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Wayne
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CS FOR SENATE BILL NO. 121(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATORS EGAN, Menard, Paskvan, Davis, Kookesh, Wielechowski, Ellis, Thomas, French, McGuire

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to new defined benefit tiers in the public employees' retirement system**
2 **and the teachers' retirement system; providing certain employees an opportunity to**
3 **choose between the defined benefit and defined contribution plans of the public**
4 **employees' retirement system and the teachers' retirement system; and providing for an**
5 **effective date."**

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

7 *** Section 1.** AS 14.25.009 is repealed and reenacted to read:

8 **Sec. 14.25.009. Applicability of AS 14.25.009 - 14.25.220.** (a) The provisions
9 of AS 14.25.009 - 14.25.220 apply to teachers who are eligible to be members of the
10 teachers' retirement system under AS 14.25.009 - 14.25.220 and are not members of
11 the defined contribution retirement plan under AS 14.25.310 - 14.25.590.

12 (b) An employer that participates in the plan shall also participate in the
13 defined contribution retirement plan under AS 14.25.310 - 14.25.590.

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

2 (a) Unless a teacher or member participates in a university retirement program
3 under AS 14.40.661 - 14.40.799 or has elected under **AS 14.25.330 or former**
4 AS 14.25.540 to participate in the plan established in AS 14.25.310 - 14.25.590, a
5 teacher or member contracting for service with a participating employer is subject to
6 AS 14.25.009 - 14.25.220.

7 * **Sec. 3.** AS 14.25.050(a) is amended to read:

8 (a) Except as provided in (c) **and (e)** of this section, beginning January 1,
9 1991, each member shall contribute to the plan an amount equal to 8.65 percent of the
10 member's base salary accrued from July 1 to the following June 30. [THE
11 EMPLOYER SHALL DEDUCT THE CONTRIBUTION FROM THE MEMBER'S
12 SALARY AT THE END OF EACH PAYROLL PERIOD, AND THE
13 CONTRIBUTION SHALL BE CREDITED BY THE PLAN TO THE MEMBER
14 CONTRIBUTION ACCOUNT. THE CONTRIBUTIONS SHALL BE DEDUCTED
15 FROM EMPLOYEE COMPENSATION BEFORE THE COMPUTATION OF
16 APPLICABLE FEDERAL TAXES AND SHALL BE TREATED AS EMPLOYER
17 CONTRIBUTIONS UNDER 26 U.S.C. 414(h)(2). A MEMBER MAY NOT HAVE
18 THE OPTION OF MAKING THE PAYROLL DEDUCTION DIRECTLY IN CASH
19 INSTEAD OF HAVING THE CONTRIBUTION PICKED UP BY THE
20 EMPLOYER.]

21 * **Sec. 4.** AS 14.25.050 is amended by adding new subsections to read:

22 (e) Except as provided in (a) and (c) of this section, a member who first
23 participates in the plan after June 30, 2006, shall contribute to the plan an amount
24 equal to eight percent of the employee's base salary accrued from July 1 to the
25 following June 30.

26 (f) The employer shall deduct the contributions under (a) and (e) of this
27 section from the member's salary at the end of each payroll period, and the
28 contributions shall be credited by the plan to the member contribution account. The
29 contributions shall be deducted from employee compensation before the computation
30 of applicable federal taxes and shall be treated as employer contributions under 26
31 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. 5.** AS 14.25.130(c) is amended to read:

(c) Once each year during the first five years following appointment to disability under this section, and once every three-year period thereafter, the administrator may require a disabled member who **first became a member before July 1, 2006, and who** has not attained eligibility for normal retirement to undergo a medical or mental examination by a competent physician. The administrator shall suspend any disability benefit for a disabled member who refuses to undergo a physical or mental examination when requested under this section.

* **Sec. 6.** AS 14.25.130 is amended by adding new subsections to read:

(g) A person who first becomes a member after June 30, 2006, and who is receiving a benefit under this section 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.

(h) A person who first becomes a member after June 30, 2006, and who is 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.

* **Sec. 7.** AS 14.25.168(d) is amended to read:

(d) A benefit recipient, or the surviving spouse of a benefit recipient, who first becomes a member before July 1, 2006, may elect major medical insurance coverage in accordance with regulations and under the following conditions:

(1) a benefit recipient [PERSON] who has less than 25 years of membership service and who is younger than 60 years of age must pay an amount equal to the full monthly group premium for retiree major medical insurance coverage;

(2) a disabled member, a disabled member who is appointed to normal retirement, a person 60 years of age or older, or a person who has at least 25 years of membership service is not required to make premium payments.

* **Sec. 8.** AS 14.25.168 is amended by adding a new subsection to read:

(g) A benefit recipient, or the surviving spouse of a benefit recipient, who first becomes a member after June 30, 2006, may elect major medical insurance coverage in accordance with regulations and under the following conditions:

(1) if the participating member or surviving spouse is not eligible for Medicare, the cost of a monthly premium for retiree major medical insurance coverage elected under this section is equal to the full monthly group premium for retiree major medical insurance coverage;

(2) if the participating member or surviving spouse is eligible for Medicare, the cost of a monthly premium for retiree major medical insurance coverage is a percentage of the full monthly group premium, as follows:

(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;

(3) the cost of a monthly premium paid by the member or the member's surviving spouse for retiree major medical insurance coverage is

(A) 15 percent of the full monthly group premium if the participating member has 25 or more years of service;

(B) 10 percent of the full monthly group premium if the

participating member has 30 or more years of service;

(4) a disabled member or a disabled member who is appointed to normal retirement is not required to make premium payments.

* **Sec. 9.** AS 14.25.310 is amended to read:

Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590. The provisions of AS 14.25.310 - 14.25.590 apply only to

(1) teachers who first become members on or after July 1, 2006, and before the effective date of this section who do not transfer to a defined benefit retirement plan under AS 14.25.009 - 14.25.220 or AS 39.35.095 - 39.35.680;

(2) teachers described in AS 14.25.330 who elect under that section to become [TO MEMBERS WHO ARE EMPLOYED BY EMPLOYERS THAT DO NOT PARTICIPATE IN THE DEFINED BENEFIT RETIREMENT PLAN ESTABLISHED UNDER AS 14.25.009 - 14.25.220, TO FORMER MEMBERS UNDER AS 14.25.220, OR TO] members; and

(3) teachers who transferred [TRANSFER] into the defined contribution retirement plan under former AS 14.25.540.

* **Sec. 10.** AS 14.25.310 is amended by adding a new subsection to read:

(b) An employer that participates in the plan shall also participate in the defined benefit retirement plan under AS 14.25.009 - 14.25.220.

* **Sec. 11.** AS 14.25.330 is repealed and reenacted to read:

Sec. 14.25.330. Retirement plan election option. (a) A teacher who is first hired on or after the effective date of this section may make a one-time election to participate in the defined contribution retirement plan under AS 14.25.310 - 14.25.590 retroactive to the date of hire and may transfer to that plan employee contributions, if any, and employer contributions, if any, that have been made to the defined benefit retirement plan under AS 14.25.009 - 14.25.220. Before employer contributions are transferred under this subsection, the administrator shall recalculate them under AS 14.25.070.

(b) The election to participate in the defined contribution retirement plan under (a) of this section must be made within 90 days after the date of hire, and be made in writing on a form and in the manner prescribed by the administrator. Before

1 accepting an election to participate in the defined contribution retirement plan, the
2 administrator shall, within 20 days after the administrator receives notification of the
3 teacher's date of hire, provide the teacher eligible to make an election to participate in
4 the defined contribution retirement plan under AS 14.25.310 - 14.25.590 with

5 (1) information, including calculations to illustrate the effect of
6 moving the teacher's retirement plan from the defined benefit retirement plan to the
7 defined contribution retirement plan; and

8 (2) other information clearly to inform the teacher of the potential
9 consequences of the teacher's election.

10 (c) An election made under (a) of this section to participate in the defined
11 contribution retirement plan is irrevocable. Retroactive to the date of hire, the teacher
12 shall be enrolled as a member of the defined contribution retirement plan under
13 AS 14.25.310 - 14.25.590, the member's participation in the plan shall be governed by
14 the provisions for the defined contribution retirement plan, and the member's
15 participation in the defined benefit retirement plan under AS 14.25.009 - 14.25.220
16 shall terminate. An election made by an eligible member who is married is not
17 effective unless the election is signed by the member's spouse.

18 (d) When a member makes an election under (a) of this section, the
19 administrator shall cause the total amount of the member's employee and employer
20 contributions, with investment earnings and losses through the final day of the
21 member's participation in the defined contribution retirement plan, to be actuarially
22 calculated and transferred to the member's designated account in the defined
23 contribution retirement plan. The board shall establish transfer procedures by
24 regulation, but the actual transfer may not be later than 30 days after the date the
25 administrator receives the member's election form under (b) of this section, unless the
26 major financial markets for securities available for a transfer are seriously disrupted by
27 an unforeseen event that also causes the suspension of trading on any national
28 securities exchange in the country where the securities were issued. In that event, the
29 30-day period of time may be extended by a resolution of the board. Transfers are not
30 commissionable or subject to other fees and may be in the form of securities or cash as
31 determined by the board. Securities shall be valued on the date of receipt in the

1 member's account.

2 (e) An election made by an eligible member who is married is not effective
3 unless the election is signed by the individual's spouse. An eligible member whose
4 accounts are subject to a qualified domestic relations order may not make an election
5 to participate in the defined contribution retirement plan under this section unless the
6 qualified domestic relations order is amended or vacated and court-certified copies of
7 the order are received by the administrator.

8 * **Sec. 12.** AS 39.35.095 is repealed and reenacted to read:

9 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680.** (a) The provisions
10 of AS 39.35.095 - 39.35.680 apply to public employees who are eligible to be
11 members of the public employees' retirement system under AS 39.35.095 - 39.35.680
12 and are not members of the defined contribution retirement plan under AS 39.35.700 -
13 39.35.990.

14 (b) A public organization or a municipality or other political subdivision of the
15 state that participates in the plan shall also participate in the defined contribution
16 retirement plan under AS 39.35.700 - 39.35.900.

17 * **Sec. 13.** AS 39.35 is amended by adding a new section to read:

18 **Sec. 39.35.128. Participation of elected officials of political subdivisions.** (a)
19 A person who is an elected official of a political subdivision of the state and who has
20 not participated in the plan or waived participation in the plan before July 1, 2013, is a
21 member of the plan if

22 (1) the political subdivision has elected under AS 39.35.600 -
23 39.35.650 to designate elected officials in the classifications of employees entitled to
24 participate in the plan; and

25 (2) the elected official receives compensation from the political
26 subdivision for services as an elected official in the amount of at least \$2,001 a month.

27 (b) An elected official entitled to participate under this section, and who either
28 has no previous service under the system with the political subdivision or is retired
29 under the system, may file a waiver of participation in the plan with the administrator
30 within 30 days after the later of July 1, 2013, or the date that the elected official's term
31 of office begins. A waiver is irrevocable for the remainder of the elected official's

service as an elected official or employee of the political subdivision.

* **Sec. 14.** AS 39.35.160(a) is amended to read:

(a) **Subject to (e) of this section, beginning** [BEGINNING] January 1, 1987, each peace officer or firefighter shall contribute to the plan an amount equal to seven and one-half percent of the peace officer's or firefighter's compensation. Except as provided in **(d) and (e)** [(d)] of this section, beginning January 1, 1987, each other employee shall contribute to the plan an amount equal to six and three-quarters percent of the employee's compensation. [THE CONTRIBUTIONS SHALL BE DEDUCTED BY THE EMPLOYER AT THE END OF EACH PAYROLL PERIOD. THE CONTRIBUTIONS SHALL BE DEDUCTED FROM EMPLOYEE COMPENSATION BEFORE COMPUTATION OF APPLICABLE FEDERAL TAXES, AND THE CONTRIBUTIONS SHALL BE TREATED AS EMPLOYER CONTRIBUTIONS UNDER 26 U.S.C. 414(h)(2). A MEMBER MAY NOT HAVE THE OPTION OF MAKING THE PAYROLL DEDUCTION DIRECTLY INSTEAD OF HAVING THE CONTRIBUTION PICKED UP BY THE EMPLOYER.]

* **Sec. 15.** AS 39.35.160 is amended by adding new subsections to read:

(e) Except as provided in (a) and (d) of this section, an employee, including a peace officer or firefighter, who first participates in the plan after June 30, 2006, shall contribute to the plan an amount equal to eight percent of the employee's compensation.

(f) Contributions under (a) and (e) of this section shall be deducted by the employer at the end of each payroll period. The contributions shall be deducted from employee compensation before computation of applicable federal taxes, and the contributions shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member may not have the option of making the payroll deduction directly instead of having the contribution picked up by the employer.

* **Sec. 16.** AS 39.35.410(g) is amended to read:

(g) A disabled employee **who first became a member before July 1, 2006, and who is** 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.

* **Sec. 17.** AS 39.35.410 is amended by adding a new subsection to read:

(k) A person who first becomes a member after June 30, 2006, and who is 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.

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

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

(1) a person, or the surviving spouse of a person, who becomes a member before July 1, 2006, other than a disabled member or a disabled member who is appointed to normal retirement, must pay an amount equal to the full monthly group premium for retiree major medical insurance coverage if the person is

(A) younger than 60 years of age and has less than

(i) 25 years of credited service as a peace officer under AS 39.35.360 and 39.35.370; or

(ii) 30 years of credited service under AS 39.35.360 and 39.35.370 that is not service as a peace officer; or

(B) of any age and has less than 10 years of credited service;

(2) a person, or the surviving spouse of a person, who becomes a member before July 1, 2006, is not required to make premium payments for retiree

major medical coverage if the person

(A) is a disabled member;

(B) is a disabled member who is appointed to normal retirement;

(C) is 60 years of age or older and has at least 10 years of credited service; or

(D) has at least

(i) 25 years of credited service as a peace officer under AS 39.35.360 and 39.35.370; or

(ii) 30 years of credited service under AS 39.35.360 and 39.35.370 not as a peace officer;

(3) a benefit recipient who first becomes a member after June 30, 2006, or a benefit recipient who is the surviving spouse of a person who first becomes a member after June 30, 2006, except as provided in (4) and (5) of this subsection, shall pay an amount equal to the full monthly group premium for retiree major medical insurance coverage; however, except as provided in (4) and (5) of this subsection, if the benefit recipient is eligible for Medicare, the cost of a monthly premium is a percentage of the full monthly group premium, as follows:

(A) 30 percent if the member has 10 or more, but less than 15, years of service;

(B) 25 percent if the member has 15 or more, but less than 20, years of service;

(C) 20 percent if the member has 20 or more, but less than 25, years of service;

(D) 15 percent if the member has 25 or more, but less than 30, years of service not as a peace officer;

(4) except as provided in (5) of this subsection, a benefit recipient who first becomes a member after June 30, 2006, or a benefit recipient who is the surviving spouse of a person who first becomes a member after June 30, 2006, shall pay a monthly premium that is

(A) 15 percent of the cost of a full monthly group premium

if the member has 25 or more, but less than 30, years of service as a peace officer; or

(B) 10 percent of the cost of a full monthly group premium if the member has 30 or more years of service;

(5) a benefit recipient who first becomes a member after June 30, 2006, is not required to make premium payments for retiree major medical coverage if the recipient

(A) is a disabled member; or

(B) is a disabled member who is appointed to normal retirement.

* **Sec. 19.** AS 39.35.620(k) is amended to read:

(k) Termination of an employer's participation in the plan does not bar future participation in the system by that employer if the employer is current with payments on amounts due under AS 39.35.625. [IF A PREVIOUSLY TERMINATED EMPLOYER RETURNS TO THE SYSTEM, THE EMPLOYER MAY ONLY PARTICIPATE IN THE PLAN ESTABLISHED UNDER AS 39.35.700 - 39.35.990. EMPLOYEES MAY BE CREDITED UNDER AS 39.35.700 - 39.35.990 ONLY WITH SERVICE SUBSEQUENT TO THE DATE OF RETURN.]

* **Sec. 20.** AS 39.35.680(18) is amended to read:

(18) "employer" means

(A) the State of Alaska;

(B) a political subdivision or public organization of the state that participates in the plan based on a resolution to participate in the plan that was approved by the administrator [ON OR BEFORE JULY 1, 2006]; or

(C) a political subdivision or public organization of the state that, as a result of consolidation or reorganization [THAT OCCURS ON OR AFTER JULY 1, 2006], assumes liability under the plan of a political subdivision or public organization described in (B) of this paragraph;

* **Sec. 21.** AS 39.35.700 is amended to read:

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

(1) members first hired on or after July 1, 2006, and before the effective date of this section who do not transfer to a defined benefit retirement plan under AS 14.25.009 - 14.25.220 or AS 39.35.095 - 39.35.680;

(2) public employees described in AS 39.35.720 who elect under that section to become [TO MEMBERS WHO ARE EMPLOYED BY EMPLOYERS THAT DO NOT PARTICIPATE IN THE DEFINED BENEFIT RETIREMENT PLAN ESTABLISHED UNDER AS 39.35.095 - 39.35.680, TO FORMER MEMBERS AS DEFINED IN AS 39.35.680, OR TO] members; and

(3) members who transferred [TRANSFER] into the defined contribution retirement plan under former AS 39.35.940.

* **Sec. 22.** AS 39.35.700 is amended by adding a new subsection to read:

(b) A public organization under AS 39.35.680 or a municipality or other political subdivision of the state that participates in the plan shall also participate in the defined benefit retirement plan under AS 39.35.095 - 39.35.680.

* **Sec. 23.** AS 39.35.720 is repealed and reenacted to read:

Sec. 39.35.720. Retirement plan election option. (a) A public employee who is first hired on or after the effective date of this section may make a one-time election to participate in the defined contribution retirement plan under AS 39.35.700 - 39.35.990 retroactive to the date of hire and may transfer to that plan employee contributions, if any, and employer contributions, if any, that have been made to the defined benefit retirement plan under AS 39.35.095 - 39.35.680. Before employer contributions are transferred under this subsection, the administrator shall recalculate them under AS 39.35.255.

(b) The election to participate in the defined contribution retirement plan under (a) of this section must be made within 90 days after the date of hire, and be made in writing on a form and in the manner prescribed by the administrator. Before accepting an election to participate in the defined contribution retirement plan under AS 39.35.700 - 39.35.990, the administrator shall, within 20 days after the administrator receives notice of the public employee's date of hire, provide the employee eligible to make an election to participate in the defined contribution retirement plan with

(1) 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; and

(2) other information to clearly inform the employee of the potential consequences of the employee's election.

(c) An election made under (a) of this section to participate in the defined contribution retirement plan is irrevocable. Retroactive to the date of hire, the employee shall be enrolled as a member of the defined contribution retirement plan under AS 39.35.700 - 39.35.990, the member's participation in the plan shall be governed by the provisions for the defined contribution retirement plan, and the member's participation in the defined benefit retirement plan under AS 39.35.095 - 39.35.680 shall terminate. An election made by an eligible member who is married is not effective unless the election is signed by the member's spouse.

(d) When a member makes an election under (a) of this section, the administrator shall cause the total amount of the member's employee and employer contributions, with investment earnings and losses through the final day of the member's participation in the defined contribution retirement plan, to be actuarially calculated and transferred to the member's designated account in the defined contribution retirement plan. The board shall establish transfer procedures by regulation, but the actual transfer may not be later than 30 days after the date the administrator receives the member's completed election form under (b) of this section, 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. 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 on the date of receipt in the member's account.

(e) An election made by an eligible member who is married is not effective unless the election is signed by the individual's spouse. An eligible member whose accounts are subject to a qualified domestic relations order may not make an election

1 to participate in the defined contribution retirement plan under this section unless the
2 qualified domestic relations order is amended or vacated and court-certified copies of
3 the order are received by the administrator.

4 * **Sec. 24.** AS 14.25.012(c), 14.25.540; AS 39.35.940, and 39.35.957(b) are repealed.

5 * **Sec. 25.** The uncodified law of the State of Alaska is amended by adding a new section to
6 read:

7 RETIREMENT PLAN ELECTION CHOICE. (a) A teacher who was first hired after
8 June 30, 2006, and before the effective date of this section and who is a member of the
9 defined contribution plan of the teachers' retirement system under AS 14.25.310 - 14.25.590
10 may make a one-time election, within 90 days after the effective date of this section, to
11 participate in the defined benefit retirement plan under AS 14.25.009 - 14.25.220 and to
12 transfer all contributions, including employer contributions, that have been made or should be
13 made to the defined contribution retirement plan for service the member completes before the
14 effective date of the member's participation in the defined benefit retirement plan.

15 (b) A public employee who was first hired after June 30, 2006, and before the
16 effective date of this section and who is a member of the defined contribution plan of the
17 public employees' retirement system under AS 39.35.700 - 39.35.990 may make a one-time
18 election, within 90 days after the effective date of this section, to participate in the defined
19 benefit retirement plan under AS 39.35.095 - 39.35.680 and to transfer all contributions,
20 including employer contributions, that have been made or should be made to the defined
21 contribution retirement plan for any service the member completes before the effective date of
22 the member's participation in the defined benefit retirement plan.

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

25 RETIREMENT PLAN ELECTION PROCEDURE; REGULATIONS REQUIRED.

26 (a) The election to participate in the defined benefit retirement plan under sec. 25 of this Act
27 must be made in writing on forms and in the manner prescribed by the administrator. Before
28 accepting an election to participate in the defined benefit retirement plan, the administrator
29 shall provide the employee planning on making an election to participate in the defined
30 benefit retirement plan with information, including calculations to illustrate the effect of
31 moving the employee's retirement plan from the defined contribution retirement plan to the

1 defined benefit retirement plan as well as other information clearly to inform the employee of
2 the potential consequences of the employee's election.

3 (b) An election made under sec. 25 of this Act to participate in the defined benefit
4 retirement plan is irrevocable. On the effective date of the election, the participant shall be
5 enrolled as a member of the defined benefit retirement plan, the member's participation in the
6 plan shall be governed by the provisions for the defined benefit retirement plan, and the
7 member's participation in the defined contribution retirement plan shall terminate. The
8 participant's enrollment in the defined benefit retirement plan shall be effective retroactive to
9 the date of hire. An election made by an eligible member who is married is not effective
10 unless the election is signed by the individual's spouse.

11 (c) When a member makes a one-time election under sec. 25 of this Act, the
12 administrator shall cause the total amount of the member's employee and employer
13 contributions, with investment earnings and losses through the final day of the member's
14 participation in the defined contribution retirement plan, to be actuarially calculated and,
15 subject to (d) of this section, transferred to the pension fund in the defined benefit retirement
16 plan. On the effective date of the member's participation in the defined benefit retirement
17 plan, the member shall be credited with service in the defined benefit retirement plan that is
18 equal to the member's service in years, including fractional years, recognized for computing
19 benefits that may be due from the defined contribution retirement plan. The board shall
20 establish transfer procedures by regulation, but the actual transfer may not be later than 30
21 days after the date the administrator receives the member's completed election forms under (a)
22 of this section, unless the major financial markets for securities available for a transfer are
23 seriously disrupted by an unforeseen event that also causes the suspension of trading on any
24 national securities exchange in the country where the securities were issued. In that event, the
25 30-day period of time may be extended by a resolution of the board. Transfers are not
26 commissionable or subject to other fees and may be in the form of securities or cash as
27 determined by the board. Securities shall be valued on the date of receipt in the participant's
28 account.

29 (d) If the value actuarially calculated under (c) of this section is insufficient to pay for
30 a service credit equal to the participant's actual service, the administrator shall allow the
31 participant to create an indebtedness up to the amount needed to eliminate the insufficiency;

however, if that value exceeds the amount needed to pay for a service credit equal to the participant's actual service, the administrator shall cause the excess to be paid to the participant as a rollover transfer to either an individual employee annuity account in the Department of Administration under the terms of AS 39.30.150 - 39.30.180 (Alaska Supplemental Annuity Plan) or, if the participant's employer does not participate in the Alaska Supplemental Annuity Plan, to an eligible retirement plan under AS 14.25.360(d) or AS 39.35.760(d). An excess under this subsection may not be used to purchase service credit in a retirement plan administered under AS 14.25 or AS 39.25.

(e) The provisions of this section are subject to the requirements of the Internal Revenue Code and the limitations under AS 14.25.010, 14.25.320(c) and (d), 14.25.490, AS 39.35.115, 39.35.678, 39.35.710(c) and (d), and 39.35.895.

(f) In this section,

(1) "administrator" means the commissioner of administration or the person designated by the commissioner of administration under AS 39.35.003 for a public employees' retirement plan and under AS 14.25.003 for a teachers' retirement plan;

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

(3) "defined benefit retirement plan" means the retirement plan established under

(A) AS 14.25.009 - 14.25.220 for a teacher; or

(B) AS 39.35.095 - 39.35.680 for a public employee;

(4) "defined contribution retirement plan" means the retirement plan established under

(A) AS 14.25.310 - 14.25.590 for a teacher; or

(B) AS 39.35.700 - 39.35.990 for a public employee;

(5) "Internal Revenue Code" the meaning given in AS 39.35.990.

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

ADOPTION OF REGULATIONS. The commissioner of administration shall adopt regulations necessary to implement the changes made by this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the law

1 implemented by the regulation.

2 * **Sec. 28.** Sections 26 and 27 of this Act take effect immediately under AS 01.10.070(c).

3 * **Sec. 29.** Except as provided in sec. 28 of this Act, this Act takes effect July 1, 2013.