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Wayne  
4/17/17

**CS FOR HOUSE BILL NO. 83(L&C)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**THIRTIETH LEGISLATURE - FIRST SESSION**

**BY THE HOUSE LABOR AND COMMERCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): REPRESENTATIVES KITO, Tarr, Tuck, Parish, LeDoux**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the Public Employees' Retirement System of Alaska and the**  
2 **teachers' retirement system; providing certain employees an opportunity to choose**  
3 **between the defined benefit and defined contribution plans of the Public Employees'**  
4 **Retirement System of Alaska 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 14.20.165 is amended to read:

8 **Sec. 14.20.165. Restoration of tenure rights.** A teacher who held tenure  
9 rights and who was retired due to disability under AS 14.25.130, but whose disability  
10 (1) has been removed, and the removal of that disability is certified by a competent  
11 physician following a physical or mental examination, or (2) has been compensated  
12 for by rehabilitation or other appropriate restorative education or training, and that  
13 rehabilitation or restoration to health has been certified by the commissioner of

administration [DIVISION OF VOCATIONAL REHABILITATION OF THE DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT], shall be restored to full tenure rights in the district from which the teacher was retired, at such time as an opening for which the teacher is qualified becomes available.

\* **Sec. 2.** AS 14.25.009 is repealed and reenacted to read:

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

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

\* **Sec. 3.** 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 elected under AS 14.25.330 or former 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. 4.** AS 14.25.050(a) is amended to read:

(a) Except as provided in (c) and (e) of this section, beginning January 1, 1991, each member shall contribute to the plan an amount equal to 8.65 percent of the member's base salary accrued from July 1 to the following June 30. [THE EMPLOYER SHALL DEDUCT THE CONTRIBUTION FROM THE MEMBER'S SALARY AT THE END OF EACH PAYROLL PERIOD, AND THE CONTRIBUTION SHALL BE CREDITED BY THE PLAN TO THE MEMBER CONTRIBUTION ACCOUNT. THE CONTRIBUTIONS SHALL BE DEDUCTED FROM EMPLOYEE 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.]

1     \* **Sec. 5.** AS 14.25.050 is amended by adding new subsections to read:

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

6             (f) The employer shall deduct the contributions under (a) and (e) of this  
7     section from the member's salary at the end of each payroll period, and the  
8     contributions shall be credited by the plan to the member contribution account. The  
9     contributions shall be deducted from employee compensation before the computation  
10    of applicable federal taxes and shall be treated as employer contributions under 26  
11    U.S.C. 414(h)(2). A member may not have the option of making the payroll deduction  
12    directly in cash instead of having the contribution picked up by the employer.

13    \* **Sec. 6.** AS 14.25.130(c) is repealed and reenacted to read:

14            (c) A disabled member receiving a benefit under this section shall undergo a  
15    medical examination as often as the administrator considers advisable, but not more  
16    frequently than once each year. The administrator shall determine the place of the  
17    examination and engage the physician or physicians. If the administrator determines  
18    that the examination indicates that the disabled member is no longer incapacitated  
19    because of a total and apparently permanent occupational disability, the administrator  
20    may not issue further disability benefits to the disabled member.

21    \* **Sec. 7.** AS 14.25.130 is amended by adding a new subsection to read:

22            (g) A person who first becomes a member after June 30, 2006, and who is  
23    appointed to disability benefits shall, within 30 days after the date disability benefits  
24    commence, provide the administrator with proof that the member has applied for  
25    enrollment in a vocational rehabilitation program approved by the administrator.  
26    Unless the member demonstrates cause, the benefits terminate at the end of the first  
27    month in which the member

28                (1) fails to provide the administrator with the required proof of  
29    application for enrollment;

30                (2) is certified by the administrator as failing to enroll in or cooperate  
31    with a vocational rehabilitation program approved under this subsection;

1 (3) fails to interview for a job; or

2 (4) fails to accept a job offered.

3 \* **Sec. 8.** AS 14.25.168(d) is amended to read:

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

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

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

13 \* **Sec. 9.** AS 14.25.168 is amended by adding new subsections to read:

14 (g) A benefit recipient, or the surviving spouse of a benefit recipient, who first  
15 becomes a member after June 30, 2006, may elect major medical insurance coverage  
16 that was in effect before July 1, 2006, in accordance with regulations and under the  
17 following conditions:

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

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

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

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

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

31 (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, but less than 30, 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.

(h) On or after July 1, 2023, and every five years thereafter, the administrator shall adjust the percentages under (g)(2) and (3) of this section as needed to maintain, but not to exceed, over the succeeding five years, an employer normal cost rate for the members and survivors who first become members after June 30, 2006, that does not exceed the combined total of the rates under AS 14.25.350(a), (b), (d), and (e) minus the employer normal cost rate attributable to the members who first become members after June 30, 2006, for benefits under AS 14.25.009 - 14.25.167. An adjustment made under this subsection shall remain in effect for five years. In making an adjustment under this subsection, the administrator shall maintain the five percent differences between the percentages in (g)(2)(A), (B), and (C) of this section and the five percent differences between the percentages in (g)(3)(A) and (B) of this section.

(i) When a member is appointed to retirement, the member obtains a vested right to the applicable percentage under (g)(2) or (3) of this section, as adjusted under (h) of this section, that is in effect when the member is appointed to retirement. A member does not obtain a vested right to a percentage under (g)(2) or (3) of this section, as adjusted under (h) of this section, before the member is appointed to retirement.

\* **Sec. 10.** 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**

1 **to become** [TO MEMBERS WHO ARE EMPLOYED BY EMPLOYERS THAT DO  
2 NOT PARTICIPATE IN THE DEFINED BENEFIT RETIREMENT PLAN  
3 ESTABLISHED UNDER AS 14.25.009 - 14.25.220, TO FORMER MEMBERS  
4 UNDER AS 14.25.220, OR TO] members; **and**

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

7 \* **Sec. 11.** AS 14.25.310 is amended by adding a new subsection to read:

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

10 \* **Sec. 12.** AS 14.25.330 is repealed and reenacted to read:

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

19 (b) The election to participate in the defined contribution retirement plan  
20 under (a) of this section must be made within 90 days after the date of hire and be  
21 made in writing on a form and in the manner prescribed by the administrator. Before  
22 accepting an election to participate in the defined contribution retirement plan, the  
23 administrator shall, within 20 days after the administrator receives notification of the  
24 teacher's date of hire, provide the teacher eligible to make an election to participate in  
25 the defined contribution retirement plan under AS 14.25.310 - 14.25.590 with

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

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

31 (c) An election made under (a) of this section to participate in the defined

1 contribution retirement plan is irrevocable. Retroactive to the date of hire, the teacher  
2 shall be enrolled in the defined contribution retirement plan under AS 14.25.310 -  
3 14.25.590, the teacher's participation in the plan shall be governed by the provisions  
4 for the defined contribution retirement plan, and the teacher's participation in the  
5 defined benefit retirement plan under AS 14.25.009 - 14.25.220 shall terminate. An  
6 election made by an eligible teacher who is married is not effective unless the election  
7 is signed by the teacher's spouse.

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

23 (e) An election under (a) of this section made by an eligible teacher who is  
24 married is not effective unless the election is signed by the teacher's spouse. An  
25 eligible teacher whose accounts are subject to a qualified domestic relations order may  
26 not make an election to participate in the defined contribution retirement plan under  
27 this section unless the qualified domestic relations order is amended or vacated and  
28 court-certified copies of the order are received by the administrator.

29 \* **Sec. 13.** AS 14.25.485(h) is repealed and reenacted to read:

30 (h) A member who is appointed to disability benefits shall, within 30 days  
31 after the date disability benefits commence, provide the administrator with proof that

the member has applied for enrollment in a vocational rehabilitation program approved by the administrator. Unless the member demonstrates cause, the benefits terminate at the end of the first month in which the member

(1) fails to provide the administrator with the required proof of application for enrollment;

(2) is certified by the administrator as failing to enroll in or cooperate with a vocational rehabilitation program approved under this subsection;

(3) fails to interview for a job; or

(4) fails to accept a job offered.

\* **Sec. 14.** AS 39.35.095 is repealed and reenacted to read:

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

(b) A public organization or a municipality or other political subdivision of the state that participates in the plan shall also participate in the defined contribution retirement plan under AS 39.35.700 - 39.35.990.

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

**Sec. 39.35.128. Participation of elected officials of political subdivisions.** (a) A person who is an elected official of a political subdivision of the state and who has not participated in the plan or waived participation in the plan before July 1, 2018, is a member of the plan if

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

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

(b) An elected official entitled to participate under this section, and who either has no previous service under the system with the political subdivision or is retired under the system, may file a waiver of participation in the plan with the administrator



1 within 30 days after the later of July 1, 2018, or the date that the elected official's term  
2 of office begins. A waiver is irrevocable for the remainder of the elected official's  
3 service as an elected official or employee of the political subdivision.

4 \* **Sec. 16.** AS 39.35.160(a) is amended to read:

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

18 \* **Sec. 17.** AS 39.35.160 is amended by adding new subsections to read:

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

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

29 \* **Sec. 18.** AS 39.35.400(e) is amended to read:

30 (e) A disabled employee receiving a nonoccupational disability benefit shall  
31 provide the administrator, **within** one year after appointment to disability benefits and

once within each year thereafter until disability benefits are denied or cease, with proof that the disabled employee has applied [OF CONTINUING ELIGIBILITY] to receive disability payments under the Social Security Act. If the disabled employee is otherwise ineligible for a social security payment, the employee shall provide the administrator with sufficient medical evidence once each year to demonstrate that disability payments under the Social Security Act would be payable had the employee been otherwise eligible. If the disabled employee fails to provide the administrator with evidence of continuing eligibility for disability payments under the Social Security Act or other medical evidence required by the administrator within 30 days following each anniversary date, the disability benefits from the plan shall cease. If that information is subsequently provided to the administrator, benefit payments will resume beginning for the month following that in which the information is provided. When disability payments under the Social Security Act cease, it is the responsibility of the disabled employee to notify the administrator immediately.

\* **Sec. 19.** AS 39.35.410 is amended by adding a new subsection to read:

(k) A person who first becomes an employee after June 30, 2006, and who is appointed to disability benefits shall, within 30 days after the date disability benefits commence, provide the administrator with proof that the employee has applied for enrollment in a vocational rehabilitation program approved by administrator. Unless the employee demonstrates cause, the benefits terminate at the end of the first month in which the employee

(1) fails to provide the administrator with the required proof of application for enrollment;

(2) is certified by the administrator as failing to enroll in or cooperate with a vocational rehabilitation program approved under this subsection;

(3) fails to interview for a job; or

(4) fails to accept a job offered.

\* **Sec. 20.** 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 first became a member before July 1, 2006, or the

1 **surviving spouse of the person**, other than a disabled member or a disabled member  
2 who is appointed to normal retirement, must pay an amount equal to the full monthly  
3 group premium for retiree major medical insurance coverage if the person is

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

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

7 (ii) 30 years of credited service under AS 39.35.360 and  
8 39.35.370 that is not service as a peace officer; or

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

10 (2) a person **who first became a member before July 1, 2006, or the**  
11 **surviving spouse of the person** is not required to make premium payments for retiree  
12 major medical **insurance** coverage if the person

13 (A) is a disabled member;

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

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

18 (D) has at least

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

21 (ii) 30 years of credited service under AS 39.35.360 and  
22 39.35.370 not as a peace officer;

23 **(3) except as provided in (4) and (5) of this subsection, a benefit**  
24 **recipient who first becomes a member after June 30, 2006, or a benefit recipient**  
25 **who is the surviving spouse of a person who first becomes a member after**  
26 **June 30, 2006, may, in accordance with regulations, elect retiree major medical**  
27 **coverage that was in effect before July 1, 2006, and pay an amount equal to the**  
28 **full monthly group premium for retiree major medical insurance coverage;**  
29 **however, except as provided in (4) and (5) of this subsection, if the benefit**  
30 **recipient is eligible for Medicare, the cost of a monthly premium is a percentage**  
31 **of the full monthly group premium, as follows:**

1 (A) 30 percent if the member has 10 or more, but less than  
2 15, years of service;

3 (B) 25 percent if the member has 15 or more, but less than  
4 20, years of service;

5 (C) 20 percent if the member has 20 or more, but less than  
6 25, years of service;

7 (D) 15 percent if the member has 25 or more, but less than  
8 30, years of service not as a peace officer;

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

13 (A) 15 percent of the cost of a full monthly group premium  
14 if the member has 25 or more, but less than 30, years of service as a peace  
15 officer; or

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

18 (5) a benefit recipient who first becomes a member after June 30,  
19 2006, is not required to make premium payments for retiree major medical  
20 coverage if the recipient

21 (A) is a disabled member; or

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

24 (6) on or after July 1, 2023, and every five years thereafter, the  
25 administrator shall adjust the percentages under (3) and (4) of this subsection as  
26 needed to maintain, but not to exceed, over the succeeding five years, an  
27 employer normal cost rate for the members and survivors who first became  
28 members after June 30, 2006, that does not exceed the combined total of the rates  
29 under AS 39.35.750(a), (b), (d), and (e) minus the employer normal cost rate  
30 attributable to the members who first become members after June 30, 2006, for  
31 benefits under AS 39.35.095 - 39.35.530; an adjustment made under this

paragraph shall remain in effect for five years; in making an adjustment under this paragraph, the administrator shall maintain the five percent differences between the percentages in (3)(A), (B), (C), and (D) of this subsection and the five percent differences between the percentages in (4)(A) and (B) of this subsection;

(7) when a member is appointed to retirement, the member obtains a vested right to the applicable percentage under (3) or (4) of this subsection, as adjusted under (6) of this subsection, that is in effect when the member is appointed to retirement; a member does not obtain a vested right to a percentage under (3) or (4) of this subsection, as adjusted under (6) of this subsection, before appointment to retirement.

\* **Sec. 21.** 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. 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 [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. 23.** 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. 24.** AS 39.35.700 is amended by adding a new subsection to read:

(b) A public organization as defined in 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. 25.** 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 clearly to 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 in the defined contribution retirement plan under AS 39.35.700 - 39.35.990, the employee's participation in the plan shall be governed by the provisions for the defined contribution retirement plan, and the employee's participation in the defined benefit retirement plan under AS 39.35.095 - 39.35.680 shall terminate. An election made by an eligible employee who is married is not effective unless the election is signed by the employee's spouse.

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

(e) An election made by an eligible employee who is married is not effective unless the election is signed by the employee's spouse. An eligible employee 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. 26.** AS 39.35.890(j) is repealed and reenacted to read:

5 (j) A member who is appointed to disability benefits shall, within 30 days after  
6 the date disability benefits commence, provide the administrator with proof that the  
7 member has applied for enrollment in a vocational rehabilitation program approved by  
8 the administrator. Unless the member demonstrates cause, the benefits terminate at the  
9 end of the first month in which the member

10 (1) fails to provide the administrator with the required proof of  
11 application for enrollment;

12 (2) is certified by the administrator as failing to enroll in or cooperate  
13 with a vocational rehabilitation program approved under this subsection;

14 (3) fails to interview for a job; or

15 (4) fails to accept a job offered.

16 \* **Sec. 27.** AS 14.25.012(c), 14.25.540; AS 39.35.940, and 39.35.957(b) are repealed.

17 \* **Sec. 28.** The uncodified law of the State of Alaska is amended by adding a new section to  
18 read:

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

27 (b) A public employee who was first hired after June 30, 2006, and before the  
28 effective date of this section and who is a member of the defined contribution plan of the  
29 public employees' retirement system under AS 39.35.700 - 39.35.990 may make a one-time  
30 election, within 90 days after the effective date of this section, to participate in the defined  
31 benefit retirement plan under AS 39.35.095 - 39.35.680 and to transfer all contributions,



1 including employer contributions, that have been made or should be made to the defined  
2 contribution retirement plan for any service the member completes before the effective date of  
3 the member's participation in the defined benefit retirement plan.

4 \* **Sec. 29.** The uncodified law of the State of Alaska is amended by adding a new section to  
5 read:

6 **RETIREMENT PLAN ELECTION PROCEDURE; REGULATIONS REQUIRED.**

7 (a) The election to participate in the defined benefit retirement plan under sec. 28 of this Act  
8 must be made in writing on forms and in the manner prescribed by the administrator. Before  
9 accepting an election to participate in the defined benefit retirement plan, the administrator  
10 shall provide the employee planning on making an election to participate in the defined  
11 benefit retirement plan with information, including calculations to illustrate the effect of  
12 moving the employee's retirement plan from the defined contribution retirement plan to the  
13 defined benefit retirement plan as well as other information clearly to inform the employee of  
14 the potential consequences of the employee's election.

15 (b) An election made under sec. 28 of this Act to participate in the defined benefit  
16 retirement plan is irrevocable. On the effective date of the election, an eligible employee who  
17 makes the election shall be enrolled as a member of the defined benefit retirement plan, the  
18 employee's participation in the plan shall be governed by the provisions for the defined  
19 benefit retirement plan, and the employee's participation in the defined contribution retirement  
20 plan shall terminate. The employee's enrollment in the defined benefit retirement plan shall be  
21 effective retroactive to the date of hire. An election made by an eligible employee who is  
22 married is not effective unless the election is signed by the employee's spouse.

23 (c) When an eligible employee makes a one-time election under sec. 28 of this Act,  
24 the administrator shall cause the total amount of the employee's employee and employer  
25 contributions, with investment earnings and losses through the final day of the employee's  
26 participation as a member in the defined contribution retirement plan, to be actuarially  
27 calculated and, subject to (d) of this section, transferred to the pension fund in the defined  
28 benefit retirement plan. On the effective date of the employee's participation in the defined  
29 benefit retirement plan, the employee shall be credited with service in the defined benefit  
30 retirement plan that is equal to the employee's service in years, including fractional years,  
31 recognized for computing benefits that may be due from the defined contribution retirement

1 plan. The board shall establish transfer procedures by regulation, but the actual transfer may  
2 not be later than 30 days after the date the administrator receives the employee's completed  
3 election forms under (a) of this section, unless the major financial markets for securities  
4 available for a transfer are seriously disrupted by an unforeseen event that also causes the  
5 suspension of trading on any national securities exchange in the country where the securities  
6 were issued. In that event, the 30-day period may be extended by a resolution of the board.  
7 Transfers are not commissionable or subject to other fees and may be in the form of securities  
8 or cash as determined by the board. Securities shall be valued on the date of receipt in the  
9 employee's account.

10 (d) If the value actuarially calculated under (c) of this section is insufficient to pay for  
11 a service credit equal to the employee's actual service, the administrator shall allow the  
12 employee to create an indebtedness up to the amount needed to eliminate the insufficiency;  
13 however, if that value exceeds the amount needed to pay for a service credit equal to the  
14 employee's actual service, the administrator shall cause the excess to be paid to the employee  
15 as a rollover transfer to either an individual employee annuity account in the Department of  
16 Administration under the terms of AS 39.30.150 - 39.30.180 (State of Alaska Supplemental  
17 Annuity Plan) or, if the employee's employer does not participate in the State of Alaska  
18 Supplemental Annuity Plan, to an eligible retirement plan as defined in AS 14.25.360(d) or  
19 AS 39.35.760(d). An excess under this subsection may not be used to purchase service credit  
20 in a retirement plan administered under AS 14.25 or AS 39.35.

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

24 (f) In this section,

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

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

30 (3) "defined benefit retirement plan" means the retirement plan established  
31 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" has the meaning given in AS 39.35.990.

\* **Sec. 30.** 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 under AS 39.35.005 and AS 14.25.005 necessary to implement the changes made by this Act. A regulation adopted under this section may not take effect before the effective date of the law being implemented by the regulation.

\* **Sec. 31.** Sections 29 and 30 of this Act take effect immediately under AS 01.10.070(c).

\* **Sec. 32.** Except as provided in sec. 31 of this Act, this Act takes effect January 1, 2019.