

HOUSE BILL NO. 220

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-SECOND LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES HOPKINS, Fields, Drummond, Story

Introduced: 5/19/21

Referred: Labor and Commerce, Finance

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7 * **Section 1.** AS 14.25.009 is repealed and reenacted to read:

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

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

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

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

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

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

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

22 (e) A member who first participates in the plan after June 30, 2006, shall
23 contribute to the plan an amount equal to eight percent of the member's compensation.
24 The board may, from time to time, adjust the contribution under this subsection to an
25 amount that,

26 (1) if decreased, is not less than eight percent of the member's
27 compensation; and

28 (2) if increased, is not more than 10 percent of the member's
29 compensation.

30 (f) The employer shall deduct the contribution from the member's salary at the
31 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 member compensation before the computation of applicable federal taxes and shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member may not have the option of making the payroll deduction directly in cash instead of having the contribution picked up by the employer.

* **Sec. 5.** AS 14.25.087 is amended to read:

Sec. 14.25.087. Contributions for medical benefits. Contributions made by an employer under AS 14.25.070 and 14.25.085 must [SHALL] be separately computed for benefits provided by AS 14.25.168 and 14.25.171. The contributions computed for benefits provided by AS 14.25.168 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 14.25.171 must be deposited in the teachers' and public employees' retiree health reimbursement arrangement plan trust fund established under AS 39.30.340.

* **Sec. 6.** AS 14.25.143(b) is amended to read:

(b) Subject to (g) of this section, the [THE] increase in benefit payments applies to total benefit payments except for the cost-of-living allowance under AS 14.25.142. 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 on July 1 are less than 60 years old but who have received benefits from the plan for at least eight years.

* **Sec. 7.** AS 14.25.143(e) is amended to read:

(e) When computing a death benefit under former AS 14.25.155 or under AS 14.25.157 [, 14.25.157,] or 14.25.160 or a survivor's benefit under AS 14.25.162, 14.25.164, or 14.25.167, adjustments granted to the deceased member or survivor under this section shall be included in the computation.

1 * **Sec. 8.** AS 14.25.143 is amended by adding a new subsection to read:

2 (g) If the board determines that the portion of the unfunded liability of the plan
3 that is attributable to all persons who first become members of the plan after June 30,
4 2006, is greater than 10 percent, the board may reduce the amount of the increase in
5 benefit payments under this section that is payable to a person who first becomes a
6 member after June 30, 2006. The board may terminate a reduction made under this
7 subsection at any time.

8 * **Sec. 9.** AS 14.25.157(a) is amended to read:

9 (a) If [(1)] the death of a member occurs before the member first attains
10 eligibility for normal retirement [, AND (2) THE PROXIMATE CAUSE OF DEATH
11 IS A BODILY INJURY SUSTAINED OR HAZARD UNDERGONE WHILE IN
12 THE PERFORMANCE AND WITHIN THE SCOPE OF THE MEMBER'S DUTIES
13 OF EMPLOYMENT,] and the death [(3) THE INJURY OR HAZARD] is not the
14 proximate result of wilful negligence on the part of the member, the administrator
15 shall pay a monthly survivor's pension equal to 40 percent of the member's base salary
16 at the time of termination of employment, divided by 12, to the member's surviving
17 spouse. If there is no surviving spouse, the administrator shall pay the monthly
18 survivor's pension in equal parts to the dependent children of the member. On the date
19 the normal retirement of the member would have occurred if the member had lived,
20 monthly payments must equal the monthly amount of the normal retirement benefit to
21 which the member, had the member lived and continued employment until the
22 member's normal retirement date, would have been entitled with an average base
23 salary as existed at the member's death and the credited service to which the member
24 would have been entitled. If the member does not have a spouse or dependent children
25 at the time of death or if the member designates as beneficiary under AS 14.25.166
26 someone other than the surviving spouse or dependent children, the administrator shall
27 pay the member's designated beneficiary those benefits available to a beneficiary
28 under AS 14.25.160(b) and (c) and may not pay a benefit to the surviving spouse or
29 dependent children.

30 * **Sec. 10.** AS 14.25.157(c) is amended to read:

31 (c) Benefits are not payable under this section if benefits are payable under

1 **former** AS 14.25.155 **or under AS 14.25.160** [, 14.25.160], 14.25.162, 14.25.164, or
 2 14.25.167.

3 * **Sec. 11.** AS 14.25.162(b) is amended to read:

4 (b) A survivor's allowance is payable under this section as follows:

5 (1) an allowance of 10 percent of the member's base salary
 6 immediately before the member's death, retirement, or disability shall be paid for each
 7 dependent child; if there are four or more dependent children, the total amount paid to
 8 those children is 40 percent of the member's base salary before the member's death,
 9 retirement, or disability, paid in equal amounts to each child; the allowance shall be
 10 recomputed for the month in which the number of dependent children is less than four
 11 and the benefits shall be decreased accordingly; the adoption of a dependent child does
 12 not terminate the survivor's allowance payable under this section;

13 (2) an allowance of 35 percent of the member's base salary shall be
 14 paid to the member's surviving spouse as long as there is an eligible dependent child,
 15 as determined under (b)(1) of this section, for whom the surviving spouse is legally
 16 responsible; if there is no surviving spouse, an allowance of 10 percent of the
 17 member's base salary shall be paid to each court-appointed guardian, not to exceed one
 18 allowance for each child or for each group of children who have the same guardian or
 19 joint guardians;

20 (3) when no further benefits are payable under this section, the
 21 difference between the amount that would have been paid under AS 14.25.160 and any
 22 payments made to the member, spouse, guardian, or dependent children under this
 23 section shall be paid to those beneficiaries described in AS 14.25.166;

24 (4) benefits are not payable under this section if benefits are payable
 25 under **former** AS 14.25.155 **or under AS 14.25.157** [, 14.25.157], 14.25.164, or
 26 14.25.167.

27 * **Sec. 12.** AS 14.25.164(b) is amended to read:

28 (b) A spouse's pension is payable under this section as follows:

29 (1) a spouse's pension is equal to 50 percent of the retirement benefit
 30 that the deceased member was receiving; if the member was not receiving a retirement
 31 benefit, the spouse's pension is equal to 50 percent of the amount the member would

1 have received, based on the member's average base salary and credited service to the
 2 date of the member's death and assuming that the member would have been eligible
 3 for a normal retirement benefit as of that date;

4 (2) in the event of the death of a member's spouse who is receiving a
 5 spouse's pension, the difference between the amount that would have been paid under
 6 AS 14.25.160 and any payments made to the member, spouse, guardian, or dependent
 7 children shall be paid to those beneficiaries described in AS 14.25.166;

8 (3) benefits are not payable under this section if benefits are payable
 9 under **former** AS 14.25.155 **or under AS 14.25.157** [, 14.25.157], 14.25.162, or
 10 14.25.167.

11 * **Sec. 13.** AS 14.25.167(a) is amended to read:

12 (a) Benefits payable under this section are in place of benefits payable under
 13 **former AS 14.25.155 or under** AS 14.25.110, 14.25.125, [14.25.155,] 14.25.157,
 14 14.25.160, 14.25.162, or 14.25.164. Upon filing an application for retirement with the
 15 administrator, or when a disabled member becomes eligible for normal retirement
 16 under AS 14.25.130(e), the member shall designate the person who is the member's
 17 spouse at the time of appointment to retirement as the contingent beneficiary.
 18 However, if the designation of the spouse is revoked under (c) of this section, the
 19 member may designate a dependent approved by the administrator as the contingent
 20 beneficiary or may take normal or early retirement under AS 14.25.110 or 14.25.125.
 21 The administrator shall pay benefits under the option elected by the member. The
 22 member may elect an option that provides that

23 (1) the member is entitled to receive a reduced benefit payable for life,
 24 and, after the member's death, the contingent beneficiary is entitled to receive
 25 payments in the amount of 75 percent of the reduced benefit for life;

26 (2) the member is entitled to receive a reduced benefit payable for life,
 27 and, after the member's death, the contingent beneficiary is entitled to receive
 28 payments in the amount of 50 percent of the reduced benefit for life; or

29 (3) the member is entitled to receive a reduced benefit payable during
 30 the joint lifetime of the member and the contingent beneficiary, and, after the death of
 31 either the member or the contingent beneficiary, the survivor is entitled to receive

1 payments in the amount of 66-2/3 percent of the reduced benefit for life.

2 * **Sec. 14.** AS 14.25.167(e) is amended to read:

3 (e) If either the member or contingent beneficiary dies before the member is
 4 appointed to retirement, the election becomes inoperative. Once the member is
 5 appointed to retirement, the election is irrevocable, even if the retired member is
 6 reemployed. Any additional retirement benefit to which the reemployed member may
 7 become entitled will be paid in accordance with the initial election made under this
 8 section, unless the contingent beneficiary is deceased. If the contingent beneficiary is
 9 deceased, the benefits earned during the period of reemployment are subject to
 10 AS 14.25.110, or this section if another contingent beneficiary was designated during
 11 the period of reemployment. All other benefits earned during previous periods of
 12 employment are subject to the election at the time the member was appointed to
 13 retirement. [IF DEATH OCCURS DURING THE PERIOD OF REEMPLOYMENT
 14 AND THE PROXIMATE CAUSE OF DEATH IS NOT A BODILY INJURY
 15 SUSTAINED OR HAZARD UNDERGONE WHILE IN THE PERFORMANCE
 16 AND WITHIN THE SCOPE OF THE MEMBER'S DUTIES OF EMPLOYMENT,
 17 THOSE BENEFITS EARNED WHILE REEMPLOYED ARE SUBJECT TO
 18 AS 14.25.155(c).] All other benefits earned during previous periods of employment
 19 are subject to the election at the time the member was appointed to retirement. If death
 20 occurs during the period of reemployment and [THE PROXIMATE CAUSE OF
 21 DEATH IS A BODILY INJURY SUSTAINED OR HAZARD UNDERGONE
 22 WHILE IN THE PERFORMANCE AND WITHIN THE SCOPE OF THE
 23 MEMBER'S DUTIES OF EMPLOYMENT AND THE INJURY OR HAZARD] is
 24 not the proximate result of wilful negligence on the part of the member, all benefits
 25 earned during all periods of employment are subject to AS 14.25.157.

26 * **Sec. 15.** AS 14.25.168(a) is amended to read:

27 (a) Except as provided in AS 14.25.171 and (c) of this section, the following
 28 persons are entitled to major medical insurance coverage under this section:

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

30 (A) a teacher who is receiving a monthly benefit from the plan

31 and who has elected coverage;

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

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

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

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

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

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

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

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

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

19 * **Sec. 16.** AS 14.25.169 is amended to read:

20 **Sec. 14.25.169. Duplicate benefits.** If payments from this retirement plan are
21 due to a teacher or to the teacher's spouse under more than one provision of this plan,
22 the teacher or spouse shall elect under which provision and which benefit the teacher
23 or spouse wishes to receive and no payments may be made under any other provision.
24 However, benefits under **former** AS 14.25.155 **or under AS 14.25.157** [, 14.25.157],
25 14.25.160, 14.25.162, 14.25.164, and 14.25.167 shall be paid in addition to those
26 benefits or that service credit a person is entitled to receive because of the person's
27 own membership in the retirement plan. A teacher may not receive (1) duplicate credit
28 under this plan for the same period of service, (2) more than one year of service credit
29 in the course of a school year, or (3) a benefit while accruing service credit under this
30 plan, except as provided in this section.

31 * **Sec. 17.** AS 14.25 is amended by adding a new section to read:

1 **Sec. 14.25.171. Medical benefit; eligibility of employees first hired after**
2 **June 30, 2006; surviving spouses and dependents.** (a) An employee who became a
3 member of the plan after June 30, 2006, receives a monthly benefit from the plan, and
4 has elected benefits under this section is entitled to medical benefits under this section.
5 A member who applies for medical benefits under this section shall apply on the forms
6 and in the manner prescribed by the administrator.

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

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

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

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

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

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

26 (h) A person who is eligible for medical benefits under this section must make
27 the irrevocable election to participate or not participate in the retiree major medical
28 insurance plan on or before the date the person reaches 70 1/2 years of age or when the
29 person applies for retirement and medical benefits, whichever is later.

30 (i) Major medical insurance coverage takes effect on the first day of the month
31 following the date of the administrator's approval of the election and stops when the

1 person who elects coverage dies or fails to make a required premium payment.

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

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

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

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

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

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

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

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

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

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

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

30 (n) The administrator shall

31 (1) inform a person entitled to retiree major medical insurance

1 coverage under this section in writing

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

5 (B) of time limits for selecting optional health insurance
6 coverage; and

7 (C) whether the election is irrevocable; and

8 (2) require that a person entitled to retiree major medical insurance
9 coverage under this section indicate in writing on a form provided by the administrator
10 whether the person has

11 (A) received the information required by this subsection; and

12 (B) chosen to receive optional health insurance coverage.

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

19 (p) In this section, "health reimbursement arrangement plan" means the State
20 of Alaska Teachers' and Public Employees' Retiree Health Reimbursement
21 Arrangement Plan established in AS 39.30.300.

22 * **Sec. 18.** AS 14.25.310 is amended to read:

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

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

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

1 UNDER AS 14.25.220, OR TO] members; and

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

4 * **Sec. 19.** AS 14.25.310 is amended by adding a new subsection to read:

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

7 * **Sec. 20.** AS 14.25.330 is repealed and reenacted to read:

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

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

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

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

28 (c) An election made under (a) of this section to participate in the defined
29 contribution retirement plan is irrevocable. Retroactive to the date of hire, the teacher
30 shall be enrolled in the defined contribution retirement plan under AS 14.25.310 -
31 14.25.590, the teacher's participation in the plan shall be governed by the provisions

1 for the defined contribution retirement plan, and the teacher's participation in the
2 defined benefit retirement plan under AS 14.25.009 - 14.25.220 shall terminate.

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

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

24 (f) A teacher who is participating in a university retirement program under
25 AS 14.40.661 - 14.40.799 may not participate as a member of the defined contribution
26 retirement plan.

27 * **Sec. 21.** AS 14.25.350(e) is amended to read:

28 (e) An employer shall make annual contributions to a trust account in the plan,
29 applied as a percentage of each member's compensation from July 1 to the following
30 June 30, in an amount determined by the board to be actuarially required to fully fund
31 the cost of providing [OCCUPATIONAL] disability and [OCCUPATIONAL] death

benefits under AS 14.25.310 - 14.25.590.

* **Sec. 22.** AS 14.25.470(a) is amended to read:

(a) In order to obtain medical benefits under AS 14.25.480, a member must retire [DIRECTLY] from the plan. A member is eligible to retire from the plan if the member has been an active member for at least 12 months [BEFORE APPLICATION FOR RETIREMENT] and

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

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

* **Sec. 23.** AS 14.25.487(a) is amended to read:

(a) If [(1)] the death of a member occurs before the member's retirement and before the member's normal retirement date [, (2) THE PROXIMATE CAUSE OF DEATH IS A BODILY INJURY SUSTAINED OR A HAZARD UNDERGONE WHILE IN THE PERFORMANCE AND WITHIN THE SCOPE OF THE MEMBER'S DUTIES,] and the death [(3) THE INJURY OR HAZARD] is not the proximate result of wilful negligence of the member, a monthly survivor's pension shall be paid to the surviving spouse. If there is no surviving spouse or if the spouse later dies, the monthly survivor's pension shall be paid in equal parts to the dependent children of the member.

* **Sec. 24.** AS 14.25.490(a) is amended to read:

(a) Subject to art. XII, sec. 7, Constitution of the State of Alaska, the [THE] state may [HAS THE RIGHT TO] amend the plan at any time and from time to time, in whole or in part, including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

* **Sec. 25.** AS 14.25.490(b) is amended to read:

(b) The plan administrator may not modify or amend the plan retroactively [IN SUCH A MANNER AS] to reduce [THE] benefits accrued by a [OF ANY] member [ACCRUED TO DATE UNDER THE PLAN BY REASON OF CONTRIBUTIONS MADE] before the modification or amendment except to the extent that the reduction is permitted by art. XII, sec. 7, Constitution of the State of Alaska, and the Internal Revenue Code.

1 * **Sec. 26.** AS 14.25.490(c) is amended to read:

2 (c) **Subject to art. XII, sec. 7, Constitution of the State of Alaska, and the**
 3 **Internal Revenue Code, the** [THE] state may [, IN ITS DISCRETION,] terminate the
 4 plan in whole or part [AT ANY TIME] without liability for the termination. If the plan
 5 is terminated, all investments **at the time of termination** remain in force until all
 6 individual accounts have been completely distributed under the plan. **After** [, AND,
 7 AFTER] all plan liabilities are satisfied, excess assets **of the plan** revert to the
 8 employer.

9 * **Sec. 27.** AS 14.25.490(d) is repealed and reenacted to read:

10 (d) Within one year after determining that a contribution to the plan by an
 11 employer was the result of a mistake of fact, the administrator shall return the
 12 contribution to the employer.

13 * **Sec. 28.** AS 37.10.220(a) is amended to read:

14 (a) The board shall

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

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

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

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

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

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

31 (B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary

1 Annuity Plan);

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

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

6 (6) establish the rate of interest that shall be annually credited to each
7 member's individual contribution account in accordance with AS 14.25.145 and
8 AS 39.35.100 and the rate of interest that shall be annually credited to each member's
9 account in the health reimbursement arrangement plan under AS 39.30.300 -
10 39.30.495; the rate of interest shall be adopted on the basis of the probable effective
11 rate of interest on a long-term basis, and the rate may be changed from time to time;

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

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

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

18 (B) an appropriate contribution rate for liquidating any past
19 service liability; in this subparagraph, the appropriate contribution rate for
20 liquidating the past service liability of the defined benefit retirement plan under
21 AS 14.25.009 - 14.25.220 or the past service liability of the defined benefit
22 retirement plan under AS 39.35.095 - 39.35.680 must be determined by a level
23 percent of pay method based on amortization of the past service liability for a
24 closed term of 25 years; **and**

25 **(C) appropriate adjustments, if any, under (b)(5) and (6) of**
26 **this section;**

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

1 the American Academy of Actuaries before presentation to the board;

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

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

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

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

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

13 (B) current investment policies adopted by the board;

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

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

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

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

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

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

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

25 (16) administer pension forfeitures required under AS 37.10.310 using
26 the procedures of AS 44.62 (Administrative Procedure Act).

27 * **Sec. 29.** AS 37.10.220(b) is amended to read:

28 (b) The board may

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

30 (2) enter into an agreement with the fiduciary of another state fund in
31 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 person who first becomes a member after June 30, 2006, as provided under AS 14.25.143 and AS 39.35.475;

(6) adjust contribution rates under AS 14.25.050(e) and AS 39.35.160(e) and (f).

* **Sec. 30.** 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, **14.25.171**, 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

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

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

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

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

31 (7) a person receiving benefits under AS 14.25.110, AS 22.25,

AS 39.35, or former AS 39.37 may continue the life insurance coverage that was in effect under this section at the time of termination of employment with the state or participating governmental unit;

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

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

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

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

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

* **Sec. 31.** 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, 14.25.171, 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.

1 * **Sec. 32.** AS 39.30.097(b) is amended to read:

2 (b) The commissioner of administration is authorized to prefund medical
3 benefits provided by AS 14.25.171, 14.25.480 [AS 14.25.480], AS 39.30.300,
4 AS 39.35.537, and 39.35.880 [AS 39.35.880] by establishing an irrevocable trust that
5 is exempt from federal income tax under 26 U.S.C. 115 and subject to the applicable
6 financial reporting, disclosure, and actuarial requirements of the Governmental
7 Accounting Standards Board.

8 * **Sec. 33.** AS 39.30.300 is amended to read:

9 **Sec. 39.30.300. State of Alaska Teachers' and Public Employees' Retiree**
10 **Health Reimbursement Arrangement Plan established.** The State of Alaska
11 Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan is
12 established for teachers who first become members of the [DEFINED
13 CONTRIBUTION PLAN OF THE] teachers' retirement system under AS 14.25.009 -
14 14.25.590 [AS 14.25.310 - 14.25.590] on or after July 1, 2006, and employees of the
15 state, political subdivisions of the state, and public organizations of the state who first
16 become members [OF THE DEFINED CONTRIBUTION PLAN] of the Public
17 Employees' Retirement System of Alaska (AS 39.35) [PUBLIC EMPLOYEES'
18 RETIREMENT SYSTEM UNDER AS 39.35.700 - 39.35.990] on or after July 1,
19 2006.

20 * **Sec. 34.** AS 39.30.380 is amended to read:

21 **Sec. 39.30.380. Termination of employment.** A person who terminates
22 employment before meeting the eligibility requirements of AS 14.25.171, 14.25.470,
23 AS 39.35.537, or 39.35.870 [AS 14.25.470 OR AS 39.35.870] loses any right to the
24 contributions made on behalf of the person to the teachers' and public employees'
25 retiree health reimbursement arrangement trust fund. If a person returns to
26 employment with a participating employer by December 31 of the year in which the
27 person reaches 65 years of age, the person's account balance shall be restored in the
28 amount recorded on the date of termination from the trust, adjusted for inflation at the
29 rate of the Consumer Price Index for Anchorage, Alaska. The earlier period of
30 employment with a participating employer shall be credited toward eligibility for
31 medical benefits.

1 * **Sec. 35.** AS 39.30.390 is amended to read:

2 **Sec. 39.30.390. Eligibility and reimbursement.** Persons who meet the
3 eligibility requirements of AS 14.25.171, 14.25.470, AS 39.35.537, or 39.35.870
4 [AS 14.25.470 AND AS 39.35.870] are eligible for reimbursements from the
5 individual account established for a member under the plan, except members do not
6 have to retire directly from the system. A person who is the dependent child of an
7 eligible member is eligible for reimbursements if the eligible member and surviving
8 spouse have both died so long as the person meets the definition of dependent child.

9 * **Sec. 36.** AS 39.30.400(a) is amended to read:

10 (a) The administrator may deduct the cost of monthly premiums from the
11 individual account for retiree major medical insurance on behalf of an eligible person
12 who elected retiree major medical insurance under AS 14.25.171, 14.25.480,
13 AS 39.35.537, or 39.35.880 [AS 14.25.480 OR AS 39.35.880].

14 * **Sec. 37.** AS 39.30.420(a) is amended to read:

15 (a) Subject to art. XII, sec. 7, Constitution of the State of Alaska, the
16 [THE] state may [HAS THE RIGHT TO] amend the plan at any time and from time to
17 time, in whole or in part, including the right to make retroactive amendments referred
18 to in 26 U.S.C. 401(b).

19 * **Sec. 38.** AS 39.30.420(b) is amended to read:

20 (b) The plan administrator may not modify or amend the plan retroactively [IN
21 SUCH A MANNER AS] to reduce [THE] benefits accrued by a [OF ANY] member
22 [ACCRUED TO DATE UNDER THE PLAN BY REASON OF CONTRIBUTIONS
23 MADE] before the modification or amendment except to the extent that the reduction
24 is permitted by art. XII, sec. 7, Constitution of the State of Alaska, and the Internal
25 Revenue Code.

26 * **Sec. 39.** AS 39.30.420(c) is amended to read:

27 (c) Subject to art. XII, sec. 7, Constitution of the State of Alaska, and the
28 Internal Revenue Code, the [THE] state may [, IN ITS DISCRETION,] terminate the
29 plan in whole or part [AT ANY TIME] without liability for the termination. If the plan
30 is terminated, all investments at the time of termination remain in force until all
31 individual accounts have been completely distributed under the plan. After [, AND,

1 AFTER] all plan liabilities are satisfied, excess assets of the plan revert to the
2 employer.

3 * **Sec. 40.** AS 39.30.420(d) is repealed and reenacted to read:

4 (d) Within one year after determining that a contribution to the plan by an
5 employer was the result of a mistake of fact, the administrator shall return the
6 contribution to the employer.

7 * **Sec. 41.** AS 39.30.495(5) is amended to read:

8 (5) "eligible person" means a person who meets the eligibility
9 requirements of AS 14.25.171, 14.25.470, AS 39.35.537, or 39.35.870 [AS 14.25.470
10 OR AS 39.35.870];

11 * **Sec. 42.** AS 39.35.095 is amended to read:

12 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680.** The
13 [FOLLOWING] provisions of AS 39.35.095 - 39.35.680 [THIS CHAPTER] apply
14 only to members first hired

15 (1) before July 1, 2006; or

16 (2) after June 30, 2006, who

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

19 (B) have not been members of the defined contribution
20 retirement plan under AS 39.35.700 - 39.35.990 [: AS 39.35.095 -
21 39.35.680].

22 * **Sec. 43.** AS 39.35.160(a) is amended to read:

23 (a) Subject to (e) and (f) of this section, beginning [BEGINNING]
24 January 1, 1987, each peace officer or firefighter shall contribute to the plan an
25 amount equal to seven and one-half percent of the peace officer's or firefighter's
26 compensation, and, except [. EXCEPT] as provided in (d) - (f) [(d)] of this section,
27 beginning January 1, 1987, each other employee shall contribute to the plan an amount
28 equal to six and three-quarters percent of the employee's compensation. [THE
29 CONTRIBUTIONS SHALL BE DEDUCTED BY THE EMPLOYER AT THE END
30 OF EACH PAYROLL PERIOD. THE CONTRIBUTIONS SHALL BE DEDUCTED
31 FROM EMPLOYEE COMPENSATION BEFORE COMPUTATION OF

1 APPLICABLE FEDERAL TAXES, AND THE CONTRIBUTIONS SHALL BE
 2 TREATED AS EMPLOYER CONTRIBUTIONS UNDER 26 U.S.C. 414(h)(2). A
 3 MEMBER MAY NOT HAVE THE OPTION OF MAKING THE PAYROLL
 4 DEDUCTION DIRECTLY INSTEAD OF HAVING THE CONTRIBUTION
 5 PICKED UP BY THE EMPLOYER.]

6 * **Sec. 44.** AS 39.35.160 is amended by adding new subsections to read:

7 (e) A peace officer or firefighter who first participates in the plan after
 8 June 30, 2006, shall contribute to the plan an amount equal to eight percent of the
 9 employee's compensation. The board may, from time to time, adjust the employee
 10 contribution under this subsection to an amount that,

11 (1) if decreased, is not less than eight percent of the employee's
 12 compensation; and

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

15 (f) An employee who first participates in the plan after June 30, 2006, and is
 16 not a peace officer or firefighter shall contribute to the plan an amount equal to six
 17 percent of the employee's compensation. The board may, from time to time, adjust the
 18 employee contribution under this subsection to an amount that,

19 (1) if decreased, is not less than six percent of the employee's
 20 compensation; and

21 (2) if increased, is not more than 8 percent of the employee's
 22 compensation.

23 (g) Contributions under (a), (e), and (f) 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. 45.** AS 39.35.282 is amended to read:

30 **Sec. 39.35.282. Contributions for medical benefits.** Contributions made by
 31 an employer under AS 39.35.255 and 39.35.280 must [SHALL] be separately

1 computed for benefits provided by AS 39.35.535 and 39.35.537. The contributions
 2 computed for benefits provided by AS 39.35.535 must [AND SHALL] be deposited
 3 in the Alaska retiree health care trust established under AS 39.30.097(a), and the
 4 contributions computed for benefits provided by AS 39.35.537 must be deposited
 5 in the teachers' and public employees' retiree health reimbursement arrangement
 6 plan trust fund established under AS 39.30.340.

7 * **Sec. 46.** AS 39.35.340(g) is amended to read:

8 (g) A surviving spouse receiving or entitled to receive benefits under **former**
 9 AS 39.35.420(b) **or under AS 39.35.430** [, 39.35.430,] or 39.35.440 or benefits under
 10 a joint and survivor option filed under AS 39.35.450 is eligible to receive increased
 11 benefits based on military service as described in (a) of this section. To receive
 12 credited service for military service, the surviving spouse shall verify the employee's
 13 military service. When verified, the surviving spouse is entitled to receive an increased
 14 benefit which shall be actuarially adjusted to reflect the indebtedness for that credit.
 15 The indebtedness shall be calculated in the same manner as described in (b) of this
 16 section except that it shall be based on the average monthly compensation used in
 17 calculating the benefit. Benefits payable under this subsection are effective the first
 18 day of the month following that in which eligibility has been established.

19 * **Sec. 47.** AS 39.35.370(a) is amended to read:

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

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

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

25 (3) with at least 30 years of credited service **that is not service as a**
 26 **peace officer or firefighter** [FOR ALL OTHER EMPLOYEES].

27 * **Sec. 48.** AS 39.35.370 is amended by adding a new subsection to read:

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

30 (1) at age 60 with at least five years of credited service in the system;

31 (2) at age 55 with at least 20 years of credited service in the system as

1 a peace officer or firefighter; or

2 (3) with at least 30 years of credited service in the system.

3 * **Sec. 49.** AS 39.35.381(e) is amended to read:

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

8 * **Sec. 50.** AS 39.35.430(b) is amended to read:

9 (b) If [(1)] the death of an employee occurs before the employee's retirement
10 and before the employee's normal retirement date [, AND (2) THE PROXIMATE
11 CAUSE OF DEATH IS A BODILY INJURY SUSTAINED OR A HAZARD
12 UNDERGONE WHILE IN THE PERFORMANCE AND WITHIN THE SCOPE OF
13 THE EMPLOYEE'S DUTIES,] and the death [(3) THE INJURY OR HAZARD] is
14 not the proximate result of wilful negligence of the employee, a monthly survivor's
15 pension shall be paid to the surviving spouse. If there is no surviving spouse or if the
16 spouse later dies, the monthly survivor's pension shall be paid in equal parts to the
17 dependent children of the employee. On the date the normal retirement of the
18 employee would have occurred if the employee had lived, monthly payments shall
19 equal the monthly amount of the normal retirement benefit to which the employee, had
20 the employee lived and continued employment until the employee's normal retirement
21 date, would have been entitled with an average monthly compensation as existed at
22 death and the credited service to which the employee would have been entitled.

23 * **Sec. 51.** AS 39.35.430(f) is amended to read:

24 (f) If the death of an employee who was hired before July 1, 2006, occurs
25 [FROM OCCUPATIONAL CAUSES] but no surviving spouse or dependent children
26 exist at the time of the death or if the employee designates as beneficiary under
27 AS 39.35.490 someone other than the surviving spouse or dependent children, the
28 employee's designated beneficiary is entitled to receive those benefits available to a
29 beneficiary under former AS 39.35.420(c) and a [AN OCCUPATIONAL] death
30 benefit may not be paid to the surviving spouse or dependent children.

31 * **Sec. 52.** AS 39.35.440(b) is amended to read:

(b) Upon the death of a disabled employee who is receiving or is entitled to receive an occupational disability benefit, the administrator shall pay the surviving spouse a surviving spouse's pension, equal to 40 percent of the employee's monthly compensation at the termination of employment because of occupational disability. If there is no surviving spouse, the administrator shall pay the survivor's pension in equal parts to the dependent children of the employee. On the date the normal retirement of the employee would have occurred if the employee had lived, the administrator shall adjust the monthly payments to equal the monthly amount of the normal retirement benefit to which the employee, had the employee lived and continued employment until the employee's normal retirement date, would have been entitled with an average monthly compensation as existed at death and the credited service to which the employee would have been entitled. If the death of an employee who was hired before July 1, 2006, occurs [FROM OCCUPATIONAL CAUSES] but no surviving spouse or dependent children exist at the time of the death, or if the employee designates as beneficiary under AS 39.35.490 someone other than the surviving spouse or dependent children, the administrator shall pay the employee's designated beneficiary those benefits available to a beneficiary under former AS 39.35.420(c) and may not pay a [AN OCCUPATIONAL] death benefit to the surviving spouse or dependent children.

* **Sec. 53.** AS 39.35.450(e) is amended to read:

(e) If either the employee or contingent beneficiary dies before the employee is appointed to retirement, the election becomes inoperative. Once the employee is appointed to retirement, the election is irrevocable. If a retired employee is reemployed and is subsequently reappointed to retirement, those benefits earned during the period of reemployment are subject to the initial election made under this section, unless the contingent beneficiary is deceased. If the contingent beneficiary is deceased, the benefits earned during the period of reemployment are subject to AS 39.35.370 or this section if another contingent beneficiary was elected during the period of reemployment. All other benefits earned during prior periods of employment are subject to the election at the time the employee was appointed to retirement. [IF DEATH OCCURS FROM NONOCCUPATIONAL CAUSES DURING THE

PERIOD OF REEMPLOYMENT, THOSE BENEFITS EARNED WHILE REEMPLOYED ARE SUBJECT TO AS 39.35.420(b). ALL OTHER BENEFITS EARNED DURING PRIOR PERIODS OF EMPLOYMENT ARE SUBJECT TO THE ELECTION AT THE TIME THE EMPLOYEE WAS APPOINTED TO RETIREMENT.] If death occurs [FROM OCCUPATIONAL CAUSES] during the period of reemployment, all benefits earned during all periods of employment are subject to AS 39.35.430(b) and (c).

* **Sec. 54.** 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. 55.** 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. 56.** AS 39.35.475(e) is amended to read:

(e) When computing **a** [AN OCCUPATIONAL] death benefit under AS 39.35.430 or 39.35.440 or a survivor's benefit under AS 39.35.450, adjustments granted to the deceased member or survivor under this section shall be included.

* **Sec. 57.** 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

1 receive an increase in benefits under this section.

2 (h) If the board determines that the portion of the unfunded liability of the plan
3 that is attributable to all persons who first become members of the plan after June 30,
4 2006, is greater than 10 percent, the board may reduce the amount of the increase
5 under (b) of this section that is payable to a person who first becomes a member after
6 June 30, 2006. At any time, the board may terminate a reduction made under this
7 subsection.

8 * **Sec. 58.** AS 39.35.485(a) is amended to read:

9 (a) An employee who is eligible for a benefit calculated in accordance with
10 AS 39.35.370(c) is entitled to a benefit of at least \$25 a month for each year of
11 credited service, not including adjustments made under AS 39.35.340 for military
12 service, AS 39.35.360 for credit for earlier service, AS 39.35.370(c) for early
13 retirement, **former** AS 39.35.420 for nonoccupational death benefits **payable for an**
14 **employee hired before July 1, 2006**, AS 39.35.450 for the survivor's option, former
15 AS 39.35.460 for the level income option, AS 39.35.475 for the post-retirement
16 pension adjustment, and AS 39.35.480 for the cost of living.

17 * **Sec. 59.** AS 39.35.530 is amended to read:

18 **Sec. 39.35.530. Limit on pension.** An employee may not simultaneously
19 receive a pension under more than one section of AS 39.35.095 - 39.35.680. However,
20 benefits under **former** AS 39.35.420(b) **or under AS 39.35.430** [, 39.35.430],
21 39.35.440, or 39.35.450 shall be paid in addition to the benefits or service credit a
22 person is entitled to receive because of the person's own membership in the retirement
23 plan. An employee may not (1) receive duplicate credit under this plan for the same
24 period of service, (2) receive more than one year of service credit in the course of any
25 calendar year, or (3) receive a benefit while accruing service credit under this plan,
26 except as provided in this section.

27 * **Sec. 60.** AS 39.35.535(a) is amended to read:

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

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

31 (A) an employee who is receiving a monthly benefit from the

1 plan and who has elected coverage;

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

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

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

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

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

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

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

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

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

20 * **Sec. 61.** AS 39.35.535(c) is amended to read:

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

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

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

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

30 (ii) 30 years of credited service under AS 39.35.360 and
31 39.35.370 that is not service as a peace officer; or

- 1 (B) of any age and has less than 10 years of credited service;
 2 (2) a person is not required to make premium payments for retiree
 3 major medical coverage if the person
 4 (A) is a disabled member;
 5 (B) is a disabled member who is appointed to normal
 6 retirement;
 7 (C) is 60 years of age or older and has at least 10 years of
 8 credited service; or
 9 (D) has at least
 10 (i) 25 years of credited service as a peace officer under
 11 AS 39.35.360 and 39.35.370; or
 12 (ii) 30 years of credited service under AS 39.35.360 and
 13 39.35.370 not as a peace officer.

14 * **Sec. 62.** AS 39.35.535 is amended by adding a new subsection to read:

15 (g) A benefit recipient who is a peace officer or firefighter and who first
 16 becomes a member after June 30, 2006, or a surviving spouse who is eligible under
 17 AS 39.35.537(b) may elect medical benefits under AS 39.35.537.

18 * **Sec. 63.** AS 39.35 is amended by adding a new section to read:

19 **Sec. 39.35.537. Medical benefit; eligibility of employees first hired after**
 20 **June 30, 2006; surviving spouses and dependents.** (a) An employee who became a
 21 member of the plan after June 30, 2006, receives a monthly benefit from the plan, and
 22 has elected benefits under this section is entitled to medical benefits under this section.
 23 A member who applies for medical benefits under this section shall apply on the forms
 24 and in the manner prescribed by the administrator.

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

28 (c) The medical benefits available to eligible persons are access to the retiree
 29 major medical insurance plan and access to the health reimbursement arrangement
 30 plan under AS 39.30.300. Access to the retiree major medical insurance plan means
 31 that an eligible person may not be denied insurance coverage except for failure to pay

1 the required premium.

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

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

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

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

13 (h) A person who is eligible for medical benefits under this section must make
14 the irrevocable election to participate or not participate in the retiree major medical
15 insurance plan on or before the date the person reaches 70 1/2 years of age or when the
16 person applies for retirement and medical benefits, whichever is later.

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

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

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

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

31 (1) not eligible for Medicare is an amount equal to the full monthly

1 group premiums for retiree major medical insurance coverage;

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

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

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

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

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

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

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

17 (n) The administrator shall

18 (1) inform a person entitled to retiree major medical insurance
19 coverage under this section in writing

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

23 (B) of time limits for selecting optional health insurance
24 coverage; and

25 (C) whether the election is irrevocable; and

26 (2) require that a person entitled to retiree major medical insurance
27 coverage under this section indicate in writing on a form provided by the administrator
28 whether the person has

29 (A) received the information required by this subsection; and

30 (B) chosen to receive optional health insurance coverage.

31 (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 State of Alaska Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan established in AS 39.30.300.

* **Sec. 64.** 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 an employee first hired after June 30, 2006, the five

consecutive payroll years during the period of credited service that yield the highest average;

* **Sec. 65.** AS 39.35.680(26) is amended to read:

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

* **Sec. 66.** 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. 67.** 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. 68.** 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

1 them under AS 39.35.255.

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

10 (1) information, including calculations to illustrate the effect of
11 moving the employee's retirement plan from the defined benefit retirement plan to the
12 defined contribution retirement plan; and

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

15 (c) An election made under (a) of this section to participate in the defined
16 contribution retirement plan is irrevocable. Retroactive to the date of hire, the
17 employee shall be enrolled in the defined contribution retirement plan under
18 AS 39.35.700 - 39.35.990, the employee's participation in the plan shall be governed
19 by the provisions for the defined contribution retirement plan, and the employee's
20 participation in the defined benefit retirement plan under AS 39.35.095 - 39.35.680
21 shall terminate.

22 (d) When an employee makes an election under (a) of this section, the
23 administrator shall cause the total amount of the employee's employee and employer
24 contributions, with investment earnings and losses through the final day of the
25 employee's participation in the defined benefit retirement plan, to be actuarially
26 calculated and transferred to the employee's designated account in the defined
27 contribution retirement plan. The administrator shall establish transfer procedures by
28 regulation, but the actual transfer may not be later than 30 days after the date the
29 administrator receives the employee's completed election form under (b) of this
30 section, unless the major financial markets for securities available for a transfer are
31 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 under (a) of this section by an eligible employee who is married may not take effect 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 to participate in the defined contribution retirement plan under this section unless the qualified domestic relations order is amended or vacated and court-certified copies of the order are received by the administrator.

* **Sec. 69.** AS 39.35.750(e) is amended to read:

(e) An employer shall make annual contributions to a trust account in the plan, applied as a percentage of each member's compensation from July 1 to the following June 30, in an amount determined by the board to be actuarially required to fully fund the cost of providing [OCCUPATIONAL] disability and [OCCUPATIONAL] death benefits under AS 39.35.700 - 39.35.990 and retirement benefits elected by disabled peace officers and firefighters under AS 39.35.890(h)(2). The contribution required under this subsection for peace officers and firefighters and the contribution required under this subsection for other employees shall be separately calculated based on the actuarially calculated costs for each group of employees.

* **Sec. 70.** AS 39.35.870(a) is amended to read:

(a) In order to obtain medical benefits under AS 39.35.880, an active member must retire [DIRECTLY] from the plan. A member is eligible to retire from the plan if the member has been an active member for at least 12 months [BEFORE APPLICATION FOR RETIREMENT] and

(1) the member has at least 25 years of membership service as a peace officer or firefighter or at least 30 years of membership service for all other employees; or

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

1 * **Sec. 71.** AS 39.35.892(a) is amended to read:

2 (a) If [(1)] the death of an employee occurs before the employee's retirement
3 and before the employee's normal retirement date [, (2) THE PROXIMATE CAUSE
4 OF DEATH IS A BODILY INJURY SUSTAINED OR A HAZARD UNDERGONE
5 WHILE IN THE PERFORMANCE AND WITHIN THE SCOPE OF THE
6 EMPLOYEE'S DUTIES,] and the death [(3) THE INJURY OR HAZARD] is not the
7 proximate result of wilful negligence of the employee, a monthly survivor's pension
8 shall be paid to the surviving spouse. If there is no surviving spouse or if the spouse
9 later dies, the monthly survivor's pension shall be paid in equal parts to the dependent
10 children of the employee.

11 * **Sec. 72.** AS 39.35.892(e) is amended to read:

12 (e) On the date the employee would have first qualified for normal retirement
13 if the employee had survived, the retirement benefit shall be determined under the
14 provisions of AS 39.35.820 - 39.35.840, 39.35.870, and 39.35.880. In addition to
15 payment of the member's individual account, the surviving spouse or, if there is no
16 surviving spouse, the surviving dependent children of the member, shall receive an
17 additional benefit in an amount equal to the accumulated contributions that would
18 have been made to the deceased member's individual account under AS 39.35.730(a)
19 and 39.35.750(a), based on the deceased member's gross monthly compensation at the
20 time of [OCCUPATIONAL] death, from the time of the member's death to the date
21 the member would have first qualified for normal retirement if the member had
22 survived. Earnings shall be allocated to the additional benefit calculated under this
23 subsection based on the actual rate of return, net of expenses, of the trust account
24 established under AS 39.35.750(e) over the period that such contributions would have
25 been made. This additional amount and allocated earnings shall be paid in the same
26 manner as determined for the member's individual account under AS 39.35.820 -
27 39.35.860 to the extent permitted by the Internal Revenue Service. An employee who
28 died and whose survivors receive [OCCUPATIONAL] death benefits under this
29 section shall be considered to have retired directly from the plan on the date the
30 employee would have first qualified for normal retirement if the employee had
31 survived. The period of time during which a survivor's pension is paid under this

1 section constitutes membership service for the purpose of determining vesting in
 2 employer contributions under AS 39.35.790(b) and eligibility for medical benefits
 3 under AS 39.30.300 - 39.30.495 and AS 39.35.700 - 39.35.990.

4 * **Sec. 73.** AS 39.35.895(a) is amended to read:

5 (a) **Subject to art. XII, sec. 7, Constitution of the State of Alaska, the**
 6 [THE] state **may** [HAS THE RIGHT TO] amend the plan at any time and from time to
 7 time, in whole or in part, including the right to make retroactive amendments referred
 8 to in 26 U.S.C. 401(b).

9 * **Sec. 74.** AS 39.35.895(b) is amended to read:

10 (b) The plan administrator may not modify or amend the plan retroactively [IN
 11 SUCH A MANNER AS] to reduce [THE] benefits **accrued by a** [OF ANY] member
 12 [ACCRUED TO DATE UNDER THE PLAN BY REASON OF CONTRIBUTIONS
 13 MADE] before the modification or amendment except to the extent that the reduction
 14 is permitted by **art. XII, sec. 7, Constitution of the State of Alaska, and** the Internal
 15 Revenue Code.

16 * **Sec. 75.** AS 39.35.895(c) is amended to read:

17 (c) **Subject to art. XII, sec. 7, Constitution of the State of Alaska, and the**
 18 **Internal Revenue Code, the** [THE] state may [, IN ITS DISCRETION,] terminate the
 19 plan in whole or part [AT ANY TIME] without liability for the termination. If the plan
 20 is terminated, all investments **at the time of termination** remain in force until all
 21 individual accounts have been completely distributed under the plan. **After** [, AND,
 22 AFTER] all plan liabilities are satisfied, excess assets **of the plan** revert to the
 23 employer.

24 * **Sec. 76.** AS 39.35.895(d) is repealed and reenacted to read:

25 (d) Within one year after determining that a contribution to the plan by an
 26 employer was the result of a mistake of fact, the administrator shall return the
 27 contribution to the employer.

28 * **Sec. 77.** AS 39.35.958(c) is amended to read:

29 (c) When an employer's participation in the plan is terminated, or when an
 30 employer terminates coverage of a department, group, or other classification of
 31 employees under AS 39.35.957(c), the administrator shall assess the employer a

1 termination cost that the administrator determines is actuarially required to fully fund
 2 the costs to the plan for employees whose coverage is terminated, including the cost of
 3 providing the employer's share of retiree health benefits under AS 39.35.880,
 4 [OCCUPATIONAL] disability and [OCCUPATIONAL] death benefits under
 5 AS 39.35.890 and 39.35.892, and pension benefits elected under AS 39.35.890(h)(2).

6 * **Sec. 78.** AS 14.25.012(c), 14.25.155, 14.25.157(d), 14.25.487(d), 14.25.540;
 7 AS 39.35.420, 39.35.430(h), 39.35.892(d), and 39.35.940 are repealed.

8 * **Sec. 79.** The uncodified law of the State of Alaska is amended by adding a new section to
 9 read:

10 RETIREMENT PLAN ELECTION. (a) A teacher who was first hired after June 30,
 11 2006, and before the effective date of this section, and who is a member of the defined
 12 contribution retirement plan under AS 14.25.310 - 14.25.590 may, within 90 days after the
 13 effective date of this section, make a one-time election to participate in the defined benefit
 14 retirement plan under AS 14.25.009 - 14.25.220 and to transfer all contributions that have
 15 been made or should be made to the defined contribution retirement plan for service the
 16 member completes before the effective date of the member's participation in the defined
 17 benefit retirement plan. The transferred contributions shall be used to purchase credited
 18 service in the defined benefit retirement plan on an actuarial equivalent basis determined by
 19 the Alaska Retirement Management Board established under AS 37.10.210.

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

30 * **Sec. 80.** 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 79 of this Act to participate in a defined benefit retirement plan must be made in writing on
3 one or more forms and in the manner prescribed by the administrator. Before accepting an
4 election to participate in a defined benefit retirement plan, the administrator shall provide the
5 employee who plans on making an election to participate in a defined benefit retirement plan
6 with information, including calculations to illustrate the effect of moving the employee's
7 retirement plan from a defined contribution retirement plan to a defined benefit retirement
8 plan as well as other information that informs the employee of potential consequences of the
9 employee's election.

10 (b) An election made under sec. 79 of this Act to participate in a 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 a defined benefit retirement plan, and the
13 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. 79 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 a defined benefit retirement plan, to be actuarially calculated
21 and, subject to (e) of this section, transferred to the pension fund in the corresponding defined
22 benefit retirement plan. On the effective date of the employee's participation in a defined
23 benefit retirement plan, the employee shall be credited with service in the defined benefit
24 retirement plan that may be purchased under an actuarial equivalent purchase formula as
25 determined by the board. The board shall establish transfer procedures by regulation, but the
26 actual transfer may not occur later than 30 days after the date the administrator receives the
27 employee's completed forms under (a) of this section, unless the major financial markets for
28 securities available for a transfer are seriously disrupted by an unforeseen event that also
29 causes the suspension of trading on any national securities exchange in the country where the
30 securities were issued. In that event, the 30-day period may be extended by a resolution of the
31 board. A transfer is not commissionable or subject to other fees and may be in the form of

1 cash or a security as determined by the board. A security shall be valued on the date of receipt
 2 in the employee's account. In this subsection, "board" means the Alaska Retirement
 3 Management Board established under AS 37.10.210.

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

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

11 (2) increase in the accrued actuarial liability of the health care trust in the
 12 defined benefit retirement plan resulting from the transfer as of the date of transfer, based on
 13 the actuarial assumptions set out in (g) of this section, to be transferred from the trust
 14 established under AS 39.30.097(b) for the prefunding of medical benefits provided by
 15 AS 14.25.480 and AS 39.35.880 to the trust established under AS 39.30.097(a) for the
 16 prefunding of medical benefits provided by AS 14.25.171 and AS 39.35.537.

17 (e) If the value actuarially calculated under (c) of this section is insufficient to pay for
 18 service credit equal to the employee's actual service, the administrator shall allow the
 19 employee the option of purchasing any indebtedness up to the amount needed to eliminate the
 20 insufficiency; however, if that value exceeds the amount needed to pay for a service credit
 21 equal to the employee's actual service, the administrator shall cause the excess to remain in
 22 the employee's retirement plan established under AS 14.25.310 - 14.25.590 or AS 39.35.700 -
 23 39.35.990. An excess under this subsection may not be used to purchase service credit in a
 24 retirement plan administered under AS 14.25 or AS 39.35.

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

29 (g) Actuarial assumptions about either the teachers' retirement system or the Public
 30 Employees' Retirement System of Alaska must be based on the most recent actuarial
 31 valuation of the corresponding defined benefit retirement plan, except that the retirement rates

are computed at 75 percent of the retirement rates used in the most recent actuarial valuation of the pension trust for that plan plus 25 percent of the retirement rates used in the most recent actuarial valuation of the corresponding defined contribution retirement plan.

(h) The provisions of this section are subject to the requirements of the Internal Revenue Code and the limitations under AS 39.35.115, 39.35.678, 39.35.710(c) and (d), and 39.35.895. In this subsection, "Internal Revenue Code" has the meaning given in AS 39.35.990.

(i) In this section,

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

(2) "defined benefit retirement plan" means a retirement plan established under AS 14.25.009 - 14.25.220 or AS 39.35.095 - 39.35.680;

(3) "defined contribution retirement plan" means a retirement plan established under AS 14.25.310 - 14.25.590 or AS 39.35.700 - 39.35.990.

* **Sec. 81.** The uncodified law of the State of Alaska is amended by adding a new section to read:

ADOPTION OF REGULATIONS. (a) The Alaska Retirement Management Board may adopt regulations necessary to implement secs. 28 and 29 of this Act. Regulations adopted by the Alaska Retirement Management Board under this Act relate to the internal management of a state agency and are not subject to AS 44.62 (Administrative Procedure Act) under AS 37.10.240.

(b) The commissioner of administration may adopt regulations necessary to implement secs. 1 - 27 and 30 - 80 of this Act. Regulations adopted by the commissioner of administration under this Act relate to the internal management of a state agency and are not subject to AS 44.62 (Administrative Procedure Act) under AS 14.25.005, AS 39.30.098, and AS 39.35.005.

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

* **Sec. 82.** Section 81 of this Act takes effect immediately under AS 01.10.070(c).

* **Sec. 83.** Except as provided in sec. 82 of this Act, this Act takes effect July 1, 2022.