

HOUSE BILL NO. 247

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVES HOLMES, MILLETT, AND LEDOUX, Muñoz, Costello, Lynn, Nageak, Gattis, LeDoux

Introduced: 1/21/14

Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

"An Act relating to the Protective Occupation Retirement Council; relating to participation of certain employees in the defined benefit and defined contribution plans of the public employees' retirement system; and providing for an effective date."

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

*** Section 1.** AS 37.10 is amended by adding new sections to read:

Article 8. Protective Occupation Retirement Council.

Sec. 37.10.450. Protective Occupation Retirement Council. (a) The

Protective Occupation Retirement Council is established in the Department of Administration.

(b) The council consists of nine members. The governor shall appoint

(1) six protective occupation employees who are members of the defined benefit retirement plan under AS 39.35.095 - 39.35.680, including

(A) one member of the Public Safety Employees Association;

(B) one member of the Alaska Correctional Officers

1 Association;

2 (C) one member of the Alaska Professional Fire Fighters
3 Association;

4 (D) one member of the Anchorage Police Department
5 Employees Association;

6 (E) one employee who is employed as a firefighter by a
7 municipal fire department;

8 (F) one employee who is employed in a position other than a
9 peace officer or firefighter position;

10 (2) one member of the legislature for a term that ends after two years
11 or on the date the legislator is no longer a member of the legislature, whichever occurs
12 first;

13 (3) before July 1, 2033, two retirees who participate in the defined
14 benefit retirement plan under AS 39.35.095 - 39.35.680 for terms that end after three
15 years or on June 30, 2033, whichever occurs first; and

16 (4) after June 30, 2033, two retirees who were first hired after June 30,
17 2006, and who participate in the defined benefit retirement plan under AS 39.35.095 -
18 39.35.680.

19 (c) Subject to (b)(3) of this section, members of the Protective Occupation
20 Retirement Council shall serve for staggered terms of three years and may be
21 reappointed.

22 (d) The governor may remove a member for cause by providing written notice
23 to the member. After a member receives the notice, the member may not participate on
24 the Protective Occupation Retirement Council.

25 **Sec. 37.10.455. Per diem and travel expenses.** Members of the Protective
26 Occupation Retirement Council are entitled to per diem and travel expenses authorized
27 for boards and commissions under AS 39.20.180.

28 **Sec. 37.10.460. Powers and duties.** (a) The Protective Occupation Retirement
29 Council shall

30 (1) make recommendations to the Alaska Retirement Management
31 Board concerning the board's investment policies, strategies, and procedures that

1 affect the retirement benefits of protective occupation employees;

2 (2) determine an assumed variable benefit as required under
3 AS 39.35.370(m) and (n);

4 (3) reduce the amounts of annual stipends as required under
5 AS 39.35.535(g).

6 (b) The Protective Occupation Retirement Council may

7 (1) enter into contracts for actuarial services that are necessary to carry
8 out the powers and duties of the council under this section;

9 (2) establish employee contribution rates under AS 39.35.160(e) and
10 (f).

11 **Sec. 37.10.490. Definitions.** In AS 37.10.450 - 37.10.490, "protective
12 occupation employee" means

13 (1) a peace officer as defined in AS 39.35.680;

14 (2) a firefighter as defined in AS 39.35.680; or

15 (3) an administrative, professional, or clerical employee of

16 (A) a municipal police or fire department;

17 (B) a University of Alaska police or fire department; or

18 (C) the Department of Public Safety.

19 * **Sec. 2.** AS 39.35.095 is amended to read:

20 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680.** The following
21 provisions of this chapter apply [ONLY] to members first hired before July 1, 2006,
22 and, regardless of the date of hire, members who are protective occupation
23 employees: AS 39.35.095 - 39.35.680.

24 * **Sec. 3.** AS 39.35.160(a) is amended to read:

25 (a) Subject to (e) of this section, beginning [BEGINNING] January 1, 1987,
26 each peace officer or firefighter shall contribute to the plan an amount equal to seven
27 and one-half percent of the peace officer's or firefighter's compensation. Except as
28 provided in (d) and (e) of this section, beginning January 1, 1987, each other
29 employee shall contribute to the plan an amount equal to six and three-quarters percent
30 of the employee's compensation. [THE CONTRIBUTIONS SHALL BE DEDUCTED
31 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. 4.** AS 39.35.160 is amended by adding new subsections to read:

(e) Except as provided in (a) of this section, a protective occupation employee who is employed as a peace officer or firefighter and who first participates in the plan after June 30, 2006, shall contribute to the plan an amount equal to nine percent of the employee's compensation, excluding overtime compensation. The Protective Occupation Retirement Council may, from time to time, adjust the employee contribution under this subsection to an amount that is

(1) not less than eight percent of the employee's compensation, excluding overtime compensation; and

(2) not more than 12 percent of the employee's compensation, excluding overtime compensation.

(f) Except as provided in (a) of this section, a protective occupation employee who is not employed as a peace officer or firefighter and 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, excluding overtime compensation. The council may, from time to time, adjust the employee contribution under this subsection to an amount that is

(1) not less than seven percent of the employee's compensation, excluding overtime compensation; and

(2) not more than 11 percent of the employee's compensation, excluding overtime compensation.

(g) Contributions under (a), (e), and (f) 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

1 member may not have the option of making the payroll deduction directly instead of
2 having the contribution picked up by the employer.

3 (h) In addition to other employee contributions required under this section, a
4 protective occupation employee who first participates in the plan after June 30, 2006,
5 and who earns overtime compensation shall contribute to the member's individual
6 account in the defined contribution retirement plan established under AS 39.35.700 -
7 39.35.990 an amount equal to nine percent of the employee's overtime compensation.

8 * **Sec. 5.** AS 39.35.255 is amended by adding a new subsection to read:

9 (i) The requirements of this section are in addition to the requirements under
10 AS 39.35.257.

11 * **Sec. 6.** AS 39.35 is amended by adding a new section to read:

12 **Sec. 39.35.257. Employer contributions for protective occupation**
13 **employees.** (a) An employer that employs a peace officer or firefighter who first
14 participates in the plan after June 30, 2006, shall contribute monthly to the plan a per
15 capita amount that is equal to 14 percent of the total monthly compensation, excluding
16 overtime compensation, that the employer pays to all protective occupation employees
17 combined.

18 (b) An employer who employs a protective occupation employee who is not
19 employed as a peace officer or firefighter and who first participates in the plan after
20 June 30, 2006, shall contribute monthly to the plan a per capita amount that is equal to
21 12 percent of the total monthly compensation, excluding overtime compensation, that
22 the employer pays to all protective occupation employees combined.

23 (c) In addition to other employer contributions required under this section, an
24 employer of a protective occupation employee who first participates in the plan after
25 June 30, 2006, shall contribute an amount equal to 14 percent of the employee's
26 overtime compensation to the employee's individual account in the defined
27 contribution retirement plan established under AS 39.35.700 - 39.35.990.

28 * **Sec. 7.** AS 39.35.370(a) is amended to read:

29 (a) Subject to AS 39.35.450, a terminated employee who first became a
30 member before July 1, 2006, is eligible for a normal retirement benefit

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

(2) with at least 20 years of credited service as a peace officer or firefighter; or

(3) with at least 30 years of credited service for all other employees.

* **Sec. 8.** AS 39.35.370(c) is amended to read:

(c) Except as provided in (m) and (n) of this section, the [THE] monthly amount of a retirement benefit for a peace officer or firefighter is two percent of the average monthly compensation times the years of credited service through 10 years, plus two and one-half percent of the average monthly compensation times the years of service over 10 years. For all other employees, it is

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

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

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

* **Sec. 9.** AS 39.35.370 is amended by adding new subsections to read:

(l) Subject to AS 39.35.450, a terminated employee who first became a member after June 30, 2006, is eligible for a normal retirement benefit

(1) at age 55 with at least 20 years of credited service as a peace officer or firefighter; or

(2) at age 60 with at least 30 years of credited service as a protective occupation employee who is not employed as a peace officer or firefighter.

(m) The monthly amount of a retirement benefit for a protective occupation employee who first participates in the plan after June 30, 2006, is two percent of the employee's average monthly compensation, excluding overtime compensation, times the employee's years of credited service plus an assumed variable benefit calculated under (n) of this section by the Protective Occupation Retirement Council established under AS 37.10.450.

(n) The Protective Occupation Retirement Council established under AS 37.10.450 shall actuarially calculate the assumed variable benefit under (m) of this

section for each eligible employee individually based on a percentage of the employee's annual compensation rate in the year the employee is appointed to retirement, the employee's age, and the employee's credited service on the date the employee is appointed to retirement. The employee shall have a vested right to the assumed variable benefit that is calculated in the year in which the employee is appointed to retirement and may not receive an assumed variable benefit that is calculated before then.

* **Sec. 10.** 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 and credited service from the teachers' retirement plan under AS 14.25.009 - 14.25.220 claimed under this section. A public service benefit shall be calculated using the higher of the average monthly compensation for service in this plan or the average base salary for service in the teachers' retirement plan under AS 14.25.009 - 14.25.220. The amount of the benefit shall be calculated in accordance with AS 39.35.370(c) or (m).

* **Sec. 11.** AS 39.35.385(d) is amended to read:

(d) The monthly amount of a conditional service retirement benefit shall be calculated on the years of fully paid credited service in accordance with AS 39.35.370(c) or (m), except that the member may irrevocably elect to substitute one-twelfth of the "average base salary" as defined in AS 14.25.220(5) in place of average monthly compensation.

* **Sec. 12.** AS 39.35.400(d) is repealed and reenacted to read:

(d) The monthly amount of the nonoccupational disability benefit

(1) for a disabled employee who first became a member before July 1, 2006, shall be determined in accordance with AS 39.35.370(c), based on the employee's credited service and compensation before termination of employment;

(2) for a disabled employee who first became a member after June 30, 2006, shall be determined in accordance with AS 39.35.370(m) and (n).

* **Sec. 13.** AS 39.35.400(f) is amended to read:

(f) A disabled employee's nonoccupational disability benefit terminates when

the employee first attains eligibility for normal retirement. At that time, retirement benefits will be calculated under AS 39.35.370(c) or (m).

* **Sec. 14.** AS 39.35.410(h) is amended to read:

(h) A disabled employee's occupational disability benefit terminates when the disabled employee first attains eligibility for normal retirement. At that time, if the employee first became a member before July 1, 2006, the employee's retirement benefit shall be calculated under the provisions of AS 39.35.370(c).

* **Sec. 15.** AS 39.35.410(i) is repealed and reenacted to read:

(i) Notwithstanding (h) of this section, a peace officer or firefighter who first became a member before July 1, 2006, and who is receiving occupational disability benefits under this section at the time the peace officer or firefighter first attains eligibility for normal retirement shall, within 30 days after attaining eligibility for normal retirement, irrevocably elect to receive benefits in an amount calculated as

(1) the monthly occupational disability benefit calculated under (d) of this section; or

(2) the employee's retirement benefit calculated under the provisions of AS 39.35.370(c).

* **Sec. 16.** AS 39.35.410 is amended by adding a new subsection to read:

(k) Notwithstanding (h) of this section, a protective occupation employee who first becomes a member after June 30, 2006, and who is receiving occupational disability benefits under this section at the time the employee first attains eligibility for normal retirement shall, within 30 days after attaining eligibility for normal retirement, irrevocably elect to receive retirement benefits in the amount calculated as

(1) the monthly occupational disability benefit calculated under (d) of this section; or

(2) the employee's retirement benefit calculated under AS 39.35.370(m) and (n).

* **Sec. 17.** AS 39.35.430(g) is amended to read:

(g) The monthly survivor's pension in (b) of this section for survivors of employees who were not peace officers or firefighters 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 firefighters is the greater of

(1) 50 percent of the monthly compensation in the month in which the employee dies; or

(2) 75 percent of the employee's retirement benefit calculated under the provisions of AS 39.35.370(c) or (m) if the employee had survived to normal retirement age.

* **Sec. 18.** 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) or (m) 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 39.35.360 for credit for earlier service, AS 39.35.370(c) or (m) 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. 19.** 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 who becomes a member before July 1, 2006, or the surviving spouse of the person, 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 who becomes a member before July 1, 2006, or the surviving spouse of the person, 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 is a protective occupation employee and who first becomes a member after June 30, 2006, or a benefit recipient who is the surviving spouse of a person who is a protective occupation employee and who first becomes a member after June 30, 2006, shall receive as an annual stipend for the purpose of purchasing major medical insurance coverage an amount that

(A) if the employee has 10 years or more of service as a peace officer or firefighter, is equal to four percent of the full annual premium in 2013 for retiree major medical insurance, multiplied by the employee's years of service as a peace officer or firefighter;

(B) if the employee is not a peace officer or firefighter, is equal to three and three-tenths percent of the full annual premium in 2013 for retiree major medical insurance, multiplied by the employee's years of service;

(4) a benefit recipient who is a protective occupation employee and who first becomes a member after June 30, 2006, shall receive an annual stipend for an amount equal to the full annual group premium 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. 20. AS 39.35.535 is amended by adding a new subsection to read:

(g) The Protective Occupation Retirement Council established under AS 37.10.450 shall reduce the stipend payable to a benefit recipient under (c)(3) of this section by a percentage determined by the council under AS 37.10.460(a)(3).

* **Sec. 21.** AS 39.35.620 is amended by adding a new subsection to read:

(l) Notwithstanding the provision under (k) of this section that limits employer participation of a previously terminated employer that returns to the system, an employer who terminates participation for one or more protective occupation employees and later returns to the system may participate in the defined benefit retirement plan under AS 39.35.095 - 39.35.680 and defined contribution retirement plan under AS 39.35.700 - 39.35.990.

* **Sec. 22.** 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

(i) on or before July 1, 2006; or

(ii) for protective occupation employees; or

(C) a political subdivision or public organization of the state that assumes liability for participation in the plan by another political subdivision or public organization of the state [,] as a result of consolidation or reorganization that occurs

(i) at any time, with respect to protective occupation employees;

(ii) on or after July 1, 2006, with respect to employees who are not protective occupation employees [ASSUMES LIABILITY UNDER THE PLAN OF A POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION DESCRIBED IN (B) OF THIS PARAGRAPH];

* **Sec. 23.** AS 39.35.680(26) is amended to read:

(26) "normal retirement" means retirement for a member who is

1 eligible to receive benefits under AS 39.35.370(a) or (l) or under 39.35.385(a) or (f);

2 * **Sec. 24.** AS 39.35.680 is amended by adding a new paragraph to read:

3 (44) "protective occupation employee" has the meaning given in
4 AS 37.10.490.

5 * **Sec. 25.** AS 39.35.700 is amended to read:

6 **Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of
7 AS 39.35.700 - 39.35.990 apply only to members first hired on or after July 1, 2006,
8 to members who are employed by employers that do not participate in the defined
9 benefit retirement plan established under AS 39.35.095 - 39.35.680, to former
10 members as defined in AS 39.35.680, [OR] to members who transfer into the defined
11 contribution retirement plan under AS 39.35.940, or, subject to the limitations and
12 requirements of AS 39.35.705, to members of the defined benefit retirement plan
13 established under AS 39.35.095 - 39.35.680 who are protective occupation
14 employees.

15 * **Sec. 26.** AS 39.35 is amended by adding a new section to read:

16 **Sec. 39.35.705. Limitation on applicability of AS 39.35.700 - 39.35.990.**
17 Notwithstanding AS 39.35.700, the benefits and requirements under AS 39.35.890 -
18 39.35.894 and 39.35.960 - 39.35.970 do not apply to an employee who contributes to
19 an individual account under AS 39.35.700 - 39.35.990 solely as required by
20 AS 39.35.160(h).

21 * **Sec. 27.** AS 39.35.720 is amended to read:

22 **Sec. 39.35.720. Membership.** Except as provided in AS 39.35.095 and
23 39.35.705, an [AN] employee who becomes a member on or after July 1, 2006, shall
24 participate in the plan set out in AS 39.35.700 - 39.35.990.

25 * **Sec. 28.** AS 39.35.730(a) is amended to read:

26 (a) Each member shall contribute to the member's individual account
27 (1) an amount equal to eight percent of the member's compensation
28 from July 1 to the following June 30; or
29 (2) the amount required under AS 39.35.160(h) if the member is a
30 protective occupation employee and a member of the defined benefit retirement
31 plan established under AS 39.35.095 - 39.35.680.

1 * **Sec. 29.** AS 39.35.750 is amended by adding a new subsection to read:

2 (f) This section does not apply to contributions made under AS 39.35.257(c)
3 and does not require an employer who makes a contribution for an employee under
4 AS 39.35.257(c) to make another contribution for that employee.

5 * **Sec. 30.** AS 39.35.870 is amended by adding a new subsection to read:

6 (h) Except as provided in (c) of this section, a protective occupation employee
7 who makes contributions under AS 39.35.160(h) is not eligible for benefits under this
8 section.

9 * **Sec. 31.** AS 39.35.880 is amended by adding a new subsection to read:

10 (i) Except as provided in AS 39.35.870(c), a protective occupation employee
11 who makes contributions under AS 39.35.160(h) is not eligible for benefits under this
12 section.

13 * **Sec. 32.** AS 39.35.990 is amended by adding a new paragraph to read:

14 (28) "protective occupation employee" has the meaning given in
15 AS 37.10.490.

16 * **Sec. 33.** The uncodified law of the State of Alaska is amended by adding a new section to
17 read:

18 TRANSITION: APPOINTMENTS TO PROTECTIVE OCCUPATION
19 RETIREMENT COUNCIL. (a) The governor shall appoint as members of the first Protective
20 Occupation Retirement Council established under AS 37.10.450, as enacted in sec. 1 of this
21 Act, the following:

22 (1) six protective occupation employees who are members of either the
23 defined benefit retirement plan under AS 39.35.095 - 39.35.680 or the defined contribution
24 retirement plan under AS 39.35.700 - 39.35.990, including

25 (A) one member of the Public Safety Employees Association;

26 (B) one member of the Alaska Correctional Officers Association;

27 (C) one member of the Alaska Professional Fire Fighters Association;

28 (D) one member of the Anchorage Police Department Employees
29 Association;

30 (E) one employee who is employed as a firefighter by a municipal fire
31 department;

(F) one employee who is employed in a position other than a peace officer or firefighter;

(2) one member of the legislature; and

(3) two retirees who participate in the defined benefit retirement plan under AS 39.35.095 - 39.35.680.

(b) In this section,

(1) "peace officer" or "firefighter" has the meaning given in AS 39.35.680;

(2) "protective occupation employee" has the meaning given in AS 37.10.490, as enacted in sec. 1 of this Act.

*** Sec. 34.** The uncodified law of the State of Alaska is amended by adding a new section to read:

RETIREMENT PLAN ELECTION. (a) A protective occupation employee who was first hired after June 30, 2006, and before the effective date of this section and who is a member of the defined contribution plan of the public employees' retirement system under AS 39.35.700 - 39.35.990 may, within 90 days after the effective date of this section, make a one-time election to participate in the defined benefit retirement plan under AS 39.35.095 - 39.35.680 and to transfer all contributions that have been made or should be made to the defined contribution retirement plan for service the member completes before the effective date of the member's participation in the defined benefit retirement plan. The transferred contributions shall be used to purchase credited service in the defined benefit retirement plan on an actuarial equivalent basis determined by the Protective Occupation Retirement Council established under AS 37.10.450, as enacted in sec. 1 of this Act.

(b) In this section,

(1) "peace officer" or "firefighter" has the meaning given in AS 39.35.680;

(2) "protective occupation employee" has the meaning given in AS 37.10.490, as enacted in sec. 1 of this Act.

*** Sec. 35.** The uncodified law of the State of Alaska is amended by adding a new section to read:

RETIREMENT PLAN ELECTION PROCEDURE; REGULATIONS REQUIRED.

(a) An election made under sec. 34 of this Act to participate in the defined benefit retirement plan under AS 39.35.095 - 39.35.680 must be made in writing on forms and in the manner

1 prescribed by the administrator. Before accepting an election to participate in the defined
2 benefit retirement plan, the administrator shall provide the employee planning on making an
3 election to participate in the defined benefit retirement plan with information, including
4 calculations to illustrate the effect of moving the employee's retirement plan from the defined
5 contribution retirement plan to the defined benefit retirement plan as well as other information
6 clearly to inform the employee of potential consequences of the employee's election.

7 (b) An election made under sec. 34 of this Act to participate in the defined benefit
8 retirement plan is irrevocable. On the effective date of the election, an eligible employee who
9 makes the election shall be enrolled as a member of the defined benefit retirement plan, and
10 the employee's participation in the plan shall be governed by the applicable provisions of the
11 defined benefit retirement plan. The employee's enrollment in the defined benefit retirement
12 plan is retroactive to the date of hire. An election made by an eligible employee who is
13 married is not effective unless the election is signed by the employee's spouse.

14 (c) When an eligible employee makes a one-time election under sec. 34 of this Act,
15 the administrator shall cause the total amount of the employee's employee and employer
16 contributions, with investment earnings and losses through the day of the employee's election
17 to participate as a member in the defined benefit retirement plan, to be actuarially calculated
18 and, subject to (d) of this section, transferred to the pension fund in the defined benefit
19 retirement plan. On the effective date of the employee's participation in the defined benefit
20 retirement plan, the employee shall be credited with service in the defined benefit retirement
21 plan that can be purchased under an actuarial equivalent purchase formula as determined by
22 the board. The board shall establish transfer procedures by regulation, but the actual transfer
23 may not occur later than 30 days after the date the administrator receives the employee's
24 completed forms under (a) of this section, unless the major financial markets for securities
25 available for a transfer are seriously disrupted by an unforeseen event that also causes the
26 suspension of trading on any national securities exchange in the country where the securities
27 were issued. In that event, the 30-day period may be extended by a resolution of the board.
28 Transfers are not commissionable or subject to other fees and may be in the form of securities
29 or cash as determined by the board. Securities shall be valued on the date of receipt in the
30 employee's account.

31 (d) If the value actuarially calculated under (c) of this section is insufficient to pay for

1 service credit equal to the employee's actual service, the administrator shall allow the
 2 employee the option of creating an indebtedness up to the amount needed to eliminate the
 3 insufficiency; however, if that value exceeds the amount needed to pay for a service credit
 4 equal to the employee's actual service, the administrator shall cause the excess to remain in
 5 the employee's retirement plan established under AS 39.35.700 - 39.35.990. An excess under
 6 this subsection may not be used to purchase service credit in a retirement plan administered
 7 under AS 39.35.

8 (e) The provisions of this section are subject to the requirements of the Internal
 9 Revenue Code and the limitations under AS 39.35.115, 39.35.678, 39.35.710(c) and (d), and
 10 39.35.895.

11 (f) In this section,

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

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

17 (3) "defined benefit retirement plan" means the retirement plan established
 18 under AS 39.35.095 - 39.35.680 for a public employee;

19 (4) "defined contribution retirement plan" means the retirement plan
 20 established under AS 39.35.700 - 39.35.990 for a public employee;

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

22 * **Sec. 36.** The uncodified law of the State of Alaska is amended by adding a new section to
 23 read:

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

28 * **Sec. 37.** Sections 35 and 36 of this Act take effect immediately under AS 01.10.070(c).

29 * **Sec. 38.** Except as provided in sec. 37 of this Act, this Act takes effect July 1, 2014.