) The monthly amount of an occupational disability benefit is 40 percent of the disabled employee's gross monthly compensation at the time of termination due to disability. While an employee is receiving disability benefits, based on the disabled employee's gross monthly compensation at the time of termination due to disability, the employer shall make contributions

(1) to the employee's individual account under AS 39.35.730 on behalf of the employee, without deduction from the employee's disability payments; and
(2) on behalf of the employee under AS 39.35.750.

(e) An employee is not entitled to an occupational disability benefit unless the employee files an application for an occupational disability benefit with the administrator within 90 days after the date of terminating employment. If the employee is unable to meet a filing requirement of this subsection, the filing requirement may be waived by the administrator if there are extraordinary circumstances that resulted in the employee's inability to meet the filing requirement.

(f) A disabled employee receiving an occupational disability benefit shall undergo a medical examination as often as the administrator considers advisable, but
not more frequently than once each year. The administrator shall determine the place of the examination and engage the physician or physicians. If, in the judgment of the administrator, the examination indicates that the retired employee is no longer incapacitated because of a total and apparently permanent occupational disability, the administrator may not issue further disability benefits to the employee.

(g) A disabled employee's occupational disability benefit terminates when the disabled employee first attains eligibility for normal retirement. At that time, the employee's retirement benefit shall be determined under the provisions of AS 39.35.820 - 39.35.840, 39.35.870, and 39.35.880. An employee receiving disability benefits up until eligibility for retirement shall be considered to have retired directly from the plan.

(h) Notwithstanding (g) of this section, at the time a peace officer or fire fighter receiving occupational disability benefits under this section first attains eligibility for normal retirement, the employee shall irrevocably elect to receive retirement benefits in the amount calculated as the

(1) employee's retirement benefit calculated under the provisions of AS 39.35.820 - 39.35.840; or

(2) employee's retirement benefit calculated as if the provisions of AS 39.35.370(c) were to apply; however, retirement benefits paid under this paragraph may not be made from the trust fund of the public employees' defined benefit retirement plan.

(i) Notwithstanding (b)(3) of this section, a peace officer or fire fighter who retires under (h) of this section is not subject to the requirements of (f) or (j) of this section during retirement.

(j) An employee appointed to disability benefits shall apply to the division of vocational rehabilitation within 30 days after the date disability benefits commence. The employee shall be enrolled in a rehabilitation program if the employee meets the eligibility requirements of the division of vocational rehabilitation. Unless the employee demonstrates cause, benefits shall terminate at the end of the first month in which a disabled employee

(1) fails to report to the division of vocational rehabilitation;
(2) is certified by the division of vocational rehabilitation as failing to cooperate in a vocational rehabilitation program;

(3) fails to interview for a job; or

(4) fails to accept a position offered.

(k) Upon the death of a disabled employee who is receiving or is entitled to receive an occupational disability benefit, the administrator shall pay the surviving spouse a surviving spouse's pension, equal to 40 percent of the employee's monthly compensation at the termination of employment because of occupational disability. If there is no surviving spouse, the administrator shall pay the survivor's pension in equal parts to the dependent children of the employee. The first payment of the surviving spouse's pension or of a dependent child's pension shall accrue from the first day of the month following the employee's death and is payable the last day of the month. The last payment shall be made for the last month in which there is an eligible surviving spouse or child. On the date the normal retirement of the employee would have occurred if the employee had lived, the retirement benefit shall be determined under the provisions of AS 39.35.820 - 39.35.840, 39.35.870, and 39.35.880. An employee who died while receiving disability benefits shall be considered to have retired directly from the plan on the date the normal retirement of the employee would have occurred if the employee had lived.

(l) In this section, "occupational disability" has the meaning given in AS 39.35.680.

Sec. 39.35.892. Occupational death benefit. (a) If (1) the death of an employee occurs before the employee's retirement and before the employee's normal retirement date, (2) the proximate cause of death is a bodily injury sustained or a hazard undergone while in the performance and within the scope of the employee's duties, and (3) the injury or hazard is not the proximate result of wilful negligence of the employee, a monthly survivor's pension shall be paid to the surviving spouse. If there is no surviving spouse or if the spouse later dies, the monthly survivor's pension shall be paid in equal parts to the dependent children of the employee.

(b) The first payment of the surviving spouse's pension or of a dependent child's pension shall be made for the month following the month in which the
employee dies, and payment shall cease to be made beginning with the month in which the employee would have first qualified for retirement.

(c) The monthly survivor's pension in (b) of this section for survivors of employees who were not peace officers or fire fighters is 40 percent of the employee's monthly compensation in the month in which the employee dies. The monthly survivor's pension in (b) of this section for survivors of employees who were peace officers or fire fighters is 50 percent of the monthly compensation in the month in which the employee dies. While the monthly survivor's pension is being paid, the employer shall make contributions on behalf of the employee's beneficiaries based on the deceased employee's gross monthly compensation at the time of occupational death

(1) to the employee's individual account under AS 39.35.730, without deduction from the survivor's pension; and

(2) to the appropriate accounts and funds under AS 39.35.750.

(d) If an employee's death is caused by an act of assault, assassination, or terrorism directly related to the person's status as an employee, whether the act occurs on or off the employee's job site, the death shall be considered to have occurred in the performance of and within the scope of the employee's duties for purposes of (a)(2) of this section. If the expressed or apparent motive and intent of the perpetrator of the harm inflicted upon the employee was due to the performance of the employee's job duties or employment, the death shall be considered to be directly related to the employee's status as an employee. An employee's job duties are those performed within the course and scope of the person's employment with an employer.

(e) On the date the normal retirement of the employee would have occurred if the employee had lived, the retirement benefit shall be determined under the provisions of AS 39.35.820 - 39.35.840, 39.35.870, and 39.35.880. An employee who died and whose survivors receive occupational death benefits under this section shall be considered to have retired directly from the plan on the date the normal retirement of the employee would have occurred if the employee had lived.

Sec. 39.35.895. Amendment and termination of plan. (a) The state has the right to amend the plan at any time and from time to time, in whole or in part,
including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

(b) The plan administrator may not modify or amend the plan retroactively in such a manner as to reduce the benefits of any member accrued to date under the plan by reason of contributions made before the modification or amendment except to the extent that the reduction is permitted by the Internal Revenue Code.

(c) The state may, in its discretion, terminate the plan in whole or part at any time without liability for the termination. If the plan is terminated, all investments remain in force until all individual accounts have been completely distributed under the plan, and, after all plan liabilities are satisfied, excess assets revert to the employer.

(d) Any contribution made by an employer to the plan because of a mistake of fact must be returned to the employer by the administrator within one year after the contribution or discovery, whichever is later.

Sec. 39.35.900. Exclusive benefit. (a) The corpus or income of the assets held in trust as required by the plan may not be diverted or used for other than the exclusive benefit of the participants.

(b) If plan benefits are provided through the distribution of annuity or insurance contracts, any refunds or credits in excess of plan benefits due to dividends, earnings, or other experience rating credits, or surrender or cancellation credits, shall be paid to the trust fund.

(c) The assets of the plan may not be used to pay premiums or contributions of the employer under another plan maintained by the employer.

Sec. 39.35.910. Nonguarantee of returns, rates, or benefit amounts. The plan created by AS 39.35.700 - 39.35.990 is a defined contribution plan, not a defined benefit plan. The amount of money in the account of a participant depends on the amount of contributions and the rate of return from investments of the account that varies over time. If benefits are paid in the form of an annuity, the benefit amount payable is dependent on the amount of money in the account and the interest rates applied and service fees charged by the annuity payor at the time benefits are first paid. Nothing in this plan guarantees a participant

(1) a rate of return or interest rate other than that actually earned by the account of the participant, less applicable administrative expenses; or
(2) an annuity based on interest rates or service charges other than
interest rates available from and service charges by the annuity payor in effect at the
time the annuity is paid.

Sec. 39.35.920. Nonguarantee of employment. The provisions of
AS 39.35.700 - 39.35.990 are not a contract of employment between an employer and
an employee, nor do they confer a right of an employee to be continued in the
employment of an employer, nor are they a limitation of the right of an employer to
discharge an employee with or without cause.

Sec. 39.35.930. Fraud. (a) A person who knowingly makes a false statement
or falsifies or permits to be falsified a record of this plan in an attempt to defraud the
plan is guilty of a class A misdemeanor.

(b) In this section, "knowingly" has the meaning given in AS 11.81.900(a).

Sec. 39.35.940. Transfer into defined contribution plan by nonvested
members of defined benefit plan. (a) Subject to (i) of this section, an active
member of the defined benefit retirement plan of the public employees' retirement
system is eligible to participate in the defined contribution retirement plan established
under AS 39.35.700 - 39.35.990 if that member has not vested. Participation in the
defined contribution retirement plan is in lieu of participation in the defined benefit
retirement plan established under AS 39.35.095 - 39.35.680.

(b) A member who has vested in a defined benefit retirement plan is not
eligible to transfer under this section.

(c) Each eligible member who elects to participate in the defined contribution
retirement plan shall have transferred to a new account the employee contribution
account balance held in trust for the member under the defined benefit retirement plan
of the public employees' retirement system. A matching employer contribution shall
be made on behalf of that employee to the new account. The employer shall make the
matching contribution from funds other than the trust funds of the defined benefit
retirement plan established under AS 39.35.095 - 39.35.680.

(d) Upon a transfer, all membership service previously earned under the
defined benefit retirement plan shall be nullified for purposes of entitlement to a future
benefit under the defined benefit retirement plan but shall be credited for purposes of
eligibility to elect medical benefits under AS 39.35.870. Membership service allowed for credit toward medical benefits does not include any service credit purchased for employment by an employer who is not a participating employer in this chapter.

(e) An eligible member whose accounts are subject to a qualified domestic relations order may not make an election to participate in the defined contribution retirement plan under this subsection unless the qualified domestic relations order is amended or vacated and court-certified copies of the order are received by the administrator.

(f) As directed by the participant, the board shall transfer or cause to be transferred the appropriate amounts to the designated account. The board shall establish transfer procedures by regulation, but the actual transfer may not be later than 30 days after the effective date of the member's participation in the defined contribution retirement plan unless the major financial markets for securities available for a transfer are seriously disrupted by an unforeseen event that also causes the suspension of trading on any national securities exchange in the country where the securities were issued. In that event, the 30-day period of time may be extended by a resolution of the board of trustees. Transfers are not commissionable or subject to other fees and may be in the form of securities or cash as determined by the board. Securities shall be valued as of the date of receipt in the participant's account.

(g) If the board or the administrator receives notification from the United States Department of the Treasury, Internal Revenue Service, that this section or a portion of this section will cause the retirement system under this chapter, or a portion of the retirement system under this chapter, to be disqualified for tax purposes under the Internal Revenue Code, the portion that will cause the disqualification does not apply, and the board and the administrator shall notify the presiding officers of the legislature.

(h) The election to participate in the defined contribution retirement plan must be made in writing on forms and in the manner prescribed by the administrator. Before accepting an election to participate in the defined contribution retirement plan, the administrator must provide the employee planning on making an election to participate in the defined contribution retirement plan with information, including
calculations to illustrate the effect of moving the employee's retirement plan from the defined benefit retirement plan to the defined contribution retirement plan as well as other information to clearly inform the employee of the potential consequences of the employee's election. An election made under this subsection to participate in the defined contribution retirement plan is irrevocable. Upon making the election, the participant shall be enrolled as a member of the defined contribution retirement plan, the member's participation in the plan shall be governed by the provisions of AS 39.35.700 - 39.35.990, and the member's participation in the defined benefit retirement plan under AS 39.35.115 shall terminate. The participant's enrollment in the defined contribution retirement plan shall be effective the first day of the month after the administrator receives the completed enrollment forms. An election made by an eligible member who is married is not effective unless the election is signed by the individual's spouse.

(i) A member may make an election under this section only if the member's employer participates in both the defined benefit retirement plan and the defined contribution retirement plan and consents to transfers under this section. The employer shall notify the administrator if the employer consents to allowing the employer's members to choose to transfer from the defined benefit retirement plan to the defined contribution retirement plan under this section. An employer's notice to allow transfers is irrevocable and applicable to all eligible employees of the employer.

(j) In this section,

(1) "defined benefit retirement plan" means the retirement plan established in AS 39.35.095 - 39.35.680;

(2) "defined contribution retirement plan" means the retirement plan established in AS 39.35.700 - 39.35.990.

Sec. 39.35.950. Request by political subdivision to participate and adoption of resolution. A municipality or other political subdivision of the state may request to become an employer in this plan. The request shall be made after adoption of a resolution by the legislative body of the political subdivision and after approval of the resolution by the person required by law to approve the resolution. A certified copy of the resolution shall be filed with the administrator. If the administrator
approves the request for participation, the political subdivision is an employer of the plan.

**Sec. 39.35.955. Request by public organization to participate and adoption of resolution.** A public organization may request to become an employer in this plan. The request shall be made after adoption of a resolution by the governing body of the public organization. A certified copy of the resolution shall be filed with the administrator. If the administrator approves the request for participation, the public organization is an employer of the plan.

**Sec. 39.35.960. Membership in teachers' and public employees' retirement systems.** A person who is employed at least half-time in the public employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the same period that the person is employed at least half-time in a position in the teachers' defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited service under each plan for half-time employment. However, the amount of credited service a person receives under the public employees' defined contribution retirement plan during a school year may not exceed the amount necessary, when added to the amount of credited service earned during the school year under the teachers' defined contribution retirement plan, to equal one year of credited service.

**Sec. 39.35.965. Army and air national guard employees.** A regular full-time civilian employee of the Alaska Army National Guard and Air National Guard whose entire salary is paid from allotted federal funds is included in the public employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) if the federal or state government pays the employer's contributions. If the amount that the federal government may legally contribute to the plan is lower than the required employer's contributions, the state government shall contribute the difference. If the employer's contributions are not paid when due, service credit for the period of delinquency may not be granted until the contributions are paid.

**Sec. 39.35.970. North Pacific Fishery Management Council employees.** An employee of the North Pacific Fishery Management Council appointed under 16 U.S.C. 1852(f)(1) (Sec. 302(f)(1) of P.L. 94-265) whose compensation is paid from allotted federal funds is included in the public employees' defined contribution
retirement plan (AS 39.35.700 - 39.35.990) if the council pays the employer's contributions. If the employer's contributions are not paid when due, credited service for the period of delinquency may not be granted until the contributions are paid.

Sec. 39.35.990. Definitions. In AS 39.35.700 - 39.35.990, unless the context requires otherwise,

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

(2) "alternate payee" means the person for whom an amount has been separated into an account under a qualified domestic relations order;

(3) "annuitant" means a member, beneficiary, or alternate payee who is receiving a benefit under this plan;

(4) "beneficiary" means the person or persons entitled under the provisions of this plan to receive benefits after the death of a member or alternate payee;

(5) "board" has the meaning given in AS 39.35.680;

(6) "calendar year" has the meaning given in AS 39.35.680;

(7) "compensation"

(A) means

(i) the total remuneration earned by an employee for personal services rendered, including cost-of-living differentials, as reported on the employee's Federal Income Tax Withholding Statement (Form W-2) from the employer for the calendar year;

(ii) the member contribution to the public employees' retirement system under AS 39.35.730, employee deferrals under AS 39.45.010, the wage reduction amount contributed to the Alaska Supplemental Annuity Plan under AS 39.30.150(a), and the wage reduction amount contributed to the Alaska Supplemental Benefit Plan under AS 39.30.150(c), as those statutes may be amended from time to time;

(B) does not include retirement benefits, severance pay or other separation bonuses, welfare benefits, per diem, expense allowances, workers'
compensation payments, payments for leave not used whether those leave payments are scheduled payments, lump-sum payments, donations, or cash-ins, any remuneration contributed by the employer for or on account of the employee under this plan or under any other qualified or nonqualified employee benefit plan, any remuneration not specifically included above which would have been excluded under 26 U.S.C. 3121(a) (Internal Revenue Code) if the employer had remained in the Federal Social Security System, or any remuneration paid by the employer in excess of the Social Security Taxable Wage Base for the calendar year;

(C) notwithstanding (B) of this paragraph, includes any amount that is contributed by the employer under a salary reduction agreement and that is not includible in the gross income of the employee under 26 U.S.C. 125, 132(f)(4), 402(e)(3), 402(h)(1)(B) or 403(b) (Internal Revenue Code); the annual compensation limitation for the member, which is so taken into account for those purposes, may not exceed $200,000, as adjusted for the cost of living in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the limitation for a fiscal year being the limitation in effect for the calendar year within which the fiscal year begins;

(8) "dependent child" has the meaning given in AS 39.35.680;

(9) "distribution commencement date" has the meaning given in AS 39.35.840(a);

(10) "employer" means

(A) the State of Alaska; or

(B) a political subdivision or public organization of the state that participates in the plan;

(11) "fund" means the assets of the plan;

(12) "individual account" means the total maintained by the plan in an investment account within the trust fund, established for each member for the purposes of allocation of the member's contributions, the employer's contributions on behalf of the member, and earnings credited to each of those contributions, investment gains and losses, and expenses; as well as reporting of the member's benefit under the plan;
(13) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended;

(14) "investment funds" means those separate funds that are provided within and that make up the trust fund and that are established for the purpose of directing investment through the exercise of the sole control of a member, beneficiary, or alternate payee under the terms of the plan and trust agreement;

(15) "limitation year" means the year for which contributions are made to a member's individual account as reported to the Internal Revenue Service and as meets the limits described in 26 U.S.C. 415(c);

(16) "member" means an employee of an employer or former employee of an employer who retains a right to benefits under the plan, but does not include full-time or part-time instructors of the Department of Labor and Workforce Development;

(17) "membership service" means full-time or part-time employment with an employer in the plan;

(18) "normal retirement age" means the age set for Medicare eligibility at the time the member retires;

(19) "participant" means the person who has a vested right to an individual account, such as a member, an alternate payee if the account is subject to a qualified domestic relations order, the member's beneficiary if the member is deceased, or an alternate payee's beneficiary if the alternate payee is deceased;

(20) "peace officer" or "fire fighter" has the meaning given in AS 39.35.680;

(21) "plan" means the retirement plan established in AS 39.35.700 - 39.35.990;

(22) "prudent investment standard" means the degree of care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;

(23) "qualified domestic relations order" means a divorce or dissolution judgment under AS 25.24, including an order approving a property
settlement, that

(A) creates or recognizes the existence of an alternate payee's right to, or assigns to an alternate payee the right to, receive all or a portion of an individual account or the benefits payable with respect to a member;

(B) sets out the name and last known mailing address, if any, of the member and of each alternate payee covered by the order;

(C) sets out the amount or percentage of the member's benefit, or of any survivor's benefit, to be paid to the alternate payee, or sets out the manner in which that amount or percentage is to be determined;

(D) sets out the number of payments or period to which the order applies;

(E) sets out the retirement plan to which the order applies;

(F) does not require any type or form of benefit or any option not otherwise provided by AS 39.35.700 - 39.35.990;

(G) does not require an increase of benefits in excess of the amount provided by AS 39.35.700 - 39.35.990; and

(H) does not require the payment to an alternate payee of benefits that are required to be paid to another alternate payee under another order previously determined to be a qualified domestic relations order;

(24) "retiree" means an eligible person who has elected to receive medical benefits under AS 39.35.880;

(25) "surviving spouse" means the spouse of an employee who has been married to the employee for at least one year at the time of the employee's death;

(26) "system" has the meaning given in AS 39.35.680;

(27) "year of service" means the equivalent of 52 weeks of permanent full-time employment, which may consist of a combination of permanent full-time or permanent part-time membership service; in this paragraph, "permanent full-time" and "permanent part-time" have the meanings given in AS 39.35.680.

* Sec. 123. AS 39.45.030(a) is amended to read:

(a) The Alaska Retirement Management [STATE PENSION INVESTMENT] Board is authorized, subject to contracts with individual employees,
to invest the funds held under a deferred compensation program. The board has the
same powers and duties concerning the management and investment in regard to those
funds as are provided under AS 37.10.220 [AS 14.25.180].

* Sec. 124. AS 39.45.030(g) is amended to read:
   (g) In this section, "board" means the Alaska Retirement Management
       [STATE PENSION INVESTMENT] Board.

* Sec. 125. AS 39.45.060 is amended by adding a new paragraph to read:
   (2) "board" means the trustees of the Alaska Retirement Management

* Sec. 126. AS 39.50.200(a)(9) is amended to read:
   (9) "public official" means
   (A) a judicial officer;
   (B) the governor or the lieutenant governor;
   (C) a person hired or appointed in a department in the
       executive branch as
   (i) the head or deputy head of the department;
   (ii) the director or deputy director of a division;
   (iii) a special assistant to the head of the department;
   (iv) a person serving as the legislative liaison for the
       department;
   (D) an assistant to the governor or the lieutenant governor;
   (E) the chair or a member of a state commission or board
       [OTHER THAN PHYSICIAN MEMBERS OR ALTERNATES OF THE
       ALASKA TEACHERS' RETIREMENT BOARD APPOINTED UNDER
       AS 14.25.035(a)(2) OR OF THE PUBLIC EMPLOYEES' RETIREMENT
       BOARD APPOINTED UNDER AS 39.35.030(d);]
   (F) state investment officers and the state comptroller in the
       Department of Revenue;
   (G) [REPEALED
   (H)] the chief procurement officer appointed under
   AS 36.30.010;
the executive director of the Alaska Workforce Investment Board; and

each appointed or elected municipal officer;

* Sec. 127. AS 39.50.200(b)(54) is amended to read:

(54) Alaska Retirement Management [STATE PENSION INVESTMENT] Board (AS 37.10.210);

* Sec. 128. AS 44.25.020(2) is amended to read:

(2) collect, account for, have custody of, invest, and manage all state funds and all revenues of the state except revenues incidental to a program of licensing and regulation carried on by another state department, funds managed and invested by the Alaska Retirement Management [STATE PENSION INVESTMENT] Board, and as otherwise provided by law;

* Sec. 129. AS 44.25.028(a) is amended to read:

(a) The commissioner of revenue may designate employees of the Department of Revenue who are subject to the provisions of AS 39.50 because of their responsibility for participating in the management or investment of the funds for which the Alaska Retirement Management [STATE PENSION INVESTMENT] Board is responsible.

* Sec. 130. AS 44.25.028(b) is amended to read:

(b) If an officer or employee of the Department of Revenue with responsibility for funds for which the Alaska Retirement Management [STATE PENSION INVESTMENT] Board is responsible acquires, owns, or controls an interest, direct or indirect, in an entity or project in which assets under the control of the board are invested, the officer or employee shall immediately disclose the interest to the board. The disclosure is a matter of public record and shall be included in the minutes of the board meeting next following the disclosure. The commissioner shall adopt regulations to restrict officers and employees of the department from having a substantial interest in an entity or project in which assets under the control of the board are invested.

* Sec. 131. AS 44.64.030(a) is amended by adding new paragraphs to read:

(36) AS 14.25.006 (teachers’ retirement system);
(37) AS 39.35.006 (public employees' retirement system).

* Sec. 132. AS 14.25.012(a), 14.25.015, 14.25.020, 14.25.022, 14.25.030, 14.25.035, 14.25.037, 14.25.170, 14.25.175(e), 14.25.180, 14.25.190, 14.25.220(41); AS 39.30.175(f); AS 39.35.010, 39.35.020, 39.35.030, 39.35.040, 39.35.042, 39.35.047, 39.35.060, 39.35.080, 39.35.090, 39.35.520(c), 39.35.522(c), 39.35.522(e); AS 39.45.025; AS 39.50.200(b)(23), and 39.50.200(b)(29) are repealed.

* Sec. 133. AS 14.25.061(c), 14.25.062; and AS 39.35.350 are repealed.

* Sec. 134. The uncodified law of the State of Alaska is amended by adding a new section to read:

EMPLOYER CONTRIBUTIONS FOR OCCUPATIONAL DISABILITY AND DEATH BENEFITS IN THE PUBLIC EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT PLAN FOR THE FIRST FISCAL YEAR THE PLAN IS IN EFFECT. Notwithstanding AS 39.35.750(e), added by sec. 122 of this Act, for the first fiscal year in which the public employees' defined contribution retirement plan is in effect, the employer contribution to fully fund the cost of providing occupational disability and occupational death benefits under AS 39.35.890 and 39.35.892 shall be equal to

(1) 0.4 percent of the compensation for peace officers and fire fighters; and
(2) 0.3 percent of the compensation for all other employees.

* Sec. 135. The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: INITIAL STAGGERED TERMS OF TRUSTEES OF THE ALASKA RETIREMENT MANAGEMENT BOARD. Notwithstanding AS 37.10.210(c), as repealed and reenacted by sec. 58 of this Act, the terms of the initially appointed trustees of the Alaska Retirement Management Board who are not commissioners shall be set by the governor to achieve staggered terms in the manner provided for seven-member boards by AS 39.05.055(5). Notwithstanding AS 39.05.055(5), the terms of each of the two members of the two retirement systems appointed under AS 37.10.210(b)(2)(C) and 37.10.210(b)(2)(D), as repealed and reenacted by sec. 58 of this Act, shall be set so that the term of one of each of the members in each system expires two years apart from the term of the other member representing that system.

* Sec. 136. The uncodified law of the State of Alaska is amended by adding a new section
TERMS OF MEMBERS OF THE ALASKA TEACHERS' RETIREMENT BOARD AND THE PUBLIC EMPLOYEES' RETIREMENT BOARD. The terms of all board members appointed to the Alaska Teachers' Retirement Board and the Public Employees' Retirement Board expire on the effective date of this section.

* Sec. 137. The uncodified law of the State of Alaska is amended by adding a new section to read:

TERMS OF MEMBERS OF THE ALASKA STATE PENSION INVESTMENT BOARD. The terms of all board members appointed to the Alaska State Pension Investment Board expire on September 30, 2005.

* Sec. 138. The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION OF DUTIES BETWEEN THE ALASKA STATE PENSION INVESTMENT BOARD AND THE ALASKA RETIREMENT MANAGEMENT BOARD. (a) After the effective date of this section and until September 30, 2005, the Alaska State Pension Investment Board shall continue to exercise the powers and duties assigned in this Act to the Alaska Retirement Management Board. The Alaska State Pension Investment Board shall take actions to facilitate the transition of duties formerly assigned to the Alaska State Pension Investment Board to the duties assigned in this Act to the Alaska Retirement Management Board. A member of the Alaska Retirement Management Board appointed to serve as a trustee before September 30, 2005, shall be invited to observe and train with the Alaska State Pension Investment Board.

(b) The Alaska Retirement Management Board may not assume the duties and responsibilities assigned to the Alaska Retirement Management Board in this Act until October 1, 2005.

* Sec. 139. The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION. Hearings and other proceedings pending under a law amended or repealed by this Act or in connection with functions transferred by this Act continue in effect and may be continued and completed notwithstanding a transfer or amendment or repeal provided for in this Act. Orders and regulations issued or adopted under authority of a law
amended or repealed by this Act remain in effect for the term issued, or until revoked, vacated, or otherwise modified under the provisions of this Act. Contracts, rights, liabilities, and obligations created by or under a law amended or repealed by this Act, and in effect on the effective date of this section, remain in effect notwithstanding this Act's taking effect. Records, equipment, appropriations, funds, and other property of boards or agencies of the state whose functions are transferred under this Act shall be transferred to implement the provisions of this Act.

* Sec. 140. The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: REGULATIONS. (a) The Department of Administration and the Department of Revenue may proceed to develop and adopt regulations required to implement this Act.

(b) Regulations adopted by the Department of Administration and the Department of Revenue under this Act relate to the internal management of a state agency, and the adoption of the regulations is not subject to AS 44.62 (Administrative Procedure Act).

* Sec. 141. The uncodified law of the State of Alaska is amended by adding a new section to read:

REPORT TO THE LEGISLATURE BY ALASKA RETIREMENT MANAGEMENT BOARD. It is the intent of the legislature that there will be a moratorium after the effective date of this section on legislation affecting all public employees' retirement plans until the Alaska Retirement Management Board can present a report to the legislature containing the board's assessment and recommendations as provided in this section. The Alaska Retirement Management Board shall report to the legislature 120 days after all members are appointed to the board, or 15 days after the first day of the first regular legislative session following the effective date of this section, whichever occurs first. The report must include the board's

(1) preliminary assessment of the financial health of all public employees' retirement plans and all teachers' retirement plans;

(2) assessment of the actuarial services purchased by the board;

(3) recommendations for additional legislative or administrative policy to improve the financial health of the retirement plans;

(4) short-term and long-term recommendations for addressing the unfunded
liability of the retirement plans; and

(5) recommendations for legislative procedures regarding fiscal notes for new legislation affecting the retirement plans.

* Sec. 142. The uncodified law of the State of Alaska is amended by adding a new section to read:

REPORT TO THE LEGISLATURE ON HEALTH CARE COST-SAVING MEASURES. The Department of Administration shall provide an annual report to the legislature regarding the cost-saving measures it has implemented by regulation appropriate to current and future retirees in the health care system.

* Sec. 143. The uncodified law of the State of Alaska is amended by adding a new section to read:

INSTRUCTION REGARDING ALASKA TEACHERS' RETIREMENT SYSTEM BOARD, ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD, AND ALASKA STATE PENSION INVESTMENT BOARD. Wherever in the Alaska Statutes and the Alaska Administrative Code the terms "Alaska Teachers' Retirement System Board," "Alaska Public Employees' Retirement System Board," or "Alaska State Pension Investment Board" are used, they shall be read as "Alaska Retirement Management Board" when to do so would be consistent with the changes made by this Act.

* Sec. 144. The uncodified law of the State of Alaska is amended by adding a new section to read:


(b) The revisor of statutes shall change the reference to "board" to "administrator" in the following statutes: AS 14.25.075 and 14.25.130(f).

(c) The revisor of statutes shall change the reference to "system" to "plan" in the following statutes: AS 14.25.040(b), 14.25.040(c), 14.25.045, 14.25.047, 14.25.050(a),
14.25.055, 14.25.060, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.065, 14.25.070,
14.25.075(c), 14.25.075(d), 14.25.075(g), 14.25.075(h), 14.25.075(i), 14.25.100(a),
14.25.105(c), 14.25.107, 14.25.110, 14.25.125(c), 14.25.143, 14.25.163, 14.25.165(i),
14.25.167(g), 14.25.168, 14.25.169, 14.25.173(a), 14.25.173(d), 14.25.181, 14.25.200,
14.25.220(42); AS 39.35.011; AS 39.35.120, 39.35.125, 39.35.160, 39.35.165(a),
39.35.165(c), 39.35.165(d), 39.35.165(e), 39.35.165(g), 39.35.165(h), 39.35.165(i),
39.35.170, 39.35.180, 39.35.195(b), 39.35.195(c), 39.35.250, 39.35.280, 39.35.300(c),
39.35.310(a), 39.35.310(c), 39.35.340(a), 39.35.342(a), 39.35.342(d), 39.35.345(a),
39.35.345(d), 39.35.360(a), 39.35.360(g), 39.35.360(h), 39.35.360(k), 39.35.370(f),
39.35.370(h), 39.35.370(i), 39.35.370(j), 39.35.370(k), 39.35.371(i), 39.35.381(b),
39.35.381(g), 39.35.385(c), 39.35.400(e), 39.35.450(g), 39.35.475(a), 39.35.475(b),
39.35.475(d), 39.35.500(a), 39.35.505, 39.35.520(a), 39.35.520(d), 39.35.522(d),
39.35.527(a), 39.35.527(b), 39.35.530, 39.35.535(a), 39.35.535(d), 39.35.550, 39.35.560,
39.35.570, 39.35.580, 39.35.590, 39.35.600, 39.35.610, 39.35.620(a), 39.35.620(h),
39.35.650, 39.35.670, 39.35.675(a), 39.35.680(1), 39.35.680(5), 39.35.680(9), 39.35.680(12),
39.35.680(15), 39.35.680(16), 39.35.680(17), 39.35.680(20), 39.35.680(21)(A),
39.35.680(29), 39.35.680(32), 39.35.680(33), and 39.35.680(35).
(d) The revisor of statutes shall change the reference to "board" to "commissioner" in
the following statutes: AS 39.35.290, 39.35.522(a), 39.35.522(b), and 39.35.522(d).
(e) The revisor of statutes shall change references to "this chapter" to "AS 39.35.095 -
39.35.680" in the following statutes: AS 39.35.165, 39.35.200, 39.35.250, 39.35.300,
39.35.340, 39.35.350, 39.35.360, 39.35.370, 39.35.371, 39.35.375, 39.35.381, 39.35.480,
39.35.490, 39.35.495, 39.35.505, 39.35.530, 39.35.546, 39.35.547, 39.35.615(c),
39.35.620(e), 39.35.660, 39.35.675(b), 39.35.677, and 39.35.680.
(f) The revisor of statutes shall renumber AS 39.35.690 to follow AS 39.35.990.
* Sec. 145. The uncodified law of the State of Alaska is amended by adding a new section
to read:
IMPLEMENTATION OF SECTIONS 143 AND 144 OF THIS ACT. Under
AS 01.05.031, the revisor of statutes shall implement secs. 143 and 144 of this Act in the
Alaska Statutes, and, under AS 44.62.125(b)(6), the regulations attorney shall implement secs. 143 and 144 of this Act in the administrative code.

* Sec. 146. The uncodified law of the State of Alaska is amended by adding a new section to read:


* Sec. 147. Sections 22 and 116 of this Act take effect January 1, 2006.

* Sec. 148. Sections 2, 8, 35, 40, 46, 61, 69, 80, 82, 122, and 134 of this Act take effect July 1, 2006.

* Sec. 149. Sections 12, 13, 15, 16, 21, 89 - 94, 107, 113, and 133 of this Act take effect June 30, 2010.

* Sec. 150. Section 145 of this Act takes effect immediately under AS 01.10.070(c).

* Sec. 151. Except as provided in secs. 147 - 150 of this Act, this Act takes effect July 1, 2005.