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Wayne
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CS FOR HOUSE BILL NO. 79(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FIRST LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES KOPP, Shaw, LeDoux, Fields, Spohnholz, Rasmussen, Claman, Josephson, Merrick

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to participation of certain peace officers and firefighters in the defined
2 benefit and defined contribution plans of the Public Employees' Retirement System of
3 Alaska; relating to eligibility of peace officers and firefighters for medical, disability,
4 and death benefits; relating to liability of the Public Employees' Retirement System of
5 Alaska; and providing for an effective date."

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

7 * **Section 1.** AS 37.10.220(a) is amended to read:

8 (a) The board shall

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

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

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

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

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

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

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

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

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

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

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

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

(A) an appropriate contribution rate for normal costs; [AND]

(B) an appropriate contribution rate for liquidating any past service liability; in this subparagraph, the appropriate contribution rate for

liquidating the past service liability of the defined benefit retirement plan under AS 14.25.009 - 14.25.220 or the past service liability of the defined benefit retirement plan under AS 39.35.095 - 39.35.680 must be determined by a level percent of pay method based on amortization of the past service liability for a closed term of 25 years;

(C) an appropriate monthly employer contribution under AS 39.35.255(i); and

(D) appropriate adjustments, if any, under (b)(5) and (b)(6) of this section;

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

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

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

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

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

(A) the valuation of trust fund assets and liabilities;

(B) current investment policies adopted by the board;

(C) a summary of assets held in trust listed by the categories of investment;

(D) the income and expenditures for the previous fiscal year;

(E) the return projections for the next calendar year;

(F) one-year, three-year, five-year, and 10-year investment performance for each of the funds entrusted to the board; and

(G) other statistical data necessary for a proper understanding of the financial status of the systems;

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

(15) develop an annual operating budget; [AND]

(16) administer pension forfeitures required under AS 37.10.310 using the procedures of AS 44.62 (Administrative Procedure Act); and

(17) determine the amount of the monthly employer contribution under AS 39.35.255(i).

* Sec. 2. AS 37.10.220(b) is amended to read:

(b) The board may

(1) employ outside investment advisors to review investment policies;

(2) enter into an agreement with the fiduciary of another state fund in order to assume the management and investment of those assets;

(3) contract for other services necessary to execute the board's powers and duties;

(4) enter into confidentiality agreements that would exempt records from AS 40.25.110 and 40.25.120 if the records contain information that could affect the value of investment by the board or that could impair the ability of the board to acquire, maintain, or dispose of investments;

(5) adjust the amount of the increase in benefits payable to a peace officer or firefighter who first becomes a member after June 30, 2006, as provided under AS 39.35.475;

(6) adjust employee contribution rates under AS 39.35.160(e).

* Sec. 3. AS 37.10.390 is amended by adding a new paragraph to read:

(5) "peace officer" or "firefighter" has the meaning given in AS 39.35.680.

* Sec. 4. AS 39.30.090(a) is amended to read:

(a) The Department of Administration may obtain a policy or policies of group

insurance covering state employees, persons entitled to coverage under AS 14.25.168, 14.25.480, AS 22.25.090, AS 39.35.535, 39.35.537, 39.35.880, or former AS 39.37.145, employees of other participating governmental units, or persons entitled to coverage under AS 23.15.136, subject to the following conditions:

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

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

(3) a governmental unit may participate under a group policy if

(A) its governing body adopts a resolution authorizing participation and payment of required premiums;

(B) a certified copy of the resolution is filed with the Department of Administration; and

(C) the commissioner of administration approves the participation in writing;

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

(5) the Department of Administration shall make available bid

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

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

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

22 (8) a person electing to have insurance under (7) of this subsection
23 shall pay the cost of this insurance;

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

28 (10) a person receiving benefits under AS 14.25, AS 22.25, AS 39.35,
29 or former AS 39.37 may obtain auditory, visual, and dental insurance for that person
30 and eligible dependents under this section; the level of coverage for persons over 65
31 shall be the same as that available before reaching age 65 except that the benefits

payable shall be supplemental to any benefits provided under the federal old age, survivors, and disability insurance program; a person electing to have insurance under this paragraph shall pay the cost of the insurance; the commissioner of administration shall adopt regulations implementing this paragraph;

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

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

* **Sec. 5.** AS 39.30.097(a) is amended to read:

(a) The commissioner of administration is authorized to prefund medical benefits provided by AS 14.25.168, AS 22.25.090, [AND] AS 39.35.535, and 39.35.537 by establishing an irrevocable trust that is exempt from federal income tax under 26 U.S.C. 115 and subject to the applicable financial reporting, disclosure, and actuarial requirements of the Governmental Accounting Standards Board.

* **Sec. 6.** AS 39.30.097(b) is amended to read:

(b) The commissioner of administration is authorized to prefund medical benefits provided by AS 14.25.480, AS 39.30.300, AS 39.35.537, and 39.35.880 [AS 39.35.880] by establishing an irrevocable trust that is exempt from federal income tax under 26 U.S.C. 115 and subject to the applicable financial reporting, disclosure, and actuarial requirements of the Governmental Accounting Standards Board.

* **Sec. 7.** AS 39.30.300 is amended to read:

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

1 organizations of the state who first become members [OF THE DEFINED
2 CONTRIBUTION PLAN] of the **Public Employees' Retirement System of Alaska**
3 **(AS 39.35)** [PUBLIC EMPLOYEES' RETIREMENT SYSTEM UNDER
4 AS 39.35.700 - 39.35.990] on or after July 1, 2006.

5 * **Sec. 8.** AS 39.30.380 is amended to read:

6 **Sec. 39.30.380. Termination of employment.** A person who terminates
7 employment before meeting the eligibility requirements of AS 14.25.470,
8 **AS 39.35.537, or 39.35.870** [OR AS 39.35.870] loses any right to the contributions
9 made on behalf of the person to the teachers' and public employees' retiree health
10 reimbursement arrangement trust fund. If a person returns to employment with a
11 participating employer by December 31 of the year in which the person reaches 65
12 years of age, the person's account balance shall be restored in the amount recorded on
13 the date of termination from the trust, adjusted for inflation at the rate of the Consumer
14 Price Index for Anchorage, Alaska. The earlier period of employment with a
15 participating employer shall be credited toward eligibility for medical benefits.

16 * **Sec. 9.** AS 39.30.390 is amended to read:

17 **Sec. 39.30.390. Eligibility and reimbursement.** Persons who meet the
18 eligibility requirements of AS 14.25.470, **AS 39.35.537, or 39.35.870** [AND
19 AS 39.35.870] are eligible for reimbursements from the individual account established
20 for a member under the plan, except members do not have to retire directly from the
21 system. A person who is the dependent child of an eligible member is eligible for
22 reimbursements if the eligible member and surviving spouse have both died so long as
23 the person meets the definition of dependent child.

24 * **Sec. 10.** AS 39.30.400(a) is amended to read:

25 (a) The administrator may deduct the cost of monthly premiums from the
26 individual account for retiree major medical insurance on behalf of an eligible person
27 who elected retiree major medical insurance under AS 14.25.480, **AS 39.35.537, or**
28 **39.35.880** [OR AS 39.35.880].

29 * **Sec. 11.** AS 39.30.495(5) is amended to read:

30 (5) "eligible person" means a person who meets the eligibility
31 requirements of AS 14.25.470, **AS 39.35.537, or 39.35.870** [OR AS 39.35.870];

* **Sec. 12.** AS 39.35.095 is amended to read:

Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680. The [FOLLOWING] provisions of AS 39.35.095 - 39.35.680 [THIS CHAPTER] apply only to members

(1) first hired before July 1, 2006; or

(2) who are peace officers or firefighters and

(A) former members of the defined contribution retirement plan under AS 39.35.700 - 39.35.990; or

(B) first hired after June 30, 2006, and have not been members of the defined contribution retirement plan under AS 39.35.700 - 39.35.990 [: AS 39.35.095 - 39.35.680].

* **Sec. 13.** 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)** 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. 14.** AS 39.35.160 is amended by adding new subsections to read:

(e) 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. The board may, from time to time, adjust the employee contribution under this subsection to an amount that,

(1) if decreased, is not less than eight percent of the employee's

1 compensation; and

2 (2) if increased, is not more than 10 percent of the employee's
3 compensation.

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

10 * **Sec. 15.** AS 39.35.255(a) is amended to read:

11 (a) **Except as required by (i) of this section, an** [EACH] employer shall
12 contribute to the system every payroll period an amount calculated by applying a rate
13 of 22 percent of the greater of the total of all base salaries

14 (1) paid by the employer to employees, **other than peace officers or**
15 **firefighters who first became members of the plan after June 30, 2006,** who are
16 active members of the system, including any adjustments to contributions required by
17 AS 39.35.520; or

18 (2) paid by the employer to employees, **other than peace officers or**
19 **firefighters who first became members of the plan after June 30, 2006,** who were
20 active members of the system during the corresponding payroll period for the fiscal
21 year ending

22 (A) June 30, 2008; or

23 (B) June 30, 2012, if that total is less than the total under (A) of
24 this paragraph, and the employer is a municipality in which the population
25 decreased by more than 25 percent between 2000 and 2010, according to the
26 decennial census conducted by the United States Bureau of the Census.

27 * **Sec. 16.** AS 39.35.255(d) is amended to read:

28 (d) Notwithstanding (a) **and (i)** of this section, the annual employer
29 contribution rate may not be less than the rate sufficient to allow payment of the
30 employer normal cost and the employer contributions required under AS 39.30.370
31 and AS 39.35.750.

* **Sec. 17.** AS 39.35.255(e) is amended to read:

(e) An employer of a retired member rehired under AS 39.35.150 shall include that member's base salary when calculating the contribution amount established in (a) **or (i)** of this section.

* **Sec. 18.** AS 39.35.255 is amended by adding new subsections to read:

(i) An employer that employs a peace officer or firefighter who first participates in the plan after June 30, 2006, shall contribute to the system every payroll period an amount equal to the sum of

(1) a per capita amount that is calculated by applying a rate, determined by the board, of not less than 12 percent of the total monthly compensation the employer pays to all peace officers and firefighters who first became members of the plan after June 30, 2006; and

(2) an amount, determined by the board, that is equal to the difference between the per capita amount determined under (1) of this subsection and the amount calculated under (a) of this section.

(j) The board may from time to time increase the percentage rate determined under (i)(1) of this section; however, that increase must be based on a concurrent increase, if any, in the employee contribution rate under AS 39.35.160(e).

* **Sec. 19.** AS 39.35.282 is amended to read:

Sec. 39.35.282. Contributions for medical benefits. Contributions made by an employer under AS 39.35.255 and 39.35.280 **must** [SHALL] be separately computed for benefits provided by AS 39.35.535 **and 39.35.537. The contributions computed for benefits provided by AS 39.35.535 must** [AND SHALL] be deposited in the Alaska retiree health care trust established under AS 39.30.097(a), **and the contributions computed for benefits provided by AS 39.35.537 must be deposited in the teachers' and public employees' retiree health reimbursement arrangement plan trust fund established under AS 39.30.340.**

* **Sec. 20.** AS 39.35.370(a) is amended to read:

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

(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. 21.** AS 39.35.370 is amended by adding a new subsection to read:

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

(1) at age 60 with at least five years of credited service as a peace officer or firefighter; or

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

* **Sec. 22.** AS 39.35.381(e) is amended to read:

(e) A person who retires under this section is not entitled to disability or death benefits under AS 39.35.400 - 39.35.440, a minimum benefit under AS 39.35.485, or to medical benefits under AS 39.35.535 or 39.35.537. Service earned under this section may not be used for vesting under AS 39.35.095 - 39.35.680.

* **Sec. 23.** AS 39.35.475(a) is amended to read:

(a) Subject to (g) of this section, once [ONCE] each year the administrator shall increase benefit payments to eligible disabled members, to persons age 60 or older receiving benefits under this plan in the preceding calendar year, and to persons who have received benefits under this plan for at least five years who are not otherwise eligible for an increase under this section.

* **Sec. 24.** AS 39.35.475(b) is amended to read:

(b) Subject to (h) of this section, the [THE] increase in benefit payments applies to total benefit payments except for the cost-of-living allowance under AS 39.35.480. The amount of the increase is a percentage of the current benefit equal to

(1) the lesser of 75 percent of the increase in the cost of living in the preceding calendar year or nine percent, for recipients who on July 1 are at least 65 years old and for members receiving disability benefits; and

(2) the lesser of 50 percent of the increase in the cost of living in the preceding calendar year or six percent, for recipients who on July 1 are at least 60 but

less than 65 years old or for recipients who are less than 60 years old on July 1 but who have received benefits from the plan for at least five years.

* **Sec. 25.** AS 39.35.475 is amended by adding new subsections to read:

(g) A person who receives a benefit under AS 39.35.370(l) is eligible to receive an increase in benefits under this section.

(h) If the board determines that the portion of the unfunded liability of the plan that is attributable to all peace officers and firefighters who first become members of the plan after June 30, 2006, is greater than 10 percent, the board may reduce the amount of the increase under (b) of this section that is payable to a peace officer or firefighter who first becomes a member after June 30, 2006. At any time, the board may terminate a reduction made under this subsection.

* **Sec. 26.** AS 39.35.535(a) is amended to read:

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

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

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

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

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

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

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

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

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

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

(D) the surviving spouse of a deceased employee who is

1 receiving a monthly benefit from the plan and who has elected coverage;

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

5 * **Sec. 27.** AS 39.35.535(c) is amended to read:

6 (c) A benefit recipient **who became a member before July 1, 2006, or the**
7 **surviving spouse of the member** may elect major medical insurance coverage in
8 accordance with regulations and under the following conditions:

9 (1) a person, other than a disabled member or a disabled member who
10 is appointed to normal retirement, **shall** [MUST] pay an amount equal to the full
11 monthly group premium for retiree major medical insurance coverage if the person is

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

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

15 (ii) 30 years of credited service under AS 39.35.360 and
16 39.35.370 that is not service as a peace officer; or

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

18 (2) a person is not required to make premium payments for retiree
19 major medical coverage if the person

20 (A) is a disabled member;

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

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

25 (D) has at least

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

28 (ii) 30 years of credited service under AS 39.35.360 and
29 39.35.370 not as a peace officer.

30 * **Sec. 28.** AS 39.35.535 is amended by adding a new subsection to read:

31 (g) A benefit recipient who is a peace officer or firefighter and who first

1 becomes a member after June 30, 2006, or a surviving spouse who is eligible under
2 AS 39.35.537(b) may elect medical benefits under AS 39.35.537.

3 * **Sec. 29.** AS 39.35 is amended by adding a new section to read:

4 **Sec. 39.35.537. Medical benefit; eligibility of peace officers or firefighters**
5 **first hired after June 30, 2006; surviving spouses and dependents.** (a) A peace
6 officer or firefighter who became a member of the plan after June 30, 2006, receives a
7 monthly benefit from the plan, and has elected benefits under this section is entitled to
8 medical benefits under this section. A member who applies for medical benefits under
9 this section shall apply on the forms and in the manner prescribed by the
10 administrator.

11 (b) The member's surviving spouse is eligible to elect medical benefits if the
12 member had retired or was eligible for retirement and medical benefits at the time of
13 the member's death.

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

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

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

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

27 (g) A person eligible for medical benefits under this section is not required to
28 participate in the health reimbursement arrangement plan in order to participate in the
29 retiree major medical insurance plan.

30 (h) A person who is eligible for medical benefits under this section must make
31 the irrevocable election to participate or not participate in the retiree major medical

1 insurance plan on or before the date the person reaches 70 1/2 years of age or when the
2 person applies for retirement and medical benefits, whichever is later.

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

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

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

15 (l) The cost of premiums for retiree major medical insurance coverage under
16 this section for an eligible member or surviving spouse who is

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

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

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

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

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

27 (D) 15 percent if the member had 25 or more, but less than 30,
28 years of service;

29 (E) 10 percent if the member had 30 or more years of service.

30 (m) The eligibility for retiree major medical insurance coverage for an
31 alternate payee under a qualified domestic relations order shall be determined based

on the eligibility of the member to elect coverage. The alternate payee shall pay the full monthly premium for retiree major medical insurance coverage.

(n) A person who is entitled to retiree major medical insurance coverage under this section shall

(1) be informed by the administrator in writing

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

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

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

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

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

* **Sec. 30.** AS 39.35.680(4) is amended to read:

(4) "average monthly compensation" means the result obtained by dividing the compensation earned by an employee during a considered period by the number of months, including fractional months, for which compensation was earned; an employee must have at least 115 days of credited service in the last payroll year in order for that year to be used as part of the consecutive payroll years; the considered period consists of

(A) for employees first hired before July 1, 1996, the three consecutive payroll years during the period of credited service that yield the highest average;

(B) for employees first hired on or after July 1, 1996, the five consecutive payroll years during the period of credited service that yield the highest average;

(C) if the employee does not have the number of consecutive payroll years required by (A) or (B) of this paragraph, the actual number of months, including fractional months, that the employee worked;

(D) for an employee who has made an election under AS 39.35.300(c) or 39.35.310(c), the actual number of months, including fractional months, that the employee worked;

(E) for a peace officer or firefighter hired **before July 1, 2006** [AT ANY TIME], the three consecutive payroll years during the period of credited service that yield the highest average;

(F) for a peace officer or firefighter hired after June 30, 2006, the five consecutive payroll years during the period of credited service that yield the highest average;

* Sec. 31. 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 peace officers and firefighters; 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 peace officers or firefighters;

(ii) on or after July 1, 2006, with respect to employees who are not peace officers or firefighters [ASSUMES LIABILITY

1 UNDER THE PLAN OF A POLITICAL SUBDIVISION OR PUBLIC
2 ORGANIZATION DESCRIBED IN (B) OF THIS PARAGRAPH];

3 * **Sec. 32.** AS 39.35.680(26) is amended to read:

4 (26) "normal retirement" means retirement for a member who is
5 eligible to receive benefits under AS 39.35.370(a) or (f) or [UNDER] 39.35.385(a) or
6 (f);

7 * **Sec. 33.** AS 39.35.720 is amended to read:

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

11 * **Sec. 34.** AS 39.35.750 is amended by adding a new subsection to read:

12 (f) This section does not apply to contributions made under AS 39.35.255(i)
13 and does not require an employer who makes a contribution for an employee under
14 AS 39.35.255(i) to make another contribution for that employee.

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

17 RETIREMENT PLAN ELECTION. (a) A peace officer or firefighter who was first
18 hired after June 30, 2006, and before the effective date of this section, and who is a member
19 of the defined contribution retirement plan of the public employees' retirement system under
20 AS 39.35.700 - 39.35.990, may, within 90 days after the effective date of this section, make a
21 one-time election to participate in the defined benefit retirement plan under AS 39.35.095 -
22 39.35.680 and to transfer all contributions that have been made or should be made to the
23 defined contribution retirement plan for service the member completes before the effective
24 date of the member's participation in the defined benefit retirement plan. The transferred
25 contributions shall be used to purchase credited service in the defined benefit retirement plan
26 on an actuarial equivalent basis determined by the Alaska Retirement Management Board
27 established under AS 37.10.210.

28 (b) In this section, "peace officer" or "firefighter" has the meaning given in
29 AS 39.35.680.

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

1 RETIREMENT PLAN ELECTION PROCEDURE. (a) An election made under sec.
2 35 of this Act to participate in the defined benefit retirement plan under AS 39.35.095 -
3 39.35.680 must be made in writing on one or more forms and in the manner prescribed by the
4 administrator. Before accepting an election to participate in the defined benefit retirement
5 plan, the administrator shall provide the employee who plans on making an election to
6 participate in the defined benefit retirement plan with information, including calculations to
7 illustrate the effect of moving the employee's retirement plan from the defined contribution
8 retirement plan to the defined benefit retirement plan as well as other information that informs
9 the employee of potential consequences of the employee's election.

10 (b) An election made under sec. 35 of this Act to participate in the defined benefit
11 retirement plan is irrevocable. On the effective date of the election, an eligible employee who
12 makes the election shall be enrolled as a member of the defined benefit retirement plan, and
13 the employee's participation in the plan shall be governed by the applicable provisions of the
14 defined benefit retirement plan. The employee's enrollment in the defined benefit retirement
15 plan is retroactive to the date of hire. An election made by an eligible employee who is
16 married is not effective unless the election is signed by the employee's spouse.

17 (c) When an eligible employee makes a one-time election under sec. 35 of this Act,
18 the administrator shall cause the total amount of the employee's employee and employer
19 contributions, with investment earnings and losses through the day of the employee's election
20 to participate as a member in the defined benefit retirement plan, to be actuarially calculated
21 and, subject to (e) of this section, transferred to the pension fund in the defined benefit
22 retirement plan. On the effective date of the employee's participation in the defined benefit
23 retirement plan, the employee shall be credited with service in the defined benefit retirement
24 plan that may be purchased under an actuarial equivalent purchase formula as determined by
25 the board. The board shall establish transfer procedures by regulation, but the actual transfer
26 may not occur later than 30 days after the date the administrator receives the employee's
27 completed forms under (a) of this section, unless the major financial markets for securities
28 available for a transfer are seriously disrupted by an unforeseen event that also causes the
29 suspension of trading on any national securities exchange in the country where the securities
30 were issued. In that event, the 30-day period may be extended by a resolution of the board. A
31 transfer is not commissionable or subject to other fees and may be in the form of cash or a

1 security as determined by the board. A security shall be valued on the date of receipt in the
2 employee's account.

3 (d) When making a transfer for an eligible employee under (c) of this section, the
4 administrator shall cause an amount equal to the

5 (1) decrease in the accrued actuarial liability of the occupational death and
6 disability trust in the defined contribution retirement plan resulting from the transfer as of the
7 date of transfer, based on the most recent actuarial valuation of the occupational death and
8 disability trust, to be transferred from the occupational death and disability trust in the defined
9 contribution retirement plan to the pension fund in the defined benefit retirement plan; and

10 (2) increase in the accrued actuarial liability of the health care trust in the
11 defined benefit retirement plan resulting from the transfer as of the date of transfer, based on
12 the actuarial assumptions set out in (g) of this section, to be transferred from the public
13 employees' retiree health reimbursement arrangement plan trust fund established under
14 AS 39.30.340 in the defined contribution retirement plan to the health care trust in the defined
15 benefit retirement plan established under AS 39.30.097(a).

16 (e) If the value actuarially calculated under (c) of this section is insufficient to pay for
17 service credit equal to the employee's actual service, the administrator shall allow the
18 employee the option of purchasing any indebtedness up to the amount needed to eliminate the
19 insufficiency; however, if that value exceeds the amount needed to pay for a service credit
20 equal to the employee's actual service, the administrator shall cause the excess to remain in
21 the employee's retirement plan established under AS 39.35.700 - 39.35.990. An excess under
22 this subsection may not be used to purchase service credit in a retirement plan administered
23 under AS 39.35.

24 (f) The amount of service that can be purchased under (e) of this section is based on
25 the transferred employee's accrued actuarial liability of pension benefits in the defined benefit
26 retirement plan. The actuarial assumptions under this section are based on the actuarial
27 assumptions set out in (g) of this section.

28 (g) Actuarial assumptions must be based on the most recent actuarial valuation of the
29 defined benefit retirement plan, except that the retirement rates are computed at 75 percent of
30 the retirement rates for peace officers and firefighters used in the most recent actuarial
31 valuation of the defined contribution retirement pension fund plus 25 percent of the retirement

1 rates for peace officers and firefighters used in the most recent actuarial valuation of the
2 defined benefit retirement plan.

3 (h) The provisions of this section are subject to the requirements of the Internal
4 Revenue Code and the limitations under AS 39.35.115, 39.35.678, 39.35.710(c) and (d), and
5 39.35.895.

6 (i) In this section,

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

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

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

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

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

17 * **Sec. 37.** The uncoded law of the State of Alaska is amended by adding a new section to
18 read:

19 ADOPTION OF REGULATIONS. (a) The Alaska Retirement Management Board
20 may adopt regulations necessary to implement secs. 1 - 3 of this Act. Regulations adopted by
21 the Alaska Retirement Management Board under this Act relate to the internal management of
22 a state agency and are not subject to AS 44.62 (Administrative Procedure Act) under
23 AS 37.10.240.

24 (b) The commissioner of administration may adopt regulations necessary to
25 implement secs. 4 - 36 of this Act. Regulations adopted by the commissioner of
26 administration under this Act relate to the internal management of a state agency and are not
27 subject to AS 44.62 (Administrative Procedure Act) under AS 39.30.098 and AS 39.35.005.

28 (c) Regulations adopted under this section may not take effect before the effective
29 date of the law being implemented by the regulation.

30 * **Sec. 38.** Section 37 of this Act takes effect immediately under AS 01.10.070(c).

31 * **Sec. 39.** Except as provided in sec. 38 of this Act, this Act takes effect July 1, 2021.