



LAWS OF ALASKA

2005

FIRST SPECIAL SESSION

Source

FCCS SB 141(2d FCC)

Chapter No.

AN ACT

Relating to the teachers' and public employees' retirement systems and creating defined contribution and health reimbursement plans for members of the teachers' retirement system and the public employees' retirement system who are first hired after July 1, 2006; relating to university retirement programs; establishing the Alaska Retirement Management Board to replace the Alaska State Pension Investment Board, the Alaska Teachers' Retirement Board, and the Public Employees' Retirement Board; adding appeals of the decisions of the administrator of the teachers' and public employees' retirement systems to the jurisdiction of the office of administrative hearings; providing for nonvested members of the teachers' retirement system defined benefit plans to transfer into the teachers' retirement system defined contribution plan and for nonvested members of the public employees' retirement system defined benefit plans to transfer into the public employees' retirement system defined contribution plan; providing for political subdivisions and public organizations to request to participate in the public employees' defined contribution retirement plan; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1

AN ACT

1 Relating to the teachers' and public employees' retirement systems and creating defined
2 contribution and health reimbursement plans for members of the teachers' retirement system
3 and the public employees' retirement system who are first hired after July 1, 2006; relating to
4 university retirement programs; establishing the Alaska Retirement Management Board to
5 replace the Alaska State Pension Investment Board, the Alaska Teachers' Retirement Board,
6 and the Public Employees' Retirement Board; adding appeals of the decisions of the
7 administrator of the teachers' and public employees' retirement systems to the jurisdiction of
8 the office of administrative hearings; providing for nonvested members of the teachers'
9 retirement system defined benefit plans to transfer into the teachers' retirement system defined
10 contribution plan and for nonvested members of the public employees' retirement system
11 defined benefit plans to transfer into the public employees' retirement system defined

1 contribution plan; providing for political subdivisions and public organizations to request to
2 participate in the public employees' defined contribution retirement plan; and providing for an
3 effective date.

4
5 * **Section 1.** AS 14.25 is amended by adding new sections to read:

6 **Article 1. Administration of the Teachers' Retirement System.**

7 **Sec. 14.25.001. Purpose.** The purpose of this chapter is to encourage
8 qualified teachers to enter and remain in service with participating employers by
9 establishing plans for the payment of retirement, disability, and death benefits to or on
10 behalf of the members.

11 **Sec. 14.25.002. Attorney general.** The attorney general of the state is the
12 legal counsel for the system and shall advise the administrator and represent the
13 system in a legal proceeding.

14 **Sec. 14.25.003. Administrator.** (a) The commissioner of administration or
15 the commissioner's designee is the administrator of the system.

16 (b) The commissioner of administration shall adopt regulations to govern the
17 operation of the system.

18 **Sec. 14.25.004. Powers and duties of the administrator.** (a) The
19 administrator shall

- 20 (1) establish and maintain an adequate system of accounts;
21 (2) transmit the funds deposited in the system to the retirement fund
22 established and maintained by the Alaska Retirement Management Board;
23 (3) approve or disapprove claims for retirement benefits;
24 (4) make payments for the various purposes specified;
25 (5) submit periodic reports or statements of account that are needed;
26 (6) issue a statement of account to an employee not less than once each
27 year showing the amount of the employee's contributions to the applicable plan in the
28 system;
29 (7) formulate and recommend to the commissioner of administration
30 regulations to govern the operation of the system;

1 (8) as soon as possible after the close of each fiscal year, and not later
2 than six months after the close of each fiscal year, send to the governor and the
3 legislature an annual statement on the operations of each of the plans in the system
4 containing

5 (A) a balance sheet;

6 (B) a statement of income and expenditures for the previous
7 fiscal year;

8 (C) a report on valuation of trust fund assets;

9 (D) a summary of assets held in the trust fund listed by the
10 categories of investment, as provided by the Alaska Retirement Management
11 Board;

12 (E) other statistical financial data that are necessary for proper
13 understanding of the financial condition of the system as a whole and each plan
14 in the system and the result of its operations;

15 (9) engage an independent certified public accountant to conduct an
16 annual audit of each plan's accounts and the annual report of the system's financial
17 condition and activity;

18 (10) report to the Legislative Budget and Audit Committee concerning
19 the condition and administration of each plan and distribute the report to the members
20 of each plan in the system;

21 (11) publish an information handbook for each plan in the system at
22 intervals that the administrator considers appropriate;

23 (12) meet at least annually with the board to review the condition and
24 management of the retirement systems and to review significant changes to policies,
25 regulations, or benefits; and

26 (13) do whatever else may be necessary to carry out the purposes of
27 each plan in the system.

28 (b) The administrator is authorized to charge fees necessary to members'
29 accounts to cover the ongoing cost of operating each plan in the system.

30 (c) The administrator is authorized to contract with public and private entities
31 to provide record keeping, benefits payments, and other functions necessary for the

1 administration of each plan in the system.

2 **Sec. 14.25.005. Regulations.** (a) Regulations adopted by the commissioner
3 of administration under this chapter relate to the internal management of a state
4 agency, and the adoption of the regulations is not subject to AS 44.62 (Administrative
5 Procedure Act).

6 (b) Notwithstanding (a) of this section, a regulation adopted under this chapter
7 shall be published in the Alaska Administrative Register and Code for informational
8 purposes.

9 (c) Each regulation adopted under this chapter must conform to the style and
10 format requirements of the drafting manual for administrative regulations that is
11 published under AS 44.62.050.

12 (d) At least 30 days before the adoption, amendment, or repeal of a regulation
13 under this chapter, the commissioner of administration shall provide notice of the
14 action that is being considered. The notice shall be

15 (1) posted in public buildings throughout the state;

16 (2) published in one or more newspapers of general circulation in each
17 judicial district of the state;

18 (3) mailed to each person or group that has filed a request for notice of
19 proposed action with the commissioner of administration; and

20 (4) furnished to each member of the legislature and to the Legislative
21 Affairs Agency.

22 (e) Failure to mail notice to a person as required under (d)(3) of this section
23 does not invalidate an action taken by the commissioner of administration.

24 (f) The commissioner of administration may hold a hearing on a proposed
25 regulation.

26 (g) A regulation adopted under this chapter takes effect 30 days after adoption
27 by the commissioner of administration.

28 (h) Notwithstanding the other provisions of this section, a regulation may be
29 adopted, amended, or repealed, effective immediately, as an emergency regulation by
30 the commissioner of administration. For an emergency regulation to be effective, the
31 commissioner must find that the adoption, amendment, or repeal of the regulation is

1 necessary for the immediate preservation of the orderly operation of the system. The
2 commissioner shall, within 10 days after adoption of an emergency regulation, give
3 notice of the adoption under (d) of this section.

4 (i) In this section, "regulation" has the meaning given in AS 44.62.640(a).

5 **Sec. 14.25.006. Appeals.** An employer, member, annuitant, or beneficiary
6 may appeal a decision made by the administrator to the office of administrative
7 hearings established under AS 44.64. An aggrieved party may appeal a final decision
8 to the superior court.

9 **Sec. 14.25.007. Investment management of retirement system funds.** The
10 Alaska Retirement Management Board established under AS 37.10.210 is the
11 fiduciary of the system funds.

12 **Sec. 14.25.008. Definitions.** In AS 14.25.001 - 14.25.008,

13 (1) "plan" means a retirement plan established in this chapter;

14 (2) "system" means all retirement plans established under the teachers'
15 retirement system.

16 * **Sec. 2.** AS 14.25.008(1) is amended to read:

17 (1) "plan" means a retirement plan established in **AS 14.25.009 -**
18 **14.25.220 or the retirement plan established in AS 14.25.310 - 14.25.590** [THIS
19 CHAPTER];

20 * **Sec. 3.** AS 14.25 is amended by adding a new section to read:

21 **Article 2. Teachers' Defined Benefit Retirement Plan.**

22 **Sec. 14.25.009. Applicability of AS 14.25.009 - 14.25.220.** The provisions of
23 AS 14.25.009 - 14.25.220 apply only to members first hired before July 1, 2006.

24 * **Sec. 4.** AS 14.25.010 is amended to read:

25 **Sec. 14.25.010. Retirement plan [SYSTEM] established; federal**
26 **qualification requirements.** (a) A joint-contributory retirement plan [SYSTEM] for
27 teachers of the state is created.

28 (b) The retirement plan [SYSTEM] established by **AS 14.25.009 - 14.25.220**
29 [THIS CHAPTER] is intended to qualify under 26 U.S.C. 401(a) and 414(d) (Internal
30 Revenue Code) as a qualified retirement plan established and maintained by the state
31 for its employees, for the employees of school districts and regional educational

attendance areas in the state, and for the employees of other employers whose participation is authorized by AS 14.25.009 - 14.25.220 [THIS CHAPTER] and who participate in this plan [SYSTEM].

(c) An amendment to AS 14.25.009 - 14.25.220 [THIS CHAPTER] does not provide a person with a vested right to a benefit if the Internal Revenue Service determines that the amendment will result in disqualification of the plan under the Internal Revenue Code.

* **Sec. 5.** AS 14.25.012(b) is amended to read:

(b) The plan [SYSTEM] created in AS 14.25.009 - 14.25.220 became effective as of July 1, 1955, at which time contributions by the participating employers and members began.

* **Sec. 6.** AS 14.25.012 is amended by adding a new subsection to read:

(c) Employees first hired after June 30, 2006, are not eligible to participate in the plan established in AS 14.25.009 - 14.25.220.

* **Sec. 7.** AS 14.25.040(a) is amended to read:

(a) Unless a teacher or member participates in a [HAS ELECTED TO PARTICIPATE IN THE OPTIONAL] university retirement program under AS 14.40.661 - 14.40.799 or has filed an election under AS 14.25.043(b), a teacher or member contracting for service with a participating employer is subject to AS 14.25.009 - 14.25.220 [THIS CHAPTER].

* **Sec. 8.** AS 14.25.040(a) is amended to read:

(a) Unless a teacher or member participates in a university retirement program under AS 14.40.661 - 14.40.799, [OR] has filed an election under AS 14.25.043(b), or has elected under AS 14.25.540 to participate in the plan established in AS 14.25.310 - 14.25.590, a teacher or member contracting for service with a participating employer is subject to AS 14.25.009 - 14.25.220.

* **Sec. 9.** AS 14.25.040(d) is amended to read:

(d) A person who is employed at least half-time in the plan [SYSTEM] during the same period that the person is employed at least half-time in a position in the public employees' retirement plan [SYSTEM] under AS 39.35.095 - 39.35.680 [AS 39.35] shall receive credited service under each plan [SYSTEM] for half-time

1 employment. However, the amount of credited service a person receives under the
2 public employees' retirement plan [SYSTEM] during a school year may not exceed
3 the amount necessary, when added to the amount of credited service earned during the
4 school year under the plan [SYSTEM], to equal one year of credited service. A
5 person who was employed at least half-time in a position in the public employees'
6 retirement plan [SYSTEM] under AS 39.35.095 - 39.35.680 [AS 39.35] in the same
7 period that the person was employed at least half-time in a position in this plan
8 [SYSTEM] may claim credited service in both plans [SYSTEMS] for employment
9 before May 31, 1989. To obtain this credited service, the person shall claim the
10 service and verify the period of half-time employment. When eligibility for half-time
11 service credit has been established, an indebtedness shall be determined to the
12 retirement plan [SYSTEM] in which the person did not participate. The amount of
13 the indebtedness is the full actuarial cost of providing benefits for the credited service
14 claimed. Interest as prescribed by regulation accrues on that indebtedness beginning
15 on the later of July 1, 1989, or the date on which the member is first eligible to claim
16 the service. Any outstanding indebtedness existing at the time the person retires will
17 require an actuarial adjustment to the benefits payable based on that service.

18 * **Sec. 10.** AS 14.25.070 is repealed and reenacted to read:

19 **Sec. 14.25.070. Contributions by employer.** An employer shall make
20 contributions to the plan in an amount sufficient, after subtracting member
21 contributions, to provide the benefits of AS 14.25.009 - 14.25.220. The amount shall
22 be calculated by applying an employer contribution rate, certified by the board, against
23 the sum total of the base salaries paid to members, including any adjustments to
24 contributions required by AS 14.25.173(a).

25 * **Sec. 11.** AS 14.25.070 is amended by adding a new subsection to read:

26 (b) The employer contribution rate may not be less than the rate required, after
27 subtracting the member contribution rate, to fully fund the actuarially calculated
28 benefits expected to be earned by active members during a fiscal year.

29 * **Sec. 12.** AS 14.25.075(a) is amended to read:

30 (a) An employee who is eligible to purchase credited service under
31 AS 14.25.047 or 14.25.048, a member who is eligible to purchase credited service

1 under AS 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, or
2 14.25.107, or a teacher who is eligible to purchase credited service under
3 AS 14.20.345, AS 14.25.050, [14.25.062,] or 14.25.105, in lieu of making payments
4 directly to the plan, may elect to have the member's employer make payments as
5 provided in this section.

6 * **Sec. 13.** AS 14.25.075(b) is amended to read:

7 (b) A member may elect to have the employer make payments for all or any
8 portion of the amounts payable for the member's purchase of credited service through
9 a salary reduction program as follows:

10 (1) the amounts paid under a salary reduction program are in lieu of
11 contributions by the member making the election; the electing member's salary or
12 other compensation shall be reduced by the amount paid by the employer under this
13 subsection;

14 (2) the member shall make an irrevocable election under this
15 subsection to purchase credited service as permitted in AS 14.20.345, AS 14.25.047,
16 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, 14.25.105, or
17 14.25.107 before the member's termination of employment; the irrevocable election
18 must specify the number of payroll periods that deductions will be made from the
19 member's compensation and the dollar amount of deductions for each payroll period
20 during the specified number of payroll periods; the deductions made under this
21 paragraph cease upon the earlier of the member's termination of employment with the
22 employer or the member's death; amounts paid by an employer under (f) of this
23 section may not be applied toward the payment of the dollar amount of the deductions
24 representing the portion of the credited service that is being purchased by the member
25 through payroll deduction in accordance with the member's irrevocable election under
26 this paragraph;

27 (3) amounts paid by an employer under this subsection shall be treated
28 as employer contributions for the purpose of determining tax treatment under 26
29 U.S.C. (Internal Revenue Code); the amounts paid by the employer under this section
30 may not be included in the member's gross income for income tax purposes until those
31 amounts are distributed by refund or retirement benefit payments.

1 *** Sec. 14.** AS 14.25.075(e) is amended to read:

2 (e) Contributions to the plan [SYSTEM] to purchase credited service under
3 this section do not qualify for treatment under this section if recognition of that service
4 would cause a member to receive a retirement benefit for the same service from the
5 plan [SYSTEM] and from one or more other retirement plans or systems of the state.

6 *** Sec. 15.** AS 14.25.075(f) is amended to read:

7 (f) The administrator may accept rollover contributions from a member [,
8 AND DIRECT TRANSFERS AS DESCRIBED IN THIS SUBSECTION, FOR THE
9 PURCHASE, IN WHOLE OR IN PART, OF FORFEITED CREDITED SERVICE
10 UNDER THIS SECTION FOR THE REINSTATEMENT, IN WHOLE OR IN PART,
11 OF FORFEITED CREDITED SERVICE UNDER AS 14.25.062]. Contributions
12 made under this subsection may not be applied to purchase service being paid under
13 (b) of this section. A rollover contribution [OR TRANSFER] as described in this
14 subsection shall be treated as employer contributions for the purpose of determining
15 tax treatment under the Internal Revenue Code and may be made by any one or a
16 combination of the following methods:

17 (1) subject to the limitations prescribed in 26 U.S.C. 402(c), accepting
18 eligible rollover distributions directly from one or more retirement programs of
19 another employer that are qualified under 26 U.S.C. 401(a) or accepting rollovers
20 directly from a member;

21 (2) subject to the limitations prescribed in 26 U.S.C. 408(d)(3)(A)(ii),
22 accepting from a member conduit rollover contributions that are received by the
23 member from one or more conduit rollover individual retirement accounts previously
24 established by the member;

25 (3) subject to the limitations prescribed in 26 U.S.C. 403(b)(13),
26 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
27 member, on or after January 1, 2002, from a tax sheltered annuity described in 26
28 U.S.C. 403(b);

29 (4) subject to the limitations prescribed in 26 U.S.C. 457(e)(17),
30 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
31 member, on or after January 1, 2002, from an eligible deferred compensation plan of a

1 tax-exempt organization or a state or local government described in 26 U.S.C. 457(b);
2 (5) accepting direct trustee-to-trustee transfer from an account
3 established for the benefit of the member in AS 39.30.150 - 39.30.180 (Alaska
4 Supplemental Annuity Plan).

5 * **Sec. 16.** AS 14.25.075(i) is amended to read:

6 (i) On satisfaction of the eligibility requirements of AS 14.20.345,
7 AS 14.25.047, 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100,
8 14.25.105, or 14.25.107, the requirements of this section, and the administrative filing
9 requirements specified by the administrator, the plan shall adjust the member's
10 credited service history and add any additional service credits acquired.

11 * **Sec. 17.** AS 14.25.115(a) is amended to read:

12 (a) A teacher in membership service on or after July 1, 1977, who is appointed
13 to retirement on or after July 1, 1978, may elect to apply unused sick leave credit in
14 computing the total number of years of credited service under AS 14.25.110(d) except
15 for sick leave earned while participating in a [THE OPTIONAL] university retirement
16 program under AS 14.40.661 - 14.40.799. To obtain service credit for unused sick
17 leave, a teacher must apply to the administrator **not** [NO] later than one year after
18 appointment to retirement. Unused sick leave shall be credited on a day-for-day basis
19 in accordance with the table for service after July 1, 1969, contained in
20 AS 14.25.220(45). Teacher contributions may not be required for credited unused sick
21 leave.

22 * **Sec. 18.** AS 14.25.143(a), as that subsection read following amendment by sec. 3, ch.
23 146, SLA 1980, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

24 (a) When the administrator determines that the cost of living has increased and
25 that the financial condition of the retirement fund permits, the administrator shall
26 increase benefit payments to persons receiving benefits under this **plan. For**
27 **purposes of this subsection, the financial condition of the fund would only permit**
28 **an increase in benefits when the ratio of total fund assets to the accrued liability**
29 **meets or exceeds 105 percent. In this subsection, "accrued liability" means the**
30 **present value of all member benefits accrued by member service in this plan**
31 [SYSTEM].

1 * **Sec. 19.** AS 14.25.143(a), as that subsection read following amendment by sec. 12, ch.
2 106, SLA 1988, until amended by sec. 12, ch. 97, SLA 1990, is amended to read:

3 (a) When the administrator determines that the cost of living has increased and
4 that the financial condition of the **retirement fund** [SYSTEM] permits, the
5 administrator shall increase benefit payments to persons receiving benefits under this
6 **plan. For purposes of this subsection, the financial condition of the fund would**
7 **only permit an increase in benefits when the ratio of total fund assets to the**
8 **accrued liability meets or exceeds 105 percent. In this subsection, "accrued**
9 **liability" means the present value of all member benefits accrued by member**
10 **service in this plan** [SYSTEM].

11 * **Sec. 20.** AS 14.25.145 is amended to read:

12 **Sec. 14.25.145. Interest on individual accounts.** Interest shall be credited to
13 each teacher's account at the end of each school year at the rate prescribed by **the**
14 **board** [REGULATION] for that year.

15 * **Sec. 21.** AS 14.25.150 is amended by adding a new subsection to read:

16 (c) A member who has received a refund of contributions in accordance with
17 this section forfeits corresponding credited service under AS 14.25.009 - 14.25.220.

18 * **Sec. 22.** AS 14.25.168(a) is repealed and reenacted to read:

19 (a) Except as provided in (c) of this section, the following persons are entitled
20 to major medical insurance coverage under this section:

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

22 (A) a teacher who is receiving a monthly benefit from the plan
23 and who has elected coverage;

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

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

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

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

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

1 and who has elected coverage for the teacher;

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

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

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

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

11 * **Sec. 23.** AS 14.25.173(c) is amended to read:

12 (c) **At least quarterly** [AT EACH REGULARLY SCHEDULED MEETING
13 OF THE TEACHERS' RETIREMENT BOARD], the administrator shall report to the
14 **commissioner of administration** [BOARD] on all situations since the administrator's
15 last report in which an adjustment has been prohibited under (b) of this section. If the
16 **commissioner of administration** [BOARD] finds that there is reason to believe that
17 one or more of the conditions set out in (b) of this section have not been met, the
18 administrator shall notify the member or beneficiary that an adjustment will be made
19 to recover the overpayment. A member or beneficiary who receives notice of
20 adjustment under this subsection may **file a request with the commissioner of**
21 **administration** [APPEAL TO THE BOARD] for a waiver of the adjustment under
22 AS 14.25.175. An adjustment that requires the repayment of benefits may not be
23 required while the **waiver request** [APPEAL] is pending.

24 * **Sec. 24.** AS 14.25.175(a) is amended to read:

25 (a) Upon **request** [APPEAL] by an affected member or beneficiary under (b)
26 of this section, the **commissioner of administration** [BOARD] may waive an
27 adjustment or a portion of an adjustment made under AS 14.25.173 if, in the opinion
28 of the **commissioner of administration** [BOARD],

29 (1) the adjustment or portion of the adjustment will cause undue
30 hardship to the member or beneficiary;

31 (2) the adjustment was not the result of erroneous information supplied

1 by the member or beneficiary;

2 (3) before the adjustment was made, the member or beneficiary
3 received confirmation from the administrator that the member's or beneficiary's
4 records were correct; and

5 (4) the member or beneficiary had no reasonable grounds to believe
6 the records were incorrect before the adjustment was made.

7 * **Sec. 25.** AS 14.25.175(b) is amended to read:

8 (b) In order to obtain consideration of a waiver under this section, the affected
9 member or beneficiary **shall file a request with** [MUST APPEAL TO] the
10 **commissioner of administration** [BOARD] in writing within 30 days after receipt of
11 notice that the records have been adjusted. The ruling of the **commissioner of**
12 **administration** [BOARD] shall be in writing.

13 * **Sec. 26.** AS 14.25.175(c) is repealed and reenacted to read:

14 (c) A ruling of the commissioner of administration to deny a waiver under (b)
15 of this section may be appealed to the office of administrative hearings.

16 * **Sec. 27.** AS 14.25.175(d) is amended to read:

17 (d) The **office of administrative hearings** [BOARD] may **reverse the**
18 **commissioner of administration's decision to deny a waiver and may** impose
19 conditions on granting a waiver that it considers equitable. These conditions may
20 include requiring the member or beneficiary to make additional contributions to the
21 **plan** [SYSTEM].

22 * **Sec. 28.** AS 14.25.210(a) is amended to read:

23 (a) A person who knowingly makes a false statement, or falsifies or permits to
24 be falsified any record of this **plan** [SYSTEM], in an attempt to defraud this **plan**
25 [SYSTEM], is guilty of a class A misdemeanor [AND FORFEITS ALL RIGHTS
26 UNDER THIS CHAPTER].

27 * **Sec. 29.** AS 14.25.220(2) is amended to read:

28 (2) "actuarial adjustment" means the adjustment necessary to obtain
29 equality in value of the aggregate expected payments under two different forms of
30 pension payments, considering expected mortality and interest earnings on the basis of
31 assumptions, factors, and methods specified in regulations issued under the **plan**

1 [SYSTEM] that are formally adopted [UNDER AS 14.25.022] by the board and that
2 clearly preclude employer discretion in the determination of the amount of any
3 member's benefit;

4 * **Sec. 30.** AS 14.25.220(3) is amended to read:

5 (3) "administrator" means the [PERSON APPOINTED BY THE]
6 commissioner of administration or the commissioner's designee under AS 14.25.003
7 [AS 14.25.015];

8 * **Sec. 31.** AS 14.25.220(9) is amended to read:

9 (9) "board" means the Alaska Retirement Management [ALASKA
10 TEACHERS' RETIREMENT] Board established under AS 37.10.210 [AS 14.25.035];

11 * **Sec. 32.** AS 14.25.220(40) is amended to read:

12 (40) "supplemental contribution account" means the account
13 maintained by the plan [SYSTEM] to record the supplemental contributions of each
14 member, including interest and adjustments to the account [IN ACCORDANCE
15 WITH AS 14.25.170];

16 * **Sec. 33.** AS 14.25.220(42) is amended to read:

17 (42) "teacher" and "member" are used interchangeably under this
18 chapter and mean a person eligible to participate in the system and who is covered by
19 the system, limited to

20 (A) a certificated full-time or part-time elementary or
21 secondary teacher, a certificated school nurse, or a certificated person in a
22 position requiring a teaching certificate as a condition of employment in a
23 public school of the state, the Department of Education and Early
24 Development, or the Department of Labor and Workforce Development;

25 (B) a full-time or part-time teacher of the University of Alaska
26 or a person occupying a full-time administrative position at the University of
27 Alaska that requires academic standing; the approval of the administrator must
28 be obtained before an administrative position qualifies for membership in the
29 system; however, a teacher or administrative person at the university who is
30 participating in a [THE OPTIONAL] university retirement program under
31 AS 14.40.661 - 14.40.799 is not a member under this system;

1 (C) a state legislator who elects membership under
2 AS 14.25.040(b);

3 * **Sec. 34.** AS 14.25.220 is amended by adding a new paragraph to read:

4 (46) "plan" means the retirement benefit plan established under
5 AS 14.25.009 - 14.25.220.

6 * **Sec. 35.** AS 14.25 is amended by adding new sections to read:

7 **Article 3. Teachers First Hired on or after July 1, 2006.**

8 **Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590.** The provisions of
9 AS 14.25.310 - 14.25.590 apply only to teachers who first become members on or
10 after July 1, 2006, or to members who transfer into the defined contribution plan under
11 AS 14.25.540.

12 **Sec. 14.25.320. Defined contribution retirement plan established.** (a) A
13 defined contribution retirement plan for teachers of the state is created.

14 (b) The defined contribution retirement plan includes a plan in which savings
15 are accumulated in an individual account for the exclusive benefit of the member or
16 beneficiaries. The plan is established effective July 1, 2006, at which time
17 contributions by employers and members begin.

18 (c) The defined contribution retirement plan is intended to qualify under 26
19 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified retirement plan
20 established and maintained by the state for its employees and for the employees of
21 school districts and regional educational attendance areas in the state.

22 (d) An amendment to the defined contribution retirement plan does not
23 provide a person with a vested right to a benefit if the Internal Revenue Service
24 determines that the amendment will result in disqualification of the plan under the
25 Internal Revenue Code.

26 **Sec. 14.25.330. Membership.** (a) A teacher who first becomes a member on
27 or after July 1, 2006, shall participate in the plan as a member of the defined
28 contribution retirement plan.

29 (b) A teacher who is participating in a university retirement program under
30 AS 14.40.661 - 14.40.799 may not participate as a member of the defined contribution
31 retirement plan.

1 **Sec. 14.25.340. Contributions by members.** (a) Each member shall
2 contribute to the member's individual account an amount equal to eight percent of the
3 member's compensation from July 1 to the following June 30.

4 (b) Subject to the limitations on contributions under AS 14.25.380, a member
5 may elect to make additional contributions to the member's individual account.

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

13 **Sec. 14.25.345. Employment contributions mandatory.** (a) Contributions
14 of members shall be made by payroll deductions. Each member shall be considered to
15 consent to payroll deductions. It is of no consequence that a payroll deduction may
16 cause the compensation paid in cash to a member to be reduced below the minimum
17 required by law.

18 (b) Payment of a member's compensation, less payroll deductions, is a full and
19 complete discharge and satisfaction of all claims and demands by the member relating
20 to remuneration of services during the period covered by the payment, except with
21 respect to the benefits provided under the plan.

22 **Sec. 14.25.350. Contributions by employers.** (a) An employer shall
23 contribute to each member's individual account an amount equal to seven percent of
24 the member's compensation from July 1 to the following June 30.

25 (b) An employer shall also contribute an amount equal to a percentage, as
26 certified by the board, of each member's compensation from July 1 to the following
27 June 30 to pay for retiree major medical insurance. This contribution shall be paid
28 into the group health and life benefits fund established by the commissioner of
29 administration under AS 39.30.095 and shall be accounted for in accordance with
30 regulations established by the commissioner.

31 (c) Notwithstanding (b) of this section, the employer contribution for retiree

1 major medical insurance for fiscal year 2007 shall be 1.75 percent of each member's
2 compensation from July 1 to the following June 30.

3 (d) An employer shall also make contributions to the health reimbursement
4 arrangement plan under AS 39.30.300.

5 **Sec. 14.25.360. Rollover contributions and distributions.** (a) A teacher
6 entering the plan may elect, at the time and in the manner prescribed by the
7 administrator, to have all or part of a direct rollover distribution from an eligible
8 retirement plan owned by the member paid directly into the member's individual
9 account.

10 (b) Rollover contributions do not count as a purchase of membership service
11 for the purpose of determining years of service.

12 (c) A distributee may elect, at the time and in the manner prescribed by the
13 administrator, to have all or part of a direct rollover distribution paid directly to an
14 eligible retirement plan specified by the distributee in the direct rollover.

15 (d) In this section,

16 (1) "direct rollover" means the payment of an eligible rollover
17 distribution by the plan to an eligible retirement plan specified by a distributee who is
18 eligible to elect a direct rollover;

19 (2) "distributee" means a member, or a beneficiary who is the
20 surviving spouse of the member, or an alternate payee;

21 (3) "eligible retirement plan" means

22 (A) a conduit individual retirement account described in 26
23 U.S.C. 408(d)(3)(A);

24 (B) an annuity plan described in 26 U.S.C. 403(a);

25 (C) a qualified trust described in 26 U.S.C. 401(a);

26 (D) an annuity plan described in 26 U.S.C. 403(b); or

27 (E) a governmental plan described in 26 U.S.C. 457(b);

28 (4) "eligible rollover distribution" means a distribution of all or part of
29 a total account to a distributee, except for

30 (A) a distribution that is one of a series of substantially equal
31 installments payable not less frequently than annually over the life expectancy

1 of the distributee or the joint and last survivor life expectancy of the distributee
2 and the distributee's designated beneficiary, as defined in 26 U.S.C. 401(a)(9);

3 (B) a distribution that is one of a series of substantially equal
4 installments payable not less frequently than annually over a specified period
5 of 10 years or more;

6 (C) a distribution that is required under 26 U.S.C. 401(a)(9);

7 (D) the portion of any distribution that is not includable in
8 gross income;

9 (E) a distribution that is on account of hardship; and

10 (F) other distributions that are reasonably expected to total less
11 than \$200 during a year.

12 **Sec. 14.25.370. Transmittal of contributions.** All contributions deducted in
13 accordance with AS 14.25.310 - 14.25.590 shall be transmitted to the plan for deposit
14 in the trust fund as soon as administratively feasible, but in no event later than 15 days
15 following the close of the payroll period.

16 **Sec. 14.25.380. Limitations on contributions.** Notwithstanding any other
17 provisions of this plan, the annual additions to each member's individual account
18 under this plan and under all defined contribution plans of the employer required to be
19 aggregated with the contributions from this plan under the provisions of 26 U.S.C. 415
20 may not exceed, for any limitation year, the amount permitted under 26 U.S.C. 415 at
21 any time. If the amount of a member's defined contribution plan contributions exceeds
22 the limitation of 26 U.S.C. 415(c) for any limitation year, the administrator shall take
23 any necessary remedial action to correct an excess contribution. The provisions of 26
24 U.S.C. 415, and the regulations adopted under that statute, as applied to qualified
25 defined contribution plans of governmental employees are incorporated as part of the
26 terms and conditions of the plan.

27 **Sec. 14.25.390. Vesting.** (a) A participating member is immediately and
28 fully vested in that member's contributions and related earnings.

29 (b) A member is fully vested in the employer contributions made on that
30 member's behalf, and related earnings, after five years of service. A member is
31 partially vested in the employer contributions made on that member's behalf, and the

1 related earnings, in the ratio of

2 (1) 25 percent with two years of service;

3 (2) 50 percent with three years of service; and

4 (3) 75 percent with four years of service.

5 **Sec. 14.25.400. Investment of individual accounts.** (a) The board shall
6 provide a range of investment options and permit a participant to exercise investment
7 control over the participant's assets in the member's individual account as provided in
8 this section. If a participant exercises control over the assets in the individual account,
9 the participant is not considered a fiduciary for any reason on the basis of exercising
10 that control.

11 (b) A participant may direct investment of plan funds held in an account
12 among available investment funds in accordance with rules established by the board.

13 (c) A participant may elect to change or transfer all or a portion of the
14 participant's existing account balance among available investment funds not more
15 often than once each day in accordance with the rules established by the administrator.
16 Only the last election received by the administrator before the transmittal of
17 contributions to the trust fund for allocation to the individual account will be used to
18 direct the investment of the contributions received.

19 (d) Except to the extent clearly set out in the terms of the investment plans
20 offered by the employer to the employee, the employer is not liable to the participant
21 for investment losses if the prudent investment standard has been met.

22 (e) The employer, administrator, state, board, or a person or entity who is
23 otherwise a fiduciary is not liable by reason for any participant's investment loss that
24 results from the participant's directing the investment of plan assets allocated to the
25 participant's account.

26 (f) To the extent that a member's individual account has been divided as
27 provided in a qualified domestic relations order between participants, each participant
28 shall be treated as the holder of a separate individual account for purposes of
29 investment yields, decisions, transfers, and time limitations imposed by this section.

30 **Sec. 14.25.410. Distribution election at termination.** (a) A member is
31 eligible to elect distribution of the member's account in accordance with this section

1 60 days after termination of employment.

2 (b) Notwithstanding (a) of this section, distribution of all or a portion of the
3 individual account of a member may take place before the 60th day after the
4 termination of employment with the approval of the administrator if the member
5 makes a written request for a distribution under this subsection. The member's spouse
6 must consent to the request in writing if the member is married. Distribution of an
7 individual account may only be made on account of an immediate and heavy financial
8 need of the member for the following reasons and in the amount the need is
9 demonstrated for

10 (1) medical care described in 26 U.S.C. 213(d) incurred by the
11 member, the member's spouse, or the member's dependent, or necessary to obtain that
12 medical care;

13 (2) the purchase of a principal residence for the member;

14 (3) postsecondary education tuition and related educational fees for the
15 next 12-month period for the member, the member's spouse, or a dependent of the
16 member; in this paragraph, "dependent" has the meaning given in 26 U.S.C. 152;

17 (4) prevention of the eviction of the member from the member's
18 principal residence or foreclosure on the mortgage of the member's principal
19 residence; or

20 (5) any need prescribed by the United States Department of the
21 Treasury, Internal Revenue Service, in a revenue ruling, notice, or other document of
22 general applicability that satisfies the safe harbor definition of hardship under
23 regulations adopted under 26 U.S.C. 401(k).

24 (c) If a member dies before benefits commence, the member's beneficiary is
25 immediately eligible to elect distribution of the member's share of the member's
26 individual account.

27 (d) Distributions are payable to an alternate payee in accordance with the
28 terms and conditions of a qualified domestic relations order that is received and
29 approved by the administrator as specified in AS 14.25.460.

30 (e) Distributions that are being paid to a member may not be affected by the
31 member's subsequent reemployment with the employer. Upon reemployment, a new

1 individual account shall be established for the member to which any future
2 contributions shall be allocated. Upon subsequent termination of employment, the
3 member's new individual account shall be distributed in accordance with this section.

4 **Sec. 14.25.420. Forms of distribution.** (a) A participant may elect to receive
5 distribution of the participant's share of the individual account in a

6 (1) lump sum payment, which is a single payment of the entire balance
7 in the account;

8 (2) periodic lump sum payment, which is a payment of a portion of the
9 balance in the account, not more than twice each year;

10 (3) period certain annuity payment, which is an annuity payable in a
11 fixed number of monthly installments for a duration of 60, 120, or 180 months;

12 (4) life annuity with a period certain payment, which is an annuity
13 payable until the later of the first day of the month in which the annuitant's death
14 occurs, or the date on which the payment of a fixed number of monthly installments is
15 completed; the period certain for installments is 120 or 180 months;

16 (5) single life annuity payment, which is an annuity payable monthly
17 until the first of the month in which the annuitant's death occurs; or

18 (6) joint and survivor annuity payment, which is an annuity payable
19 monthly to the member until the first of the month in which the member's death
20 occurs; after the member's death, a survivor annuity equal to 50 percent or 100 percent
21 of the member's benefit, as previously elected by the member, shall be paid monthly to
22 the joint annuitant for the remainder of the survivor's lifetime.

23 (b) Upon the death of an annuitant whose payments have commenced, an
24 annuitant's beneficiary shall receive further payments only to the extent provided in
25 accordance with the form of payment that was being made to the annuitant. The
26 remaining portion of the interest shall continue to be distributed at least as rapidly as
27 under the method of distribution being used before the annuitant's death.

28 (c) If a participant dies before the distribution commencement date,
29 distribution of the participant's entire interest to a beneficiary shall be payable in any
30 form other than a joint and survivor annuity.

31 (d) If an unmarried member or other participant fails to elect a form of

1 payment before the distribution commencement date, the account shall be paid to a
2 beneficiary in the form of a lump sum to the extent required by the minimum
3 distribution requirements set out in the Internal Revenue Code. If a married member
4 fails to elect a form of payment before the distribution commencement date, the
5 account shall be paid in the form of a 50 percent joint and survivor annuity, with the
6 member's spouse as the joint annuitant.

7 **Sec. 14.25.430. Manner of electing distributions.** (a) Any election or any
8 alteration or revocation of a prior election by a participant for any purpose under this
9 plan shall be on forms or made in a manner prescribed for that purpose by the plan
10 administrator. To be effective, the forms required or the required action for any
11 purpose under this plan must be completed and received in accordance with
12 regulations adopted by the commissioner of administration.

13 (b) At any time, but not less than seven days before the distribution
14 commencement date, a member, alternate payee, or beneficiary may change

15 (1) the form of payment election;

16 (2) an election to commence benefits; or

17 (3) the joint annuitant designation.

18 (c) Changes in elections are not allowed on or after seven days before the
19 distribution commencement date.

20 **Sec. 14.25.440. Distribution requirements.** (a) Payments to a participant
21 shall commence as soon as administratively feasible following the distribution
22 commencement date. The distribution commencement date is the first date on which
23 one of the following occurs:

24 (1) a member meets the requirements of AS 14.25.410 and has made a
25 complete application for payment under AS 14.25.430;

26 (2) a participant has elected to defer receipt of the account to a date
27 specified, the date has been attained, and the participant has made a complete
28 application for payment;

29 (3) a member attains normal retirement age and has not made an
30 application for payment or elected to defer receipt of the account to a date later than
31 normal retirement age;

1 (4) a member's beneficiary does not make an application for benefits,
2 and five years have elapsed since the member's death;

3 (5) notwithstanding (1) - (4) of this subsection, a participant whose
4 account has a balance of \$1,000 or less meets the requirements of AS 14.25.410, at
5 which time the participant must take payment of the participant's account.

6 (b) The entire interest of a participant must be distributed or must begin to be
7 distributed not later than the member's required beginning date.

8 (c) If a member dies after the distribution of the member's interest has begun
9 but before the distribution has been completed, the remaining portion of the interest
10 shall continue to be distributed at least as rapidly as under the method of distribution
11 being used before the member's death.

12 (d) If a member has made a distribution election and dies before the
13 distribution of the member's interest begins, distribution of the member's entire interest
14 shall be completed by December 31 of the calendar year containing the fifth
15 anniversary of the member's death. However, if any portion of the member's interest
16 is payable to a designated beneficiary, distributions may be made over the life of the
17 designated beneficiary or over a period certain not greater than the life expectancy of
18 the designated beneficiary, commencing on or before December 31 of the calendar
19 year immediately following the calendar year in which the member died, and, if the
20 designated beneficiary is the member's surviving spouse, the date distributions are
21 required to begin may not be earlier than the later of December 31 of the calendar year
22 (1) immediately following the calendar year in which the member died, or (2) in which
23 the member would have attained 70 1/2 years of age, whichever is earlier. If the
24 surviving spouse dies after the member but before payments to the spouse have begun,
25 the provisions of this subsection apply as if the surviving spouse were the member.
26 An amount paid to a child of the member shall be treated as if it were paid to the
27 surviving spouse if the amount becomes payable to the surviving spouse when the
28 child reaches the age of majority.

29 (e) If a member has not made a distribution election before the member's
30 death, the member's designated beneficiary must elect the method of distribution not
31 later than December 31 of the calendar year (1) in which distributions would be

1 required to begin under this section, or (2) that contains the fifth anniversary of the
2 date of death of the member, whichever is earlier. If the member does not have a
3 designated beneficiary or if the designated beneficiary does not elect a method of
4 distribution, distribution of the member's entire interest must be completed by
5 December 31 of the calendar year containing the fifth anniversary of the member's
6 death.

7 (f) For purposes of (b) of this section, distribution of a member's interest is
8 considered to begin (1) on the member's required beginning date, or (2) if the
9 designated beneficiary is the member's surviving spouse and the surviving spouse dies
10 after the member but before payments to the spouse have begun, on the date
11 distribution is required to begin to the surviving spouse. If distribution in the form of
12 an annuity irrevocably commences to the member before the required beginning date,
13 the date distribution is considered to begin is the date that the distribution actually
14 commences.

15 (g) Notwithstanding any contrary provisions of AS 14.25.310 - 14.25.590, the
16 requirements of this section apply to all distributions of a member's interest and take
17 precedence over any inconsistent provisions of AS 14.25.310 - 14.25.590.

18 (h) All distributions required under this section are determined and made in
19 accordance with 26 U.S.C. 401(a)(9) and regulations adopted under that statute,
20 including any minimum distribution incidental benefit requirement.

21 (i) In this section,

22 (1) "designated beneficiary" means the individual who is designated as
23 the beneficiary under the plan in accordance with 26 U.S.C. 401(a)(9) and regulations
24 adopted under that statute;

25 (2) "required beginning date" means the first day of April of the
26 calendar year following the calendar year in which the member either attains 70 1/2
27 years of age or actually terminates employment, whichever is later.

28 **Sec. 14.25.450. Designation of beneficiary.** (a) Each participant shall have
29 the right to designate a beneficiary and shall have the right, at any time, to revoke the
30 designation or to substitute another beneficiary, subject to the following limitation: if
31 a married member elects a nonspouse beneficiary, the value of the benefit payable to

1 the beneficiary may not exceed 50 percent of the member's portion of the account
2 balance, and the member's spouse shall automatically be considered the beneficiary for
3 the remaining 50 percent of the account balance, unless the spouse consents to the
4 beneficiary designation in a writing that is notarized or witnessed by the administrator.
5 If the spouse consents in this manner, a married member may designate a nonspouse
6 beneficiary for the entire benefit or any portion of the benefit as part of an available
7 form of payment contained in this plan,

8 (1) except to the extent a qualified domestic relations order filed with
9 the administrator provides for payment to a former spouse or other dependent of the
10 member; or

11 (2) unless the member filed a revocation of beneficiary accompanied
12 by a written consent to the revocation from the present spouse and each person entitled
13 under the order; however, consent of the present spouse is not required if the member
14 and the present spouse had been married for less than one year on the date of the
15 member's death and if the member established when filing the revocation that the
16 member and the present spouse were not cohabiting.

17 (b) Except as provided in (a) of this section, the member may change or
18 revoke the designation without notice to the beneficiary or beneficiaries at any time.
19 If a member designates more than one beneficiary, each shares equally unless the
20 member specifies a different allocation or preference. The designation of a
21 beneficiary, a change or revocation of a beneficiary, and a consent to revocation of a
22 beneficiary shall be made on a form provided by the administrator and is not effective
23 until filed with the administrator.

24 (c) If a member fails to designate a beneficiary, or if no designated beneficiary
25 survives the member, the death benefit shall be paid

26 (1) to the surviving spouse or, if there is none surviving;

27 (2) to the surviving children of the member in equal parts or, if there
28 are none surviving;

29 (3) to the surviving parents in equal parts or, if there are none
30 surviving;

31 (4) to the estate.

1 (d) A person claiming entitlement to benefits payable under AS 14.25.310 -
2 14.25.590 as a consequence of a member's death shall provide the administrator with a
3 marriage certificate, divorce or dissolution judgment, or other evidence of entitlement.
4 Documents establishing entitlement may be filed with the administrator immediately
5 after a change in the member's marital status. If the administrator does not receive
6 notification of a claim before the date 10 days after the member's death, the person
7 claiming entitlement is not entitled to receive from the division of retirement and
8 benefits any benefit already paid by the administrator.

9 **Sec. 14.25.460. Rights under qualified domestic relations order.** (a)
10 Notwithstanding the nonalienation provisions in AS 14.25.500(a), the administrator
11 may direct that benefits be paid to someone other than a member or beneficiary under
12 a valid qualified domestic relations order that is executed by the judge of a competent
13 court in accordance with applicable state law and that has been accepted by the
14 administrator.

15 (b) The administrator shall determine whether an order meets the requirements
16 of this section within a reasonable period after receiving an order. The administrator
17 shall notify the member and any alternate payee that an order has been received and
18 indicate to the member and any alternate payee when the order is accepted. A separate
19 account for the alternate payee portion shall be established as soon as administratively
20 feasible after the order has been accepted by the administrator.

21 **Sec. 14.25.470. Eligibility for retirement and medical benefits.** (a) In
22 order to obtain medical benefits under AS 14.25.480, a member must retire directly
23 from the plan. A member is eligible to retire from the plan if the member has been an
24 active member for at least 12 months before application for retirement and

25 (1) the member has at least 30 years of service; or
26 (2) the member reaches the normal retirement age and has at least 10
27 years of service.

28 (b) The normal retirement age is the age set for Medicare eligibility at the time
29 the member retires.

30 (c) A member's surviving spouse is eligible to elect medical benefits under
31 AS 14.25.480 if the member had retired, or was eligible for retirement and medical

1 benefits at the time of the member's death.

2 (d) A member shall apply for retirement and medical benefits on the forms
3 and in the manner prescribed by the administrator.

4 (e) Participation in the retiree major medical insurance plan is not required in
5 order to participate in the health reimbursement arrangement.

6 (f) A person eligible for retirement and medical benefits is not required to
7 participate in the health reimbursement arrangement in order to elect participation in
8 the retiree major medical insurance plan.

9 (g) An eligible person shall make the irrevocable election to participate or not
10 participate in the retiree major medical insurance plan by reaching 70 1/2 years of age,
11 or upon application for retirement and medical benefits, whichever is later.

12 **Sec. 14.25.480. Medical benefits.** (a) The medical benefits available to
13 eligible persons are access to the retiree major medical insurance plan and to the
14 health reimbursement arrangement under AS 39.30.300. Access to the retiree major
15 medical insurance plan means that an eligible person may not be denied insurance
16 coverage except for failure to pay the required premium.

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

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

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

27 (e) The coverage for persons 65 years of age or older is the same as that
28 available for persons under 65 years of age. The benefits payable to those persons 65
29 years of age or older supplement any benefits provided under the federal old age,
30 survivors and disability insurance program.

31 (f) The medical and optional insurance premiums owed by the person who

1 elects coverage may be deducted from the health reimbursement arrangement. If the
2 amount of the health reimbursement arrangement becomes insufficient to pay the
3 premiums, the person who elects coverage under (a) of this section shall pay the
4 premiums directly.

5 (g) The cost of premiums for retiree major medical insurance coverage for an
6 eligible member or surviving spouse who is

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

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

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

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

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

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

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

20 (h) The eligibility for retiree major medical insurance coverage for an
21 alternate payee under a qualified domestic relations order shall be determined based
22 on the eligibility of the member to elect coverage. The alternate payee shall pay the
23 full monthly premium for retiree major medical insurance coverage.

24 (i) A person who is entitled to retiree major medical insurance coverage shall

25 (1) be informed by the administrator in writing

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

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

31 (2) indicate in writing on a form provided by the administrator that the

1 person has received the information required by this subsection and whether the
2 person has chosen to receive optional health insurance coverage.

3 (j) The monthly group premiums for retiree major medical insurance coverage
4 are established by the administrator in accordance with AS 39.30.095. Nothing in
5 AS 14.25.310 - 14.25.590 guarantees a person who elects coverage under (a) of this
6 section a monthly group premium rate for retiree major medical insurance coverage
7 other than the premium in effect for the month in which the premium is due for
8 coverage for that month.

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

11 **Sec. 14.25.485. Occupational disability benefits and reemployment of**
12 **disabled members.** (a) A member is eligible for an occupational disability benefit if
13 employment is terminated because of a total and apparently permanent occupational
14 disability before the member's normal retirement date.

15 (b) The occupational disability benefits accrue beginning the first day of the
16 month following termination of employment as a result of the disability and are
17 payable the last day of the month. If a final determination granting the benefit is not
18 made in time to pay the benefit when due, a retroactive payment shall be made to
19 cover the period of deferment. The last payment shall be for the first month in which
20 the disabled member

21 (1) dies;

22 (2) recovers from the disability;

23 (3) fails to meet the requirements under (f) or (h) of this section; or

24 (4) reaches normal retirement age.

25 (c) If the disabled member becomes ineligible to receive occupational
26 disability benefits before the normal retirement date, the disabled member shall then
27 be entitled to receive retirement benefits if the member would have been eligible for
28 the benefit had employment continued during the period of disability. The period of
29 disability constitutes membership service in regard to determining eligibility for
30 retirement.

31 (d) The monthly amount of an occupational disability benefit is 40 percent of

1 the disabled member's gross monthly compensation at the time of termination due to
2 disability. While a member is receiving disability benefits, based on the disabled
3 member's gross monthly compensation at the time of termination due to disability, the
4 employer shall make contributions to the

5 (1) member's individual account under AS 14.25.340 on behalf of the
6 member, without deduction from the member's disability payments; and

7 (2) appropriate accounts and funds on behalf of the member under
8 AS 14.25.350.

9 (e) A member is not entitled to an occupational disability benefit unless the
10 member files an application for an occupational disability benefit with the
11 administrator within 90 days after the date of terminating employment. If the member
12 is unable to meet a filing requirement of this subsection, the filing requirement may be
13 waived by the administrator if there are extraordinary circumstances that resulted in
14 the member's inability to meet the filing requirement.

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

22 (g) A disabled member's occupational disability benefit terminates when the
23 disabled member first attains eligibility for normal retirement. At that time, the
24 member's retirement benefit shall be determined under the provisions of AS 14.25.420
25 - 14.25.440, 14.25.470, and 14.25.480. A member receiving disability benefits up
26 until eligibility for retirement shall be considered to have retired directly from the
27 plan.

28 (h) A member appointed to disability benefits shall apply to the division of
29 vocational rehabilitation of the Department of Labor and Workforce Development
30 within 30 days after the date disability benefits commence. The member shall be
31 enrolled in a rehabilitation program if the member meets the eligibility requirements

1 of the division of vocational rehabilitation. Unless the member demonstrates cause,
2 benefits shall terminate at the end of the first month in which a disabled member

3 (1) fails to report to the division of vocational rehabilitation;

4 (2) is certified by the division of vocational rehabilitation as failing to
5 cooperate in a vocational rehabilitation program;

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

7 (4) fails to accept a position offered.

8 (i) Upon the death of a disabled member who is receiving or is entitled to
9 receive an occupational disability benefit, the administrator shall pay the surviving
10 spouse a surviving spouse's pension, equal to 40 percent of the member's monthly
11 compensation at the termination of employment because of occupational disability. If
12 there is no surviving spouse, the administrator shall pay the survivor's pension in equal
13 parts to the dependent children of the member. The first payment of the surviving
14 spouse's pension or of a dependent child's pension shall accrue from the first day of
15 the month following the member's death and is payable the last day of the month. The
16 last payment shall be made for the last month in which there is an eligible surviving
17 spouse or child. On the date the normal retirement of the member would have
18 occurred if the member had lived, the retirement benefit shall be determined under the
19 provisions of AS 14.25.420 - 14.25.440, 14.25.470, and 14.25.480. A member who
20 died while receiving disability benefits shall be considered to have retired directly
21 from the plan on the date the normal retirement of the member would have occurred if
22 the member had lived.

23 (j) In this section, "occupational disability" has the meaning given in
24 AS 39.35.680.

25 **Sec. 14.25.487. Occupational death benefit.** (a) If (1) the death of a
26 member occurs before the member's retirement and before the member's normal
27 retirement date, (2) the proximate cause of death is a bodily injury sustained or a
28 hazard undergone while in the performance and within the scope of the member's
29 duties, and (3) the injury or hazard is not the proximate result of wilful negligence of
30 the member, a monthly survivor's pension shall be paid to the surviving spouse. If
31 there is no surviving spouse or if the spouse later dies, the monthly survivor's pension

1 shall be paid in equal parts to the dependent children of the member.

2 (b) The first payment of the surviving spouse's pension or of a dependent
3 child's pension shall be made for the month following the month in which the member
4 dies, and payment shall cease to be made beginning with the month in which the
5 member would have first qualified for retirement.

6 (c) The monthly survivor's pension in (b) of this section for survivors of
7 members is 40 percent of the member's monthly compensation in the month in which
8 the member dies. While the monthly survivor's pension is being paid, the employer
9 shall make contributions on behalf of the member's beneficiaries based on the
10 deceased member's gross monthly compensation at the time of occupational death

11 (1) to the member's individual account under AS 14.25.340, without
12 deduction from the survivor's pension; and

13 (2) to the appropriate accounts and funds on behalf of the member
14 under AS 14.25.350.

15 (d) If a member's death is caused by an act of assault, assassination, or
16 terrorism directly related to the person's status as a member, whether the act occurs on
17 or off the member's job site, the death shall be considered to have occurred in the
18 performance of and within the scope of the member's duties for purposes of (a)(2) of
19 this section. If the expressed or apparent motive and intent of the perpetrator of the
20 harm inflicted upon the member was due to the performance of the member's job
21 duties or employment, the death shall be considered to be directly related to the
22 member's status as a member. A member's job duties are those performed within the
23 course and scope of the person's employment with an employer.

24 (e) On the date the normal retirement of the member would have occurred if
25 the member had lived, the retirement benefit shall be determined under the provisions
26 of AS 14.25.420 - 14.25.440, 14.25.470, and 14.25.480. A member who died and
27 whose survivors receive occupational death benefits under this section shall be
28 considered to have retired directly from the plan on the date the normal retirement of
29 the member would have occurred if the member had lived.

30 **Sec. 14.25.490. Amendment and termination of plan.** (a) The state has the
31 right to amend the plan at any time and from time to time, in whole or in part,

1 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

2 (b) The plan administrator may not modify or amend the plan retroactively in
3 such a manner as to reduce the benefits of any member accrued to date under the plan
4 by reason of contributions made before the modification or amendment except to the
5 extent that the reduction is permitted by the Internal Revenue Code.

6 (c) The state may, in its discretion, terminate the plan in whole or part at any
7 time without liability for the termination. If the plan is terminated, all investments
8 remain in force until all individual accounts have been completely distributed under
9 the plan, and, after all plan liabilities are satisfied, excess assets revert to the employer.

10 (d) Any contribution made by an employer to the plan because of a mistake of
11 fact must be returned to the employer by the administrator within one year after the
12 contribution or discovery, whichever is later.

13 **Sec. 14.25.500. Exclusive benefit.** (a) The corpus or income of the assets
14 held in trust as required by the plan may not be diverted or used for other than the
15 exclusive benefit of the participants.

16 (b) If plan benefits are provided through the distribution of annuity or
17 insurance contracts, any refunds or credits in excess of plan benefits due to dividends,
18 earnings, or other experience rating credits, or surrender or cancellation credits, shall
19 be paid to the trust fund.

20 (c) The assets of the plan may not be used to pay premiums or contributions of
21 the employer under another plan maintained by the employer.

22 **Sec. 14.25.510. Nonguarantee of returns, rates, or benefit amounts.** The
23 plan created by AS 14.25.310 - 14.25.590 is a defined contribution plan, not a defined
24 benefit plan. The amount of money in the account of a participant depends on the
25 amount of contributions and the rate of return from investments of the account that
26 varies over time. If benefits are paid in the form of an annuity, the benefit amount
27 payable is dependent on the amount of money in the account and the interest rates
28 applied and service fees charged by the annuity payor at the time benefits are first
29 paid. Nothing in this plan guarantees a participant

30 (1) a rate of return or interest rate other than that actually earned by the
31 account of the participant, less applicable administrative expenses; or

1 (2) an annuity based on interest rates or service charges other than
2 interest rates available from and service charges by the annuity payor in effect at the
3 time the annuity is paid.

4 **Sec. 14.25.520. Nonguarantee of employment.** The provisions of
5 AS 14.25.310 - 14.25.590 are not a contract of employment between an employer and
6 an employee, nor do they confer a right of an employee to be continued in the
7 employment of an employer, nor are they a limitation of the right of an employer to
8 discharge an employee with or without cause.

9 **Sec. 14.25.530. Fraud.** (a) A person who knowingly makes a false statement
10 or falsifies or permits to be falsified a record of this plan in an attempt to defraud the
11 plan is guilty of a class A misdemeanor.

12 (b) In this section, "knowingly" has the meaning given in AS 11.81.900(a).

13 **Sec. 14.25.540. Transfer into defined contribution retirement plan by**
14 **nonvested members of defined benefit retirement plan.** (a) Subject to (i) of this
15 section, an active member of the defined benefit retirement plan of the teachers'
16 retirement system is eligible to participate in the defined contribution retirement plan
17 established under AS 14.25.310 - 14.25.590 if that member has not vested.
18 Participation in the defined contribution retirement plan is in lieu of participation in
19 the defined benefit retirement plan established under AS 14.25.009 - 14.25.220.

20 (b) A member who has vested in a defined benefit retirement plan is not
21 eligible to transfer under this section.

22 (c) Each eligible member who elects to participate in the defined contribution
23 retirement plan shall have transferred to a new account the member contribution
24 account balance held in trust for the member under the defined benefit retirement plan
25 of the teachers' retirement system. A matching employer contribution shall be made
26 on behalf of that employee to the new account. The employer shall make the
27 matching contribution from funds other than the trust funds of the defined benefit
28 retirement plan.

29 (d) Upon a transfer, all membership service previously earned under the
30 defined benefit retirement plan shall be nullified for purposes of entitlement to a future
31 benefit under the defined benefit retirement plan but shall be credited for purposes of

1 eligibility to elect medical benefits under AS 14.25.470. Membership service allowed
2 for credit toward medical benefits does not include any service credit purchased under
3 AS 14.25.075 for employment by an employer who is not a participating employer in
4 this chapter.

5 (e) An eligible member whose accounts are subject to a qualified domestic
6 relations order may not make an election to participate in the defined contribution
7 retirement plan under this subsection unless the qualified domestic relations order is
8 amended or vacated and court-certified copies of the order are received by the
9 administrator.

10 (f) As directed by the participant, the board shall transfer or cause to be
11 transferred the appropriate amounts to the designated account. The board shall
12 establish transfer procedures by regulation, but the actual transfer may not be later
13 than 30 days after the effective date of the member's participation in the defined
14 contribution retirement plan unless the major financial markets for securities available
15 for a transfer are seriously disrupted by an unforeseen event that also causes the
16 suspension of trading on any national securities exchange in the country where the
17 securities were issued. In that event, the 30-day period of time may be extended by a
18 resolution of the board of trustees. Transfers are not commissionable or subject to
19 other fees and may be in the form of securities or cash as determined by the board.
20 Securities shall be valued as of the date of receipt in the participant's account.

21 (g) If the board or the administrator receives notification from the United
22 States Department of the Treasury, Internal Revenue Service, that this section or a
23 portion of this section will cause the retirement system under this chapter, or a portion
24 of the retirement system under this chapter, to be disqualified for tax purposes under
25 the Internal Revenue Code, the portion that will cause the disqualification does not
26 apply, and the board and the administrator shall notify the presiding officers of the
27 legislature.

28 (h) The election to participate in the defined contribution retirement plan must
29 be made in writing on forms and in the manner prescribed by the administrator.
30 Before accepting an election to participate in the defined contribution retirement plan,
31 the administrator must provide the employee planning on making an election to

1 participate in the defined contribution retirement plan with information, including
2 calculations to illustrate the effect of moving the employee's retirement plan from the
3 defined benefit retirement plan to the defined contribution retirement plan as well as
4 other information to clearly inform the employee of the potential consequences of the
5 employee's election. An election made under this subsection to participate in the
6 defined contribution retirement plan is irrevocable. Upon making the election, the
7 participant shall be enrolled as a member of the defined contribution retirement plan,
8 the member's participation in the plan shall be governed by the provisions of
9 AS 14.25.310 - 14.25.590, and the member's participation in the defined benefit
10 retirement plan under AS 14.25.009 - 14.25.220 shall terminate. The participant's
11 enrollment in the defined contribution retirement plan shall be effective the first day of
12 the month after the administrator receives the completed enrollment forms. An
13 election made by an eligible member who is married is not effective unless the
14 election is signed by the individual's spouse.

15 (i) A member may make an election under this section only if the member's
16 employer participates in both the defined benefit retirement plan and the defined
17 contribution retirement plan and consents to transfers under this section. The
18 employer shall notify the administrator if the employer consents to allowing the
19 employer's members to choose to transfer from the defined benefit retirement plan to
20 the defined contribution retirement plan under this section. An employer's notice to
21 allow transfers is irrevocable and applicable to all eligible employees of the employer.

22 (j) In this section,

23 (1) "defined benefit retirement plan" means the retirement plan
24 established in AS 14.25.009 - 14.25.220;

25 (2) "defined contribution retirement plan" means the retirement plan
26 established in AS 14.25.310 - 14.25.590.

27 **Sec. 14.25.550. Membership in teachers' and public employees'**
28 **retirement systems.** A person who is employed at least half-time in the public
29 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the
30 same period that the person is employed at least half-time in a position in the teachers'
31 defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited

1 service under each plan for half-time employment. However, the amount of credited
2 service a person receives under the public employees' defined contribution retirement
3 plan during a school year may not exceed the amount necessary, when added to the
4 amount of credited service earned during the school year under the teachers' defined
5 contribution retirement plan, to equal one year of credited service.

6 **Sec. 14.25.560. Legislators who have been teachers.** (a) A state legislator
7 who was an active member of the defined contribution plan under other sections of
8 AS 14.25.310 - 14.25.590 within the 12 months immediately preceding election to
9 office may, subject to the requirements of (b) of this section, elect to be an active
10 member of the teachers' defined contribution retirement plan for as long as the state
11 legislator serves continuously as a state legislator if, within 90 days after taking the
12 oath of office,

13 (1) the state legislator directs the employer in writing to

14 (A) pay into this plan the employer contributions required for a
15 member under AS 14.25.310 - 14.25.590; and

16 (B) deduct from the state legislator's salary and pay into this
17 plan

18 (i) the employee contributions required for a member
19 under AS 14.25.310 - 14.25.590; and

20 (ii) an amount equal to the difference between the total
21 employer and state contributions required for a member under
22 AS 14.25.310 - 14.25.590 and the employer contributions that would be
23 required under the public employees' defined contribution retirement
24 plan (AS 39.35.700 - 39.35.990) if the legislator were covered under
25 that plan; and

26 (2) notice is given the administrator in writing.

27 (b) A state legislator is not entitled to elect membership under (a) of this
28 section if the state legislator is covered for the same period of service under the public
29 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990). An
30 election of membership under (a) of this section is retroactive to the date the state
31 legislator took the oath of office. A state legislator may not receive membership credit

1 under (a) of this section for legislative service performed before the legislative session
2 during which the state legislator elected membership under (a) of this section. In order
3 to continue in membership service under (a) of this section, the state legislator must
4 earn at least 0.3 years of membership service under other sections of AS 14.25.310 -
5 14.25.590 during each five-year period.

6 **Sec. 14.25.570. Participation by National Education Association**
7 **employees.** An employee or former employee of the National Education Association
8 of Alaska may participate in the teachers' defined contribution retirement plan under
9 AS 14.25.310 - 14.25.590 if the employee or former employee possesses or is eligible
10 to possess a teacher certificate under AS 14.20.020.

11 **Sec. 14.25.580. Participation by Special Education Service Agency**
12 **employees.** An employee of the Special Education Service Agency may participate in
13 the system under this chapter if the employee possesses or is eligible to possess a
14 teacher certificate under AS 14.20.020.

15 **Sec. 14.25.590. Definitions.** In AS 14.25.310 - 14.25.590, unless the context
16 requires otherwise,

17 (1) "administrator" has the meaning given in AS 14.25.220;

18 (2) "alternate payee" means a person entitled to a portion of the
19 distribution from an individual account under a qualified domestic relations order;

20 (3) "annuitant" means a member, beneficiary, or alternate payee who is
21 receiving a benefit under this plan;

22 (4) "beneficiary" means the person or persons entitled to receive
23 benefits that may be due from the plan upon the death of the member or alternate
24 payee;

25 (5) "board" has the meaning given in AS 14.25.220;

26 (6) "calendar year" has the meaning given in AS 39.35.680;

27 (7) "compensation"

28 (A) means

29 (i) the total remuneration earned by an employee for
30 personal services rendered, including cost-of-living differentials, as
31 reported on the employee's Federal Income Tax Withholding Statement

1 (Form W-2) from the employer for the calendar year;

2 (ii) the member contribution to the teachers' retirement
3 system under AS 14.25.340;

4 (B) does not include retirement benefits, severance pay or other
5 separation bonuses, welfare benefits, per diem, expense allowances, workers'
6 compensation payments, payments for leave not used whether those leave
7 payments are scheduled payments, lump-sum payments, donations, or cash-ins,
8 any remuneration contributed by the employer for or on account of the
9 employee under this plan or under any other qualified or nonqualified
10 employee benefit plan, any remuneration not specifically included above that
11 would have been excluded under 26 U.S.C. 3121(a) (Internal Revenue Code) if
12 the employer had remained in the Federal Social Security System, or any
13 remuneration paid by the employer in excess of the Social Security Taxable
14 Wage Base for the calendar year;

15 (C) notwithstanding (B) of this paragraph, includes any amount
16 that is contributed by the employer under a salary reduction agreement and that
17 is not includible in the gross income of the employee under 26 U.S.C. 125,
18 132(f)(4), 402(e)(3), 402(h)(1)(B), or 403(b) (Internal Revenue Code); the
19 annual compensation limitation for the member, which is so taken into account
20 for those purposes, may not exceed \$200,000, as adjusted for the cost of living
21 in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the
22 limitation for a fiscal year being the limitation in effect for the calendar year
23 within which the fiscal year begins;

24 (8) "dependent child" has the meaning given in AS 14.25.220;

25 (9) "distribution commencement date" has the meaning given in
26 AS 14.25.440(a);

27 (10) "employer" means a public school district, the Board of Regents
28 of the University of Alaska, the Department of Education and Early Development, or
29 the regional resource centers;

30 (11) "fund" means the assets of the plan;

31 (12) "individual account" means the total maintained by the plan in an

1 investment account within the trust fund, established for each member for the purposes
2 of allocation of the member's contributions, employer contributions on behalf of the
3 member, and earnings credited to each of those contributions, investment gains and
4 losses, and expenses, as well as reporting of the member's benefit under the plan;

5 (13) "Internal Revenue Code" has the meaning given in AS 14.25.220;

6 (14) "investment funds" means those separate funds that are provided
7 within and that make up the trust fund and that are established for the purpose of
8 directing investment through the exercise of the sole control of a member, beneficiary,
9 or alternate payee under the terms of the plan and trust agreement;

10 (15) "limitation year" means the year for which contributions are made
11 to a member's individual account as reported to the Internal Revenue Service under the
12 limits described in 26 U.S.C. 415(c);

13 (16) "member" means an employee of an employer or a former
14 employee of an employer who retains a right to benefits under the plan;

15 (17) "membership service" means full-time or part-time employment
16 with an employer in the plan;

17 (18) "normal retirement age" means the age set for Medicare eligibility
18 at the time the member retires;

19 (19) "participant" means the person who has a vested right to an
20 individual account, such as a member, an alternate payee if the account is subject to a
21 qualified domestic relations order, the member's beneficiary if the member is
22 deceased, or an alternate payee's beneficiary if the alternate payee is deceased;

23 (20) "plan" means the retirement benefit plan established under
24 AS 14.25.310 - 14.25.590;

25 (21) "prudent investment standard" means the degree of care, skill,
26 prudence, and diligence under the circumstances then prevailing that a prudent person
27 acting in a like capacity and familiar with such matters would use in the conduct of an
28 enterprise of a like character and with like aims;

29 (22) "qualified domestic relations order" means a divorce or
30 dissolution judgment under AS 25.24, including an order approving a property
31 settlement, that

1 (A) creates or recognizes the existence of an alternate payee's
2 right to, or assigns to an alternate payee the right to, receive all or a portion of
3 the individual account, or the benefits payable with respect to a member;

4 (B) sets out the name and last known mailing address, if any, of
5 the member and of each alternate payee covered by the order;

6 (C) sets out the amount or percentage of the member's benefit,
7 or of any survivor's benefit, to be paid to the alternate payee, or sets out the
8 manner in which that amount or percentage is to be determined;

9 (D) sets out the number of payments or period to which the
10 order applies;

11 (E) sets out the retirement plan to which the order applies;

12 (F) does not require any type or form of benefit or any option
13 not otherwise provided by AS 14.25.310 - 14.25.590;

14 (G) does not require an increase of benefits in excess of the
15 amount provided by AS 14.25.310 - 14.25.590; and

16 (H) does not require the payment, to an alternate payee, of
17 benefits that are required to be paid to another alternate payee under another
18 order previously determined to be a qualified domestic relations order;

19 (23) "retiree" means an eligible person who has elected to receive the
20 medical benefits under AS 14.25.480;

21 (24) "retirement fund" or "fund" means the fund in which the assets of
22 the plan, including income and interest derived from the investment of money, are
23 deposited and held;

24 (25) "school year" has the meaning given in AS 14.25.220;

25 (26) "system" has the meaning given in AS 14.25.220;

26 (27) "teacher" and "member" are used interchangeably under
27 AS 14.25.310 - 14.25.590 and mean a person eligible to participate in the plan and
28 who is covered by the plan, limited to

29 (A) a certificated full-time or part-time elementary or
30 secondary teacher, a certificated school nurse, or a certificated person in a
31 position requiring a teaching certificate as a condition of employment in a

1 public school of the state, the Department of Education and Early
2 Development, or the Department of Labor and Workforce Development;

3 (B) a full-time or part-time teacher of the University of Alaska
4 or a person occupying a full-time administrative position at the University of
5 Alaska that requires academic standing; the approval of the administrator must
6 be obtained before an administrative position qualifies for membership in the
7 plan; however, a teacher or administrative person at the university who is
8 participating in a university retirement program under AS 14.40.661 -
9 14.40.799 is not a member under this plan;

10 (C) a full-time or part-time instructor of the Department of
11 Labor and Workforce Development;

12 (28) "year of service" means service during the dates set for the school
13 year; partial-year service credit is given for membership service as follows:

14 (A) during any school year,

15 (i) less than nine days, no credit;

16 (ii) nine days or more but less than 27 days, 0.1 years;

17 (iii) 27 days or more but less than 45 days, 0.2 years;

18 (iv) 45 days or more but less than 63 days, 0.3 years;

19 (v) 63 days or more but less than 81 days, 0.4 years;

20 (vi) 81 days or more but less than 100 days, 0.5 years;

21 (vii) 100 days or more but less than 118 days, 0.6 years;

22 (viii) 118 days or more but less than 136 days, 0.7

23 years;

24 (ix) 136 days or more but less than 154 days, 0.8 years;

25 (x) 154 days or more but less than 172 days, 0.9 years;

26 (xi) 172 days or more, 1.0 years;

27 (B) service performed on a part-time basis of half time or more
28 shall be credited in proportion to the amount of credit that would have been
29 received for service performed on a full-time basis.

30 * **Sec. 36.** AS 14.40.280(c) is amended to read:

31 (c) Except as provided by (b) of this section, the monetary gifts, bequests, or

1 endowments that are made to the University of Alaska shall be managed and invested
2 by the Board of Regents. In carrying out its management and investment
3 responsibilities under this subsection, the Board of Regents has the same power and
4 obligations to carry out duties with respect to the endowments of the University of
5 Alaska as are provided to and required of the Alaska **Retirement Management**
6 [STATE PENSION INVESTMENT] Board under **AS 37.10.220** [AS 14.25.180].

7 * **Sec. 37.** AS 14.40.400(b) is amended to read:

8 (b) The Board of Regents is the fiduciary of the fund. The Board of Regents
9 shall account for and invest the fund. In carrying out its investment responsibilities
10 under this subsection, the Board of Regents has the same powers and duties with
11 respect to the fund as are provided to and required of the Alaska **Retirement**
12 **Management** [STATE PENSION INVESTMENT] Board under **AS 37.10.220**
13 [AS 14.25.180].

14 * **Sec. 38.** AS 14.40.661 is amended to read:

15 **Sec. 14.40.661. Authority of board.** (a) The board may establish **and**
16 **maintain** [AN OPTIONAL] university retirement **programs** [PROGRAM] for
17 eligible employees in which retirement and death benefits are provided through the
18 purchase of annuity contracts, either fixed, variable, or a combination of fixed and
19 variable. Participation in **a university retirement** [THE] program is in place of
20 participation in a state retirement system. **The university may establish retirement**
21 **programs for new employees in a participating position at any time. Retirement**
22 **programs must be optional.**

23 (b) The board shall

24 (1) provide for the administration of the **retirement programs**
25 [PROGRAM], including procedures for resolving complaints from participating
26 employees;

27 (2) designate the company or companies to which payment of the
28 contributions required under AS 14.40.691 may be made, after considering the

29 (A) nature and extent of the rights and benefits that the
30 contracts will provide to employees who elect to participate and to their
31 beneficiaries;

1 (B) relation of the contractual rights and benefits to the
2 contributions to be made under AS 14.40.661 - 14.40.799;

3 (C) suitability of the contractual rights and benefits to the needs
4 and interests of employees who [ELECTING TO] participate and to the
5 interest of the university in the employment and retention of employees;

6 (D) ability of the designated company or companies to provide
7 rights and benefits under the contracts; and

8 (E) efficacy of the contracts in the recruitment and retention of
9 faculty and administrators;

10 (3) take other actions required to ensure that the **retirement programs**
11 **comply with applicable provisions of 26 U.S.C. 401 - 417** [PROGRAM
12 QUALIFIES AS A QUALIFIED TRUST UNDER 26 U.S.C. 401(a)] (Internal
13 Revenue Code).

14 * **Sec. 39.** AS 14.40.671 is amended to read:

15 **Sec. 14.40.671. Participation.** (a) An employee in a participating position
16 may elect to participate in a [THE OPTIONAL] university retirement program or to
17 participate in the appropriate state retirement system. Eligibility to participate in a
18 [THE] program begins on an employee's appointment to a participating position.

19 (b) An election **under (a) of this section** to participate in **a university**
20 **retirement** [THE] program is irrevocable. The election shall be made in writing on a
21 form provided by the board and approved for the state by the commissioner of
22 administration. The form must be filed with the **university not** [BOARD NO] later
23 than 30 days after the date on which the employee **is notified by the university that**
24 **the employee is** [FIRST BECOMES] eligible to participate in the program. A copy of
25 the form shall be delivered to the appropriate state retirement system. The election
26 becomes irrevocable on the date it is received by the board.

27 (c) **Participation in a university retirement** [THE ELECTION TO
28 PARTICIPATE IN THE] program constitutes a waiver of all rights and benefits under
29 the state retirement systems earned on or after the effective date of the election while
30 the employee is participating in **a university retirement** [THE] program.

31 (d) Except as provided in (e) of this section, if a nonvested member of a state

1 retirement system **participates** [ELECTS TO PARTICIPATE] in **a university**
2 **retirement** [THE] program, the employee may choose to transfer the amount in the
3 employee's contribution account to **a university retirement** [THE] program. If the
4 employee chooses to transfer the account, the appropriate state retirement system shall
5 pay to the university on behalf of the employee an amount equal to the balance in the
6 account. The payment must be made within 45 days after **notice of the employee's**
7 **decision to transfer the employee's contribution account to a university**
8 **retirement program** [THE ELECTION] is received by the state retirement system.
9 The financial officer of the university shall immediately pay the amount received to
10 the designated company or companies for the benefit of the employee. An employee
11 who transfers assets under this subsection may not reclaim the corresponding service
12 in the state retirement system if the employee is reemployed under the state retirement
13 system.

14 (e) An employee whose rights to transfer assets out of a state retirement
15 system are subject to a qualified domestic relations order is entitled to transfer assets
16 from the state retirement system to **a university retirement** [THE] program only if
17 the requirements for receiving a refund under AS 14.25.150(b) or AS 39.35.200(c), as
18 appropriate, are met.

19 (f) If a vested member of a state retirement system elects to participate in **a**
20 **university retirement** [THE] program, the employee ceases to be an active member
21 of the **state** retirement system on the effective date of the participation in **a university**
22 **retirement** [THE] program. The employee retains all benefits accrued in the state
23 retirement system.

24 (g) An employee who does not [ELECT TO] participate in **a university**
25 **retirement** [THE] program under this section becomes or remains a member of the
26 appropriate state retirement system.

27 * **Sec. 40.** AS 14.40.671(e) is amended to read:

28 (e) An employee whose rights to transfer assets out of a state retirement
29 system are subject to a qualified domestic relations order is entitled to transfer assets
30 from the state retirement system to a university retirement program only if the
31 requirements for receiving a refund under AS 14.25.150(b), **14.25.360,** [OR]

AS 39.35.200(c), or 39.35.760, as appropriate, are met.

* **Sec. 41.** AS 14.40.671 is amended by adding a new subsection to read:

(h) Notwithstanding (b) of this section, the university may offer an employee who made an election not to participate in an optional university retirement program at the time the employee was eligible to participate in the program an option to enroll in a different university retirement program.

* **Sec. 42.** AS 14.40.681 is amended to read:

Sec. 14.40.681. Retirement system membership. An [ELIGIBLE] employee participating [ELECTING TO PARTICIPATE] in a university retirement [THE] program may not participate in a state retirement system during the time the employee is employed in a participating position. If the employee is later employed in a position covered by a state retirement system that is not a participating position, the employee may not continue to participate in a university retirement [THE] program and shall begin to participate in the state retirement system.

* **Sec. 43.** AS 14.40.691(c) is amended to read:

(c) The board may specify that contributions required by this section are made by a reduction in salary under 26 U.S.C. 403(b) or 26 U.S.C. 414(h)(2) (Internal Revenue Code).

* **Sec. 44.** AS 14.40.701 is amended to read:

Sec. 14.40.701. Benefits. Payment of benefits to participants of the program is the responsibility of the company or companies designated by the board and is not the responsibility of the board, the university, or the state. The benefits are payable to participants or their beneficiaries in accordance with the terms of the applicable retirement plan document [ANNUITY CONTRACT OR CONTRACTS. HOWEVER, RETIREMENT BENEFITS MUST BE PAID IN THE FORM OF A LIFETIME INCOME. EXCEPT FOR DEATH BENEFITS, A SINGLE-SUM CASH PAYMENT IS NOT PERMITTED UNDER THIS SECTION].

* **Sec. 45.** AS 14.40.799(3) is amended to read:

(3) "contribution account" means the member contribution account under AS 14.25.009 - 14.25.220 [AS 14.25] or the employee contribution account under AS 39.35.095 - 39.35.680 [AS 39.35], whichever is appropriate;

1 * **Sec. 46.** AS 14.40.799(3) is amended to read:

2 (3) "contribution account" means the member contribution account
3 under AS 14.25.009 - 14.25.220, **the individual account under AS 14.25.310 -**
4 **14.25.590,** [OR] the employee contribution account under AS 39.35.095 - 39.35.680,
5 **or the individual account under AS 39.35.700 - 39.35.990,** whichever is appropriate;

6 * **Sec. 47.** AS 14.40.799(5) is amended to read:

7 (5) "participating position" means a position that is a permanent
8 position that is at least a .5 full-time appointment **and is included in the applicable**
9 **retirement plan document** [AS

10 (A) A FACULTY APPOINTMENT; OR

11 (B) AN ADMINISTRATOR AND THE POSITION HAS
12 BEEN DESIGNATED BY THE BOARD FOR INCLUSION IN THE
13 PROGRAM];

14 * **Sec. 48.** AS 14.40.799(6) is amended to read:

15 (6) "program" means **a** [THE OPTIONAL] university retirement
16 program;

17 * **Sec. 49.** AS 14.40.799 is amended by adding a new paragraph to read:

18 (8) "university" means the University of Alaska.

19 * **Sec. 50.** AS 22.25.048(c) is amended to read:

20 (c) The Alaska **Retirement Management** [STATE PENSION
21 INVESTMENT] Board is the fiduciary of the fund and has the same powers and
22 duties under this section in regard to the judicial retirement trust fund as are provided
23 in **AS 37.10.220** [AS 14.25.180].

24 * **Sec. 51.** AS 22.25.900(1) is amended to read:

25 (1) "actuarial equivalent" means the adjustment necessary to obtain
26 equality in value of the aggregate expected payments under two different forms of
27 pension payments, considering expected mortality and interest earnings on the basis of
28 assumptions, factors, and methods specified in regulations issued under the system
29 that are formally adopted [UNDER AS 22.25.027] by the **Alaska Retirement**
30 **Management Board** [COMMISSIONER OF ADMINISTRATION] that clearly
31 preclude employer discretion in the determination of the amount of any justice's,

1 judge's, or member's benefit;

2 * **Sec. 52.** AS 26.05.226(a) is amended to read:

3 (a) The Department of Military and Veterans' Affairs shall contribute to the
4 Alaska National Guard and Alaska Naval Militia retirement system the amounts
5 determined by the **Alaska Retirement Management Board** [COMMISSIONER OF
6 ADMINISTRATION] as necessary to

7 (1) fund the system based on the actuarial requirements of the system
8 as established by the **Alaska Retirement Management Board** [COMMISSIONER
9 OF ADMINISTRATION]; and

10 (2) administer the system.

11 * **Sec. 53.** AS 26.05.228(c) is amended to read:

12 (c) The Alaska **Retirement Management** [STATE PENSION
13 INVESTMENT] Board is the fiduciary of the fund and has the same powers and
14 duties under this section in regard to the fund as are provided under **AS 37.10.220**
15 [AS 14.25.180].

16 * **Sec. 54.** AS 36.30.015(f) is amended to read:

17 (f) The board of directors of the Alaska Housing Finance Corporation,
18 notwithstanding AS 18.56.088, and the board of directors of the Knik Arm Bridge and
19 Toll Authority under AS 19.75.111, shall adopt regulations under AS 44.62
20 (Administrative Procedure Act) and the board of trustees of the Alaska **Retirement**
21 **Management** [STATE PENSION INVESTMENT] Board shall adopt regulations
22 under AS 37.10.240 to govern the procurement of supplies, services, professional
23 services, and construction for the respective public corporation and board. The
24 regulations must reflect competitive bidding principles and provide vendors
25 reasonable and equitable opportunities to participate in the procurement process and
26 must include procurement methods to meet emergency and extraordinary
27 circumstances. Notwithstanding the other provisions of this subsection, the Alaska
28 Housing Finance Corporation, the Knik Arm Bridge and Toll Authority, and the
29 Alaska **Retirement Management** [STATE PENSION INVESTMENT] Board shall
30 comply with AS 36.30.170(b).

31 * **Sec. 55.** AS 36.30.990(1) is amended to read:

1 (1) "agency"

2 (A) means a department, institution, board, commission,
3 division, authority, public corporation, the Alaska Pioneers' Home, the Alaska
4 Veterans' Home, or other administrative unit of the executive branch of state
5 government;

6 (B) does not include

7 (i) the University of Alaska;

8 (ii) the Alaska Railroad Corporation;

9 (iii) the Alaska Housing Finance Corporation;

10 (iv) a regional Native housing authority created under
11 AS 18.55.996 or a regional electrical authority created under
12 AS 18.57.020;

13 (v) the Department of Transportation and Public
14 Facilities, in regard to the repair, maintenance, and reconstruction of
15 vessels, docking facilities, and passenger and vehicle transfer facilities
16 of the Alaska marine highway system;

17 (vi) the Alaska Aerospace Development Corporation;

18 (vii) the Alaska **Retirement Management** [STATE
19 PENSION INVESTMENT] Board;

20 (viii) the Alaska Seafood Marketing Institute;

21 * **Sec. 56.** AS 37.10.071(d) is amended to read:

22 (d) In exercising investment, custodial, or depository powers or duties under
23 this section, the fiduciary or the fiduciary's designee is liable for a breach of a duty
24 that is assigned or delegated under this section, or under [AS 14.25.180,
25 AS 14.40.255, 14.40.280(c), 14.40.400(b), AS 37.10.070, AS 37.14.110(c), 37.14.160,
26 **or** 37.14.170 [, OR AS 39.35.080]. However, the fiduciary or the designee is not
27 liable for a breach of a duty that has been delegated to another person if the delegation
28 is prudent under the applicable standard of prudence set out in statute or if the duty is
29 assigned by law to another person, except to the extent that the fiduciary or designee

30 (1) knowingly participates in, or knowingly undertakes to conceal, an
31 act or omission of another person knowing that the act or omission is a breach of that

1 person's duties under this chapter;

2 (2) by failure to comply with this section in the administration of
3 specific responsibilities, enables another person to commit a breach of duty; or

4 (3) has knowledge of a breach of duty by another person, unless the
5 fiduciary or designee makes reasonable efforts under the circumstances to remedy the
6 breach.

7 * **Sec. 57.** AS 37.10.071(f) is amended to read:

8 (f) In this section, "fiduciary of a state fund" or "fiduciary" means

9 (1) the commissioner of revenue for investments under AS 37.10.070;

10 (2) with respect to the Alaska **Retirement Management** [STATE
11 PENSION INVESTMENT] Board, for investments **of the collective funds that it**
12 **manages and administers** [UNDER OR SUBJECT TO AS 14.25.180],

13 (A) each trustee who serves on the board of trustees; and

14 (B) any other person who exercises control or authority with
15 respect to management or disposition of assets for which the board is
16 responsible or who gives investment advice to the board; or

17 (3) the person or body provided by law to manage the investments for
18 investments not subject to [AS 14.25.180 OR] AS 37.10.070.

19 * **Sec. 58.** AS 37.10.210 is repealed and reenacted to read:

20 **Sec. 37.10.210. Alaska Retirement Management Board.** (a) The Alaska
21 Retirement Management Board is established in the Department of Revenue. The
22 board's primary mission is to serve as the trustee of the assets of the state's retirement
23 systems, the State of Alaska Supplemental Annuity Plan, and the deferred
24 compensation program for state employees. Consistent with standards of prudence,
25 the board has the fiduciary obligation to manage and invest these assets in a manner
26 that is sufficient to meet the liabilities and pension obligations of the systems, plan,
27 and program. The board may, with the approval of the commissioner of revenue and
28 upon agreement with the responsible fiduciary, manage and invest other state funds so
29 long as the activity does not interfere with the board's primary mission. In making
30 investments, the board shall exercise the powers and duties of a fiduciary of a state
31 fund under AS 37.10.071.

1 (b) The Alaska Retirement Management Board consists of nine trustees, as
2 follows:

3 (1) two members, consisting of the commissioner of administration
4 and the commissioner of revenue;

5 (2) seven trustees appointed by the governor who meet the eligibility
6 requirements for an Alaska permanent fund dividend and who are professionally
7 credentialed or have recognized competence in investment management, finance,
8 banking, economics, accounting, pension administration, or actuarial analysis as
9 follows:

10 (A) two trustees who are members of the general public; the
11 trustees appointed under this subparagraph may not hold another state office,
12 position, or employment and may not be members or beneficiaries of a
13 retirement system managed by the board;

14 (B) one trustee who is employed as a finance officer for a
15 political subdivision participating in either the public employees' retirement
16 system or the teachers' retirement system;

17 (C) two trustees who are members of the public employees'
18 retirement system, selected from a list of four nominees submitted from among
19 the public employees' retirement system bargaining units;

20 (D) two trustees who are members of the teachers' retirement
21 system selected from a list of four nominees submitted from among the
22 teachers' retirement system bargaining units;

23 (E) the lists of the nominees shall be submitted to the governor
24 under (C) and (D) of this paragraph within the time period specified in
25 regulations adopted under AS 37.10.240(a).

26 (c) The trustees, other than the two commissioners, shall serve for staggered
27 terms of four years and may be reappointed to the board.

28 (d) The governor may, by written notice to the trustee, remove an appointed
29 trustee for cause. After an appointed trustee receives written notice of removal, the
30 trustee may not participate in board business and may not be counted for purposes of
31 establishing a quorum.

1 (e) A vacancy on the board of trustees shall be promptly filled. A person
2 filling a vacancy holds office for the balance of the unexpired term of the person's
3 predecessor. A vacancy on the board does not impair the authority of a quorum of the
4 board to exercise all the powers and perform all the duties of the board.

5 (f) Five trustees constitute a quorum for the transaction of business and the
6 exercise of the powers and duties of the board.

7 (g) A trustee may not designate another person to serve on the board in the
8 absence of the trustee.

9 (h) The board shall provide annual training to its members on the duties and
10 powers of a fiduciary of a state fund and other training as necessary to keep the
11 members of the board educated about pension management and investment.

12 (i) The board shall elect a trustee to serve as chair and a trustee to serve as
13 vice-chair for one-year terms. A trustee may be reelected to serve additional terms as
14 chair or vice-chair.

15 * **Sec. 59.** AS 37.10 is amended by adding a new section to read:

16 **Sec. 37.10.215. Attorney general.** The attorney general is the legal counsel
17 for the board and shall advise the board and represent it in a legal proceeding.

18 * **Sec. 60.** AS 37.10.220 is repealed and reenacted to read:

19 **Sec. 37.10.220. Powers and duties of the board.** (a) The board shall

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

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

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

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

31 (5) provide a range of investment options and establish the rules by

1 which participants can direct their investments among those options with respect to
2 accounts established under

3 (A) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary
4 Annuity Plan); and

5 (B) AS 39.45.010 - 39.45.060 (public employees' deferred
6 compensation program);

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

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

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

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

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

1 appropriate fund fiduciary;

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

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

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

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

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

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

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

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

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

17 (15) develop an annual operating budget.

18 (b) The board may

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

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

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

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

28 (c) Expenses for the board and the operations of the board shall be paid from
29 the retirement fund.

30 * **Sec. 61.** AS 37.10.220(a) is amended to read:

31 (a) The board shall

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

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

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

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

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

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

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

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

21 (D) [(B)] AS 39.45.010 - 39.45.060 (public employees'
22 deferred compensation program);

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

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

31 (8) coordinate with the retirement system administrator to have an

1 annual actuarial valuation of each retirement system prepared to determine system
2 assets, accrued liabilities, and funding ratios and to certify to the appropriate
3 budgetary authority of each employer in the system

4 (A) an appropriate contribution rate for normal costs; and

5 (B) an appropriate contribution rate for liquidating any past
6 service liability;

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

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

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

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

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

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

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

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

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

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

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

31 (G) other statistical data necessary for a proper understanding

1 of the financial status of the systems;
2 (14) submit quarterly updates of the investment performance reports to
3 the Legislative Budget and Audit Committee; and
4 (15) develop an annual operating budget.

5 * **Sec. 62.** AS 37.10.250 is amended to read:

6 **Sec. 37.10.250. Compensation of trustees.** Trustees, other than trustees who
7 are employees of the state, [OR] a political subdivision of the state, or a school
8 district or regional educational attendance area in the state, receive an honorarium
9 of \$400 [\$150] for each day spent at a meeting of the board or at a meeting of a
10 subcommittee of the board or at a public meeting as a representative of the board,
11 including a day in which a trustee travels to or from a meeting. Trustees who are
12 state employees are entitled to administrative leave for service as a trustee. Trustees
13 who are employees of a political subdivision of the state or a school district or
14 regional educational attendance area in the state are entitled to leave benefits
15 provided by their employers comparable to those provided to state employees for
16 service as a trustee. Trustees are entitled to per diem and travel expenses authorized
17 for boards and commissions under AS 39.20.180.

18 * **Sec. 63.** AS 37.10.270(a) is amended to read:

19 (a) The board may [SHALL] appoint an investment advisory council
20 composed of at least three and not more than five members. Members of the council
21 shall possess experience and expertise in financial investments and management of
22 investment portfolios for public, corporate, or union pension benefit funds,
23 foundations, or endowments.

24 * **Sec. 64.** AS 37.10.390 is amended to read:

25 **Sec. 37.10.390. Definitions.** In AS 37.10.210 - 37.10.390, unless the context
26 otherwise requires,

27 (1) "board" means the board of trustees of the Alaska Retirement
28 Management [STATE PENSION INVESTMENT] Board;

29 (2) "fund" means the fund or funds composed of the assets of each
30 of the retirement systems administered and managed by the board;

31 (3) "recognized competence" means a minimum of 10 years'

1 professional experience working or teaching in the field of investment
2 management, finance, banking, economics, accounting, pension administration,
3 or actuarial analysis;

4 (4) "retirement systems" or "systems" means the teachers' retirement
5 system, the judicial retirement system, the Alaska National Guard and Alaska Naval
6 Militia retirement system, [AND] the public employees' retirement system, the State
7 of Alaska Teachers' and Public Employees' Retiree Health Reimbursement
8 Arrangement Plan, and the elected public officers' retirement system under
9 former AS 39.37.

10 * **Sec. 65.** AS 37.14.160 is amended to read:

11 **Sec. 37.14.160. Duties of the commissioner of revenue.** The commissioner
12 of revenue is the treasurer of the trust fund created in AS 37.14.110 and shall

13 (1) in carrying out investment duties under this section, exercise the
14 same powers and duties established for the Alaska **Retirement Management** [STATE
15 PENSION INVESTMENT] Board in **AS 37.10.220** [AS 14.25.180(c)];

16 (2) deposit the principal and income from investments in separate
17 principal and income accounts for the fund;

18 (3) invest and maintain accounting records that distinguish between the
19 principal and income of the fund;

20 (4) provide reports to the board established under AS 37.14.120 on the
21 condition and investment performance of the fund.

22 * **Sec. 66.** AS 37.14.210(4) is amended to read:

23 (4) invest and reinvest the assets of the trust as provided in this section
24 and as provided for the investment of funds under [AS 14.25.180(c) AND]
25 AS 37.14.170;

26 * **Sec. 67.** AS 37.14.520(4) is amended to read:

27 (4) invest and reinvest the assets of the fund as provided in this section
28 and as provided for the investment of funds under [AS 14.25.180(c) AND]
29 AS 37.14.170;

30 * **Sec. 68.** AS 37.14.610 is amended to read:

31 **Sec. 37.14.610. Duties of the commissioner.** The commissioner of revenue

1 has the power and duty to

2 (1) act as official custodian of the cash and investments belonging to
3 the Arctic Winter Games Team Alaska trust by securing adequate and safe custodial
4 facilities;

5 (2) exercise the same powers and duties as those established for the
6 Alaska **Retirement Management** [STATE PENSION INVESTMENT] Board in
7 **AS 37.10.220** [AS 14.25.180(b) AND (c)];

8 (3) invest the assets of the trust in a manner likely to yield at least five
9 percent real rate of return over time;

10 (4) maintain accounting records of the trust in accordance with
11 investment accounting principles;

12 (5) enter into and enforce contracts or agreements considered
13 necessary for the investment purposes of the trust;

14 (6) report annually to the board of directors of the Arctic Winter
15 Games Team Alaska the condition and performance of the trust;

16 (7) monitor use of trust money by the Arctic Winter Games Team
17 Alaska; and

18 (8) do all acts that the commissioner of revenue considers necessary or
19 proper in administering the assets of the trust.

20 * **Sec. 69.** AS 39.30.090(a) is amended to read:

21 (a) The Department of Administration may obtain a policy or policies of group
22 insurance covering state employees, persons entitled to coverage under AS 14.25.168,
23 **14.25.480**, AS 22.25.090, AS 39.35.535, **39.35.880**, or former AS 39.37.145,
24 employees of other participating governmental units, or persons entitled to coverage
25 under AS 23.15.136, subject to the following conditions:

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

30 (2) Each eligible employee of the state, the spouse and the unmarried
31 children chiefly dependent on the eligible employee for support, and each eligible

1 employee of another participating governmental unit shall be covered by the group
2 policy, unless exempt under regulations adopted by the commissioner of
3 administration.

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

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

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

9 (C) the commissioner of administration approves the
10 participation in writing.

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

21 (5) The Department of Administration shall make available bid
22 specifications for desired insurance benefits or for administration of benefit claims and
23 payments to (A) all insurance carriers authorized to transact business in this state
24 under AS 21.09 and all hospital or medical service corporations authorized to transact
25 business under AS 21.87 who are qualified to provide the desired benefits; and (B) to
26 insurance carriers authorized to transact business in this state under AS 21.09, hospital
27 or medical service corporations authorized to transact business under AS 21.87, and
28 third-party administrators licensed to transact business in this state and qualified to
29 provide administrative services. The specifications shall be made available at least
30 once every five years. The lowest responsible bid submitted by an insurance carrier,
31 hospital or medical service corporation, or third-party administrator with adequate

1 servicing facilities shall govern selection of a carrier, hospital or medical service
2 corporation, or third-party administrator under this section or the selection of an
3 insurance carrier or a hospital or medical service corporation to provide excess loss
4 insurance as provided in AS 39.30.091.

5 (6) If the aggregate of dividends payable under the group insurance
6 policy exceeds the governmental unit's share of the premium, the excess shall be
7 applied by the governmental unit for the sole benefit of the employees.

8 (7) A person receiving benefits under AS 14.25.110, AS 22.25,
9 AS 39.35, or former AS 39.37 may continue the life insurance coverage that was in
10 effect under this section at the time of termination of employment with the state or
11 participating governmental unit.

12 (8) A person electing to have insurance under (7) of this subsection
13 shall pay the cost of this insurance.

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

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

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

31 (12) Each licensee holding a current operating agreement for a vending

1 facility under AS 23.15.010 - 23.15.210 shall be covered by the group policy that
2 applies to governmental units other than the state.

3 * **Sec. 70.** AS 39.30.095(d) is amended to read:

4 (d) If the commissioner of administration determines that there is more money
5 in the fund than the amount needed to pay premiums, benefits, and administrative
6 costs for the current fiscal year, the surplus, or so much of it as the commissioner of
7 administration considers advisable, may be invested by the commissioner of revenue
8 in the same manner as retirement funds are invested under **AS 37.10.220**
9 [AS 14.25.180].

10 * **Sec. 71.** AS 39.30.150(b) is amended to read:

11 (b) Employees of the division of marine transportation included in
12 **AS 39.35.095 - 39.35.680** [THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM]
13 through the process of collective bargaining under AS 39.35.680(21)(D) may, under
14 the terms of a collective bargaining agreement, utilize contributions made under (a) of
15 this section on their behalf to offset the costs of inclusion in the public employees'
16 retirement system; however,

17 (1) the state is placed under no obligation to continue making
18 contributions under this section if the state resumes participation in the federal social
19 security system;

20 (2) the bargaining agreement must provide a mechanism for satisfying
21 any residual liabilities that might exist if the state resumes participation in the federal
22 social security system; and

23 (3) funds contributed under (a) of this section on behalf of employees
24 who are not covered by maritime union contracts may not be obligated or expended to
25 pay any costs associated with the inclusion of marine transportation employees in
26 **AS 39.35.095 - 39.35.680** [THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM].

27 * **Sec. 72.** AS 39.30 is amended by adding a new section to read:

28 **Sec. 39.30.151. Administrator.** The commissioner of administration or the
29 commissioner's designee is the administrator of the system.

30 * **Sec. 73.** AS 39.30 is amended by adding a new section to read:

31 **Sec. 39.30.154. Powers and duties of the administrator.** The administrator

1 has the same powers and duties with regard to the plan as those set out in
2 AS 14.25.004.

3 * **Sec. 74.** AS 39.30.155 is repealed and reenacted to read:

4 **Sec. 39.30.155. Management and investment of fund.** The Alaska
5 Retirement Management Board is the fiduciary of the fund and has the same powers
6 and duties under this section in regard to the fund as are provided under AS 37.10.220.

7 * **Sec. 75.** AS 39.30.160(a) is amended to read:

8 (a) The Department of Administration shall, in accordance with policies
9 prescribed by regulations of the **Alaska Retirement Management** [PUBLIC
10 EMPLOYEES RETIREMENT] Board, provide to employees for whom special
11 individual employee benefit accounts are established under **AS 39.30.150(c)**
12 [AS 39.30.150] the following benefit options:

- 13 (1) supplemental health benefits; [,]
- 14 (2) supplemental death benefits; [,]
- 15 (3) supplemental disability benefits; [,] and
- 16 (4) supplemental dependent care benefits.

17 * **Sec. 76.** AS 39.30.160(b) is amended to read:

18 (b) An employee may select the types and amounts of supplemental benefits to
19 be purchased with the money deposited in the employee's special individual employee
20 benefit accounts under AS 39.30.150. The selection **for employees described in**
21 **AS 39.30.150(a)** must be from the benefit options listed in (a) of this section.

22 * **Sec. 77.** AS 39.30.160(e) is amended to read:

23 (e) Regulations adopted by the **board** [PUBLIC EMPLOYEES
24 RETIREMENT BOARD] implementing AS 39.30.150 and this section are not subject
25 to AS 44.62 (Administrative Procedure Act).

26 * **Sec. 78.** AS 39.30.175(a) is amended to read:

27 (a) The **board** [ALASKA STATE PENSION INVESTMENT BOARD] is the
28 fiduciary of the mandatory receipts, under AS 39.30.150(a), of the employee benefits
29 program established under AS 39.30.150 - 39.30.180 and has the same powers and
30 duties concerning the management and investment in regard to those receipts as are
31 provided under **AS 37.10.220** [AS 14.25.180].

1 * **Sec. 79.** AS 39.30.180 is amended by adding a new paragraph to read:

2 (3) "board" means the board of trustees of the Alaska Retirement
3 Management Board established under AS 37.10.210.

4 * **Sec. 80.** AS 39.30 is amended by adding new sections to read:

5 **Article 5. State of Alaska Teachers' and Public Employees' Retiree Health**
6 **Reimbursement Arrangement Plan.**

7 **Sec. 39.30.300. State of Alaska Teachers' and Public Employees' Retiree**
8 **Health Reimbursement Arrangement Plan established.** The State of Alaska
9 Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan is
10 established for teachers who first become members of the defined contribution plan of
11 the teachers' retirement system under AS 14.25.310 - 14.25.590 on or after July 1,
12 2006, and employees of the state, political subdivisions of the state, and public
13 organizations of the state who first become members of the defined contribution plan
14 of the public employees' retirement system under AS 39.35.700 - 39.35.990 on or after
15 July 1, 2006.

16 **Sec. 39.30.310. Purpose and effective date.** (a) The purpose of the plan is to
17 allow medical care expenses to be reimbursed from individual savings accounts
18 established for eligible persons.

19 (b) The plan becomes effective July 1, 2006, at which time contributions by
20 employers begin.

21 **Sec. 39.30.320. Attorney general.** The attorney general of the state is the
22 legal counsel for the plan and shall advise the administrator and represent the plan in a
23 legal proceeding.

24 **Sec. 39.30.330. Administrator.** The commissioner of administration or the
25 commissioner's designee is the administrator of the plan.

26 **Sec. 39.30.340. Powers and duties of the administrator.** The administrator
27 shall establish a teachers' and public employees' retiree health reimbursement
28 arrangement plan trust fund in which the assets of the plan shall be deposited and held.
29 The administrator has the same powers and duties with regard to the plan and the trust
30 fund as provided in AS 14.25.004.

31 **Sec. 39.30.350. Employer contribution fund.** The fund established under

1 AS 39.30.340 is an employer contribution fund. The value of the fund reflects
2 employer contributions, expenses, and investment gains and losses. Employee
3 contributions to the fund are not permitted.

4 **Sec. 39.30.360. Management and investment of the fund.** The Alaska
5 Retirement Management Board is the fiduciary of the fund and has the same powers
6 and duties under this section in regard to the fund as are provided under AS 37.10.220.

7 **Sec. 39.30.370. Contributions by employers.** For each member of the plan,
8 an employer shall contribute to the teachers' and public employees' retiree health
9 reimbursement arrangement plan trust fund an amount equal to three percent of the
10 employer's average annual employee compensation. The administrator shall maintain
11 a record for each member to account for employer contributions on behalf of that
12 member. The board shall establish by regulation the rate of interest to be applied
13 annually to the amount in a member's individual account.

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

24 **Sec. 39.30.390. Eligibility and reimbursement.** Persons who meet the
25 eligibility requirements of AS 14.25.470 and AS 39.35.870 are eligible for
26 reimbursements from the individual account established for a member under the plan,
27 except members do not have to retire directly from the system. A person who is the
28 dependent child of an eligible member is eligible for reimbursements if the eligible
29 member and surviving spouse have both died so long as the person meets the
30 definition of dependent child.

31 **Sec. 39.30.400. Benefits payable from the individual account.** (a) The

1 administrator may deduct the cost of monthly premiums from the individual account
2 for retiree major medical insurance on behalf of an eligible person who elected retiree
3 major medical insurance under AS 14.25.480 or AS 39.35.880.

4 (b) Upon application of an eligible person, the administrator shall reimburse to
5 the eligible person the costs for medical care expenses as defined in 26 U.S.C. 213(d).
6 Reimbursement is limited to the medical expenses of

7 (1) an eligible member, the spouse of an eligible member, and the
8 dependent children of an eligible member; or

9 (2) a surviving spouse and the dependent children of an eligible
10 member dependent on the surviving spouse.

11 (c) When the member's individual account balance is exhausted, the insurance
12 premium deductions under (a) of this section and the reimbursement of medical care
13 expenses under (b) of this section end.

14 (d) If all eligible persons die before exhausting the member's individual
15 account, the account balance shall revert to the plan.

16 **Sec. 39.30.410. Exemption from taxation and process.** (a) Contributions
17 and other amounts held in the plan on behalf of a member or other person who is or
18 may become eligible for benefits under the plan may be used only to reimburse
19 eligible medical expenses, are exempt from Alaska state and municipal taxes and
20 federal taxes to the extent allowed under the Internal Revenue Code, and are not
21 subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or
22 charge of any kind, either voluntary or involuntary, before they are received by the
23 person entitled to the amount under the terms of the plan. Any attempt to anticipate,
24 alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of any
25 right to amounts accrued in the plan is void. However, a member's right to receive
26 benefits may be assigned

27 (1) under a qualified domestic relations order; or

28 (2) to a trust or similar legal device that meets the requirements for a
29 Medicaid-qualifying trust under AS 47.07.020(f) and 42 U.S.C. 1396p(d)(4).

30 (b) Notwithstanding AS 09.38.065, contributions and other amounts held in
31 the plan and benefits payable under this plan are exempt from garnishment, execution,

1 or levy.

2 **Sec. 39.30.420. Amendment and termination of plan.** (a) The state has the
3 right to amend the plan at any time and from time to time, in whole or in part,
4 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

5 (b) The plan administrator may not modify or amend the plan retroactively in
6 such a manner as to reduce the benefits of any member accrued to date under the plan
7 by reason of contributions made before the modification or amendment except to the
8 extent that the reduction is permitted by the Internal Revenue Code.

9 (c) The state may, in its discretion, terminate the plan in whole or part at any
10 time without liability for the termination. If the plan is terminated, all investments
11 remain in force until all individual accounts have been completely distributed under
12 the plan, and, after all plan liabilities are satisfied, excess assets revert to the employer.

13 (d) Any contribution made by an employer to the plan because of a mistake of
14 fact must be returned to the employer by the administrator within one year after the
15 contribution or discovery, whichever is later.

16 **Sec. 39.30.430. Exclusive benefit.** (a) The corpus or income of the assets
17 held in trust as required by the plan may not be diverted or used for other than the
18 exclusive benefit of the participants.

19 (b) The assets of the plan may not be used to pay premiums or contributions of
20 the employer under another plan maintained by the employer.

21 **Sec. 39.30.495. Definitions.** Unless the context requires otherwise, in
22 AS 39.30.300 - 39.30.495,

23 (1) "administrator" means the commissioner of administration or the
24 commissioner's designee;

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

27 (3) "compensation" has the meaning given in AS 14.25.590;

28 (4) "dependent child" has the meaning given in AS 39.35.680;

29 (5) "eligible person" means a person who meets the eligibility
30 requirements of AS 14.25.470 or AS 39.35.870;

31 (6) "employer" has the meaning given in AS 14.25.590 for employers

1 of teachers in the defined contribution plan established in AS 14.25.310 - 14.25.590
2 and has the meaning given in AS 39.35.990 for employers of public employees in the
3 defined contribution plan established in AS 39.35.700 - 39.35.990;

4 (7) "fund" means the assets of the teachers' and public employees'
5 retiree health reimbursement arrangement plan trust fund;

6 (8) "individual account" means the record established by the
7 administrator for individual employees under the teachers' and public employees'
8 retiree health reimbursement arrangement plan;

9 (9) "member" means a member of the defined contribution plan of the
10 teachers' retirement system in AS 14.25.310 - 14.25.590 or a member of the public
11 employees' retirement system in AS 39.35.700 - 39.35.990;

12 (10) "plan" means the State of Alaska Teachers' and Public Employees'
13 Retiree Health Reimbursement Arrangement Plan established in AS 39.30.300;

14 (11) "qualified domestic relations order" has the meaning given in
15 AS 14.25.220.

16 * **Sec. 81.** AS 39.35 is amended by adding new sections to read:

17 **Article 1. Administration of the Public Employees' Retirement System of Alaska.**

18 **Sec. 39.35.001. Purpose.** The purpose of this chapter is to encourage
19 qualified personnel to enter and remain in service with participating employers by
20 establishing plans for the payment of retirement, disability, and death benefits to or on
21 behalf of the members.

22 **Sec. 39.35.002. Attorney general.** The attorney general of the state is the
23 legal counsel for the system and shall advise the administrator and represent the
24 system in a legal proceeding.

25 **Sec. 39.35.003. Administrator.** (a) The commissioner of administration or
26 the commissioner's designee is the administrator of the system.

27 (b) The commissioner of administration shall adopt regulations to govern the
28 operation of the system.

29 **Sec. 39.35.004. Powers and duties of the administrator.** (a) The
30 administrator shall

31 (1) establish and maintain an adequate system of accounts;

1 (2) transmit the funds deposited in the system to the retirement fund
2 established and maintained by the Alaska Retirement Management Board;
3 (3) approve or disapprove claims for retirement benefits;
4 (4) make payments for the various purposes specified;
5 (5) submit periodic reports or statements of account that are needed;
6 (6) issue a statement of account to an employee not less than once each
7 year showing the amount of the employee's contributions to the applicable plan in the
8 system;
9 (7) formulate and recommend to the commissioner of administration
10 regulations to govern the operation of the system;
11 (8) as soon as possible after the close of each fiscal year, and not later
12 than six months after the close of each fiscal year, send to the governor and the
13 legislature an annual statement on the operations of each of the plans in the system
14 containing
15 (A) a balance sheet;
16 (B) a statement of income and expenditures for the year;
17 (C) a report on valuation of trust fund assets;
18 (D) a summary of assets held in the trust fund listed by the
19 categories of investment, as provided by the Alaska Retirement Management
20 Board;
21 (E) other statistical financial data that are necessary for proper
22 understanding of the financial condition of the system as a whole and each plan
23 in the system and the result of its operations;
24 (9) engage an independent certified public accountant to conduct an
25 annual audit of each plan's accounts and the annual report of the system's financial
26 condition and activity;
27 (10) report to the Legislative Budget and Audit Committee concerning
28 the condition and administration of each plan and distribute the report to the members
29 of each plan in the system;
30 (11) publish an information handbook for each plan in the system at
31 intervals that the administrator considers appropriate;

1 (12) meet at least annually with the board to review the condition and
2 management of the retirement systems and to review significant changes to policies,
3 regulations or benefits; and

4 (13) do whatever else may be necessary to carry out the purposes of
5 each plan in the system.

6 (b) The administrator is authorized to charge uniform fees to members'
7 accounts to cover the ongoing cost of operating each plan in the system.

8 (c) The administrator is authorized to contract with public and private entities
9 to provide record keeping, benefits payments, and other functions necessary for the
10 administration of each plan in the system.

11 **Sec. 39.35.005. Regulations.** (a) Regulations adopted by the commissioner
12 of administration under this chapter relate to the internal management of state
13 agencies, and the adoption of these regulations is not subject to AS 44.62
14 (Administrative Procedure Act).

15 (b) Notwithstanding (a) of this section, a regulation adopted under this chapter
16 shall be published in the Alaska Administrative Register and Code for informational
17 purposes.

18 (c) Each regulation adopted under this chapter must conform to the style and
19 format requirements of the drafting manual for administrative regulations that is
20 published under AS 44.62.050.

21 (d) At least 30 days before the adoption, amendment, or repeal of a regulation
22 under this chapter, the commissioner shall provide notice of the action that is being
23 considered. The notice shall be

24 (1) posted in public buildings throughout the state;

25 (2) published in one or more newspapers of general circulation in each
26 judicial district of the state;

27 (3) mailed to each person or group that has filed a request for notice of
28 proposed action with the commissioner; and

29 (4) furnished to each member of the legislature and to the Legislative
30 Affairs Agency.

31 (e) Failure to mail notice to a person as required under (d)(3) of this section

1 does not invalidate an action taken by the commissioner.

2 (f) The commissioner may hold a public hearing on a proposed regulation.

3 (g) A regulation adopted under this chapter takes effect 30 days after adoption
4 by the commissioner.

5 (h) Notwithstanding the other provisions of this section, a regulation may be
6 adopted, amended, or repealed, effective immediately, as an emergency regulation by
7 the commissioner. For an emergency regulation to be effective, the commissioner
8 must find that the adoption, amendment, or repeal of the regulation is necessary for the
9 immediate preservation of the orderly operation of the system. The commissioner
10 shall, within 10 days after adoption of an emergency regulation, give notice of the
11 adoption under (d) of this section.

12 (i) In this section, "regulation" has the meaning given in AS 44.62.640(a).

13 **Sec. 39.35.006. Appeals.** An employer, member, annuitant, or beneficiary
14 may appeal a decision made by the administrator to the office of administrative
15 hearings established under AS 44.64. An aggrieved party may appeal a final decision
16 to the superior court.

17 **Sec. 39.35.007. Investment management of retirement system funds.** The
18 Alaska Retirement Management Board established under AS 37.10.210 is the
19 fiduciary of the system funds.

20 **Sec. 39.35.008. Definitions.** In AS 39.35.001 - 39.35.008,

21 (1) "commissioner" means the commissioner of administration;

22 (2) "plan" means the retirement plan established in AS 39.35.095 -
23 39.35.680;

24 (3) "system" means all retirement plans established under the public
25 employees' retirement system.

26 * **Sec. 82.** AS 39.35.008 is amended to read:

27 **Sec. 39.35.008. Definitions.** In AS 39.35.001 - 39.35.008,

28 (1) "commissioner" means the commissioner of administration;

29 (2) "plan" means the retirement plan established in AS 39.35.095 -
30 39.35.680 **or the retirement plan established in AS 39.35.700 - 39.35.990;**

31 (3) "system" means all retirement plans established under the public

employees' retirement system.

* **Sec. 83.** AS 39.35 is amended by adding a new section to read:

Article 2. Public Employees' Defined Benefit Retirement Plan.

Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680. The following provisions of this chapter apply only to members first hired before July 1, 2006: AS 39.35.095 - 39.35.680.

* **Sec. 84.** AS 39.35.100 is amended to read:

Sec. 39.35.100. Accounting. (a) The commissioner of administration shall establish and maintain an adequate system of accounts and records for the plan [SYSTEM]. The accounts and records shall be integrated with the accounts, records, and procedures of the employers to the end that they operate most effectively and at minimum expense, and that duplication of records and accounts is avoided.

(b) All income of the pension fund and all disbursements made by the fund shall be credited or charged, whichever is appropriate, to the following accounts:

(1) An individual account shall be maintained for each employee to record the amount of the employee's mandatory contributions collected under AS 39.35.160(a). As of the last day of each calendar year and each fiscal year beginning with June 30, 1969, this account shall be credited with interest, by applying [ONE HALF OF] the prescribed rate of interest as determined by the board to the balance in the account as of that date. Within one year following retirement, the amount actuarially determined as necessary to fully fund the benefits to be received shall be transferred first from the employee contribution account and, after the employee contribution account has been exhausted, then from the employer contribution account into the retirement reserve account.

(2) An individual account shall be maintained for each employee to record the amount of the employee's voluntary contributions. As of the last day of each calendar year and each fiscal year beginning with June 30, 1969, this account shall be credited with interest, by applying [ONE HALF OF] the prescribed rate of interest as determined by the board to the balance in the account as of that date. Amounts that, before termination of employment, are withdrawn by an employee from the employee's savings account shall be charged to that account. Upon retirement, the

1 amount actuarially determined as necessary to fully fund the benefits to be received
2 shall be transferred first from the employee savings account and, after the employee
3 savings account has been exhausted, then from the employer contribution account into
4 the retirement reserve account.

5 (3) A separate account for each employer shall be maintained. The
6 account shall be credited with contributions of the employer. This account shall be
7 charged with the employer's actuarial charge for pension, death benefits, and other
8 benefits paid under this plan [SYSTEM] to or on behalf of the employee of the
9 employer. After an allowance for interest credited to employee contribution accounts
10 and employee savings accounts, the investment income of the pension fund shall be
11 allocated to the retirement reserve account and to each employer asset share account
12 according to the ratio that the average of the assets in the account as of the beginning
13 and as of the end of the fiscal year bears to the total of the average balance of the
14 retirement reserve account and all employer accounts.

15 (4) An expense account shall be maintained for the plan [SYSTEM].
16 This account shall be charged with all disbursements representing administrative
17 expenses incurred by the plan [SYSTEM]. At the end of the year the expense account
18 shall be allocated to each employer in accordance with (3) of this subsection.
19 Expenditures from this account shall be included in the governor's budget for each
20 fiscal year and are subject to approval by the legislature.

21 * **Sec. 85.** AS 39.35 is amended by adding a new section to read:

22 **Sec. 39.35.115. Defined benefit retirement plan.** (a) A defined benefit
23 retirement plan for employees of the state, political subdivisions, and public
24 organizations is created. The plan becomes effective January 1, 1961, at which time
25 contributions by the employers and members begin.

26 (b) The retirement plan established by AS 39.35.095 - 39.35.680 is intended to
27 qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified
28 retirement plan established and maintained by the state for its employees and for the
29 employees of political subdivisions, public corporations, and public organizations of
30 the state, and for the employees of other employers whose participation is authorized
31 by AS 39.35.095 - 39.35.680 and who participate in this plan.

1 (c) An amendment to AS 39.35.095 - 39.35.680 does not provide a person
2 with a vested right to a benefit if the Internal Revenue Service determines that the
3 amendment will result in disqualification of the plan under the Internal Revenue Code.

4 * **Sec. 86.** AS 39.35.120 is amended to read:

5 **Sec. 39.35.120. Commencement of participation.** (a) An employee of the
6 state shall be included in this system upon commencement of employment with the
7 state, or on January 1, 1961, whichever is later. Unless an employee participates in a
8 [HAS ELECTED TO PARTICIPATE IN THE OPTIONAL] university retirement
9 program under AS 14.40.661 - 14.40.799, an employee of a political subdivision or
10 public organization that becomes an employer shall be included in the system on the
11 effective date of the employer's participation or the date of the employee's
12 commencement of employment with the employer, whichever is later.

13 (b) Inclusion in the system is a condition of employment for an employee
14 except as otherwise provided for

15 (1) an elected official;

16 (2) an employee making an election under AS 39.35.150(b); and

17 (3) an employee of the university who participates in a [HAS
18 ELECTED TO PARTICIPATE IN THE OPTIONAL] university retirement program
19 under AS 14.40.661 - 14.40.799.

20 * **Sec. 87.** AS 39.35.131 is amended to read:

21 **Sec. 39.35.131. Membership in teachers' and public employees'**
22 **retirement systems.** (a) A person who is employed at least half-time in the plan
23 [SYSTEM] during the same period that the person is employed at least half-time in a
24 position in the teachers' retirement plan [SYSTEM] under AS 14.25.009 - 14.25.220
25 [AS 14.25] shall receive credited service under each plan [SYSTEM] for half-time
26 employment. However, the amount of credited service a person receives under the
27 plan [SYSTEM] during a school year may not exceed the amount necessary, when
28 added to the amount of credited service earned during the school year under the
29 teachers' retirement plan [SYSTEM], to equal one year of credited service.

30 (b) A person who was employed at least half-time in a position in the teachers'
31 retirement plan [SYSTEM] under AS 14.25.009 - 14.25.220 [AS 14.25] in the same

1 period that the person was employed at least half-time in a position in this plan
2 [SYSTEM] may claim credited service in both plan [SYSTEMS] for employment
3 before May 31, 1989. To obtain this credited service, the person shall claim the
4 service and verify the period of half-time employment. When eligibility for half-time
5 service credit has been established, an indebtedness shall be determined to the
6 retirement plan [SYSTEM] in which the person did not participate. The amount of
7 the indebtedness is the full actuarial cost of providing benefits for the credited service
8 claimed. Interest as prescribed by regulation accrues on that indebtedness beginning
9 on the later of July 1, 1989, or the date on which the member is first eligible to claim
10 the service. Any outstanding indebtedness existing at the time the person retires will
11 require an actuarial adjustment to the benefits payable based on that service.

12 * **Sec. 88.** AS 39.35.158 is amended to read:

13 **Sec. 39.35.158. Administrative director of courts.** An administrative
14 director of the Alaska court system who withdraws from the judicial retirement system
15 under AS 22.25.012 is eligible for membership in the plan [SYSTEM] and shall
16 receive credited service in the plan [SYSTEM] for service rendered as administrative
17 director. To be eligible for membership in the plan [SYSTEM] under this subsection,
18 the administrative director must contribute to the plan [SYSTEM]

19 (1) the amount the director would have contributed if the director had
20 been a member during the director's period of membership in the judicial retirement
21 system; and

22 (2) any contributions for services as administrative director refunded
23 by the plan [SYSTEM] at the time the director became a member of the judicial
24 retirement system.

25 * **Sec. 89.** AS 39.35.165(a) is amended to read:

26 (a) An employee who is eligible to purchase credited service under
27 AS 39.35.310, 39.35.330, 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, or
28 39.35.370, a member who is eligible to purchase credited service under AS 39.35.375,
29 or an elected public official who is eligible to purchase credited service under
30 AS 39.35.381 is an employee for purposes of this section. An employee may, in lieu
31 of making payments directly to the plan, elect to have the employee's employer make

1 payments as provided in this section.

2 * **Sec. 90.** AS 39.35.165(b) is amended to read:

3 (b) An employee may elect to have the employer make payments for all or any
4 portion of the amounts payable for the employee's purchase of credited service
5 through a salary reduction program as follows:

6 (1) the amounts paid under a salary reduction program are in lieu of
7 contributions by the employee making the election; the electing employee's salary or
8 other compensation shall be reduced by the amount paid by the employer under this
9 subsection;

10 (2) the employee shall make an irrevocable election under this section
11 to purchase credited service as permitted in AS 39.35.310, 39.35.330, 39.35.340,
12 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or 39.35.381 and
13 before the employee's termination of employment; the irrevocable election must
14 specify the number of payroll periods that deductions will be made from the
15 employee's compensation and the dollar amount of deductions for each payroll period
16 during the specified number of payroll periods; the deductions made under this
17 paragraph cease upon the earlier of the member's termination of employment with the
18 employer or the member's death; amounts paid by an employer under (f) of this
19 section may not be applied toward the payment of the dollar amount of the deductions
20 representing the portion of the credited service that is being purchased by the member
21 through payroll deduction in accordance with the member's irrevocable election under
22 this subsection;

23 (3) amounts paid by an employer under this subsection shall be treated
24 as employer contributions for the purpose of determining tax treatment under the
25 Internal Revenue Code; the amounts paid by the employer under this section may not
26 be included in the member's gross income for income tax purposes until those amounts
27 are distributed by refund or retirement benefit payments.

28 * **Sec. 91.** AS 39.35.165(f) is amended to read:

29 (f) The commissioner may accept rollover contributions from a member [AND
30 DIRECT TRANSFERS, AS DESCRIBED IN THIS SUBSECTION, FOR THE
31 PURCHASE, IN WHOLE OR IN PART, OF CREDITED SERVICE FOR THE

1 REINSTATEMENT, IN WHOLE OR IN PART, OF FORFEITED CREDITED
2 SERVICE UNDER AS 39.35.350]. A rollover contribution [OR TRANSFER] as
3 described in this subsection shall also be treated as employer contributions for the
4 purpose of determining tax treatment under the Internal Revenue Code and may be
5 made by any one or a combination of the following methods:

6 (1) subject to the limitations prescribed in 26 U.S.C. 401(a)(3) and 26
7 U.S.C. 402(c), accepting eligible rollover distributions directly from one or more
8 retirement programs of another employer that are qualified under 26 U.S.C. 401(a) or
9 accepting rollovers directly from a member;

10 (2) subject to the limitations prescribed in 26 U.S.C. 408(d)(3)(A)(ii),
11 accepting from a member conduit rollover contributions that are received by the
12 employee from one or more conduit rollover individual retirement accounts previously
13 established by the member;

14 (3) subject to the limitations prescribed in 26 U.S.C. 403(b)(13),
15 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
16 member, on or after January 1, 2002, from a tax sheltered annuity described in 26
17 U.S.C. 403(b);

18 (4) subject to the limitations prescribed in 26 U.S.C. 457(e)(17),
19 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
20 member, on or after January 1, 2002, from an eligible deferred compensation plan of a
21 tax-exempt organization or a state or local government described in 26 U.S.C. 457(b);

22 (5) accepting direct trustee-to-trustee transfer from an account
23 established for the benefit of the member in AS 39.30.150 - 39.30.180 (Alaska
24 Supplemental Annuity Plan).

25 * **Sec. 92.** AS 39.35.165(g) is amended to read:

26 (g) Payments made under this section shall be applied to reduce the
27 employee's outstanding indebtedness described in AS 39.35.310, 39.35.330,
28 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
29 39.35.381 at the time that the contributions are received by the plan.

30 * **Sec. 93.** AS 39.35.165(i) is amended to read:

31 (i) On satisfaction of the eligibility requirements of AS 39.35.310, 39.35.330,

39.35.340, 39.35.341, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or 39.35.381, the requirements of this section, and the administrative filing requirements specified by the commissioner, the plan shall adjust the employee's credited service history and add any additional service credits acquired.

* **Sec. 94.** AS 39.35.200 is amended by adding a new subsection to read:

(d) An employee who receives a refund of contributions in accordance with this section forfeits corresponding credited service under AS 39.35.095 - 39.35.680.

* **Sec. 95.** AS 39.35.270 is amended to read:

Sec. 39.35.270. Amount of employer's contributions. The amount of each employer's contributions shall be determined by applying the employer's contribution rate, as certified by the board, to the total compensation paid to the active employees of the employer for each payroll period and by including any adjustments to contributions required by AS 39.35.520(a). This amount shall be remitted by the employer to the administrator in accordance with AS 39.35.610.

* **Sec. 96.** AS 39.35.270 is amended by adding a new subsection to read:

(b) The employer contribution rate may not be less than the rate required, after subtracting the member contribution rate, to fully fund the actuarially calculated benefits expected to be earned by active members during a fiscal year.

* **Sec. 97.** AS 39.35.340(f) is amended to read:

(f) An employee may not [CANNOT] be credited with a period of active military service in the armed forces of the United States under this section if credit for that military service was granted under AS 14.25.009 - 14.25.220 [AS 14.25].

* **Sec. 98.** AS 39.35.340(h) is amended to read:

(h) The combined period of military service claimed under this section and under AS 14.25.009 - 14.25.220 [AS 14.25] may not exceed five years.

* **Sec. 99.** AS 39.35.360(i) is amended to read:

(i) An employee who completes three years of credited service with an employer, for which the employee makes contributions required by AS 39.35.095 - 39.35.680 [THIS CHAPTER], is entitled to credited service on a year-for-year basis for service credited in the Civil Service Retirement System, rendered as an employee of an Alaska Bureau of Indian Affairs (BIA) school, other than service as a teacher.

1 When eligibility for retroactive credited service under this subsection has been
2 established, an indebtedness of the employee to the plan [SYSTEM] shall be
3 determined as follows: (1) the employee's actual annual compensation, or the
4 calculated annual compensation for an employee who works fewer than 12 months, for
5 the most recent calendar year in which service is rendered to an employer before the
6 calendar year in which the employee first becomes eligible to claim service under this
7 subsection, multiplied by (2) the number of years of service in Alaska BIA schools
8 that is credited under this subsection, and this product multiplied by (3) six percent for
9 employees first eligible to claim this service before January 1, 1987, or eight and one-
10 half percent for employees first eligible to claim this service on or after January 1,
11 1987. Interest as prescribed by regulation accrues on the indebtedness beginning on
12 the date the employee may first claim the retroactive credited service. Any
13 outstanding indebtedness that exists at the time the employee retires requires an
14 actuarial adjustment to the benefits that are based on retroactive credited service under
15 this subsection. A retirement benefit payable under this subsection for Alaska BIA
16 service shall be reduced by an amount equal to the retirement benefits paid to the
17 member by the United States government for the same service.

18 * **Sec. 100.** AS 39.35.360(*l*) is amended to read:

19 (l) An administrative director of the Alaska Court System who withdraws
20 from the judicial retirement system under AS 22.25.012(b) is eligible for membership
21 in the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] and shall receive
22 credited service in this plan [SYSTEM] for service rendered as administrative
23 director. To be eligible for membership in this plan [SYSTEM] under this subsection,
24 the administrative director must contribute to the plan [SYSTEM]

25 (1) the amount that would have been contributed if the administrative
26 director had been a member during the period of the membership in the judicial
27 retirement system; and

28 (2) any contributions for service as administrative director refunded
29 from the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] at the time the
30 administrative director became a member of the judicial retirement system.

31 * **Sec. 101.** AS 39.35.370(g) is amended to read:

(g) When an employee who was employed as a dispatcher in a state trooper office or in a police or fire department in the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] applies for appointment to retirement, the employee may convert the credited service for that position to credited service as a peace officer by claiming the service as peace officer service. An employee who has converted credited service to peace officer service under this subsection shall be treated as a peace officer for purposes of AS 39.35.095 - 39.35.680 [THIS CHAPTER]. When the member claims this credited service as peace officer service, an indebtedness of the member to the plan [SYSTEM] shall be established. The indebtedness is equal to the full actuarial cost of the conversion of the credited service to treatment as peace officer service. Any outstanding indebtedness that exists at the time the member is appointed to retirement shall [WILL] require an actuarial adjustment to the benefits payable based upon the conversion of the credited service.

* **Sec. 102.** AS 39.35.375(a) is amended to read:

(a) An active or inactive member who has never been vested in this plan [SYSTEM] or in the teachers' retirement plan [SYSTEM] under AS 14.25.009 - 14.25.220 [AS 14.25], who has at least two years of credited service in this plan [SYSTEM], and who has membership service in the teachers' retirement system may claim credited service in this plan [SYSTEM] in an amount equal to the membership service the member has in the teachers' retirement system. The claimed credited service may be added to service earned under AS 39.35.095 - 39.35.680 [THIS CHAPTER] to enable the member to qualify for a public service benefit under this section. The member may not claim credited service for membership service for which the member has received a refund under AS 14.25.150 unless the member fully pays the indebtedness as established under AS 14.25.063. The member may not claim credited service in this plan [SYSTEM] based on unused sick leave under AS 14.25.115.

* **Sec. 103.** AS 39.35.375(b) is amended to read:

(b) To claim credited service under this section, the member shall file a written request with the administrator when the member applies to retire. The administrator shall determine the full actuarial cost of benefits based on the member's

1 total credited service and shall transfer from the teachers' retirement system to this
2 plan [SYSTEM] an amount equal to the sum of the member contributions and any
3 indebtedness payments to the teachers' retirement system and the employer
4 contributions to the teachers' retirement system made on behalf of the employee
5 together with interest earned on those contributions and indebtedness payments. If the
6 amount to be transferred, when combined with the amount of employee contributions
7 and indebtedness payments to this plan [SYSTEM] and the amount of employer
8 contributions on behalf of the employee in this plan [SYSTEM], and interest earned
9 on contributions and indebtedness payments for the employee, is less than the full
10 actuarial cost computed under this subsection, an indebtedness to the plan [SYSTEM]
11 equal to the amount of the difference is established. Interest as prescribed by
12 regulation accrues on the indebtedness. The member must pay any outstanding
13 indebtedness existing at the time the member applies for retirement in full before the
14 member is appointed to retirement under this section.

15 * **Sec. 104.** AS 39.35.375(c) is amended to read:

16 (c) A member is entitled to receive a public service benefit under this section
17 if the member has at least a total of five years credited service under AS 39.35.095 -
18 39.35.680 [THIS CHAPTER] and credited service from the teachers' retirement plan
19 under AS 14.25.009 - 14.25.220 [SYSTEM] claimed under this section. A public
20 service benefit shall be calculated using the higher of the average monthly
21 compensation for service in this plan [SYSTEM] or the average base salary for
22 service in the teachers' retirement plan under AS 14.25.009 - 14.25.220 [SYSTEM].
23 The amount of the benefit shall be calculated in accordance with AS 39.35.370(c).

24 * **Sec. 105.** AS 39.35.375(d) is amended to read:

25 (d) Credited service earned under either this plan [SYSTEM] or the teachers'
26 retirement system that has been claimed for a public service benefit under this section
27 may not be used for any other purpose. A member who claims credited service under
28 this section loses all rights to benefits under AS 14.25 based on the claimed credited
29 service. A member may not claim credited service under this section unless the
30 member claims all of the membership service the member has in the teachers'
31 retirement system. A public service benefit does not constitute a normal or early

1 retirement benefit for purposes of qualifying for a conditional service retirement
2 benefit under AS 14.25.125 or AS 39.35.385.

3 * **Sec. 106.** AS 39.35.375(f) is amended to read:

4 (f) Notwithstanding AS 14.25.063 and AS 39.35.350, a former member of the
5 teachers' retirement system who is an active member or inactive member of this **plan**
6 [SYSTEM] may reinstate, under this section, membership service earned under
7 AS 14.25 for which the member received a refund of contributions.

8 * **Sec. 107.** AS 39.35.375(f) is amended to read:

9 (f) Notwithstanding AS 14.25.063 [AND AS 39.35.350], a former member of
10 the teachers' retirement system who is an active member or inactive member of this
11 plan may reinstate, under this section, membership service earned under AS 14.25 for
12 which the member received a refund of contributions.

13 * **Sec. 108.** AS 39.35.375(g) is amended to read:

14 (g) If a member retires under this section and subsequently returns to work for
15 an employer under this **plan** [SYSTEM] or the teachers' retirement system, benefits
16 under this section shall cease during the period of reemployment and shall
17 recommence when the reemployment is ended. The credited service earned during the
18 period of reemployment may not be added to the credited service claimed for a public
19 service benefit under this section. If a member vests and meets the other eligibility
20 requirements under this system or the teachers' retirement system during the
21 reemployment, the member is entitled to a benefit under **AS 14.25.009 - 14.25.220**
22 [AS 14.25] or **AS 39.35.095 - 39.35.680** [AS 39.35], as appropriate.

23 * **Sec. 109.** AS 39.35.375 is amended by adding a new subsection to read:

24 (h) In this section,

25 (1) "teachers' retirement system" and "teachers' retirement system
26 under AS 14.25" mean the teachers' retirement plan established in AS 14.25.009 -
27 14.25.220;

28 (2) "membership service earned under AS 14.25" means membership
29 service earned under AS 14.25.009 - 14.25.220.

30 * **Sec. 110.** AS 39.35.381(a) is amended to read:

31 (a) An elected public officer is eligible for a public officer benefit if the officer

1 is retired under **AS 14.25.009 - 14.25.220** [AS 14.25 (TEACHERS' RETIREMENT
2 SYSTEM)]. Only fully paid credited service as an elected public officer of a
3 municipality or other political subdivision, earned while the municipality or political
4 subdivision was an employer under this **plan** [SYSTEM] and while the person was
5 employed full-time under **AS 14.25.009 - 14.25.220** [AS 14.25], may be counted
6 under this section.

7 * **Sec. 111.** AS 39.35.410(f) is amended to read:

8 (f) An employee is not entitled to an occupational disability benefit unless the
9 employee files an application for it with the administrator within 90 days of the date of
10 terminating employment. If the employee is unable to meet a filing requirement of
11 this subsection, it may be waived by the **commissioner** [PUBLIC EMPLOYEES'
12 RETIREMENT BOARD] if there are extraordinary circumstances that resulted in the
13 employee's inability to meet the filing requirement. [THE BOARD MAY
14 DELEGATE THE AUTHORITY TO WAIVE A FILING DEADLINE UNDER THIS
15 SUBSECTION TO THE ADMINISTRATOR.]

16 * **Sec. 112.** AS 39.35.475(a), as that subsection read following amendment by sec. 34, ch.
17 146, SLA 1980, until amended by sec. 41, ch. 82, SLA 1986, is amended to read:

18 (a) When the administrator determines that the cost of living has increased and
19 that the financial condition of the retirement fund permits, **the administrator** [HE]
20 shall increase benefit payments to persons receiving benefits under this **plan. For**
21 **purposes of this subsection, the financial condition of the fund would only permit**
22 **an increase in benefits when the ratio of total fund assets to the accrued liability**
23 **meets or exceeds 105 percent. In this subsection, "accrued liability" means the**
24 **present value of all member benefits accrued by member service in this plan**
25 [SYSTEM].

26 * **Sec. 113.** AS 39.35.485(a) is amended to read:

27 (a) An employee who is eligible for a benefit calculated in accordance with
28 AS 39.35.370(c) is entitled to a benefit of at least \$25 a month for each year of
29 credited service, not including adjustments made under AS 39.35.340 for military
30 service, [AS 39.35.350 FOR REINSTATEMENT OF CREDITED SERVICE,]
31 AS 39.35.360 for credit for earlier service, AS 39.35.370(c) for early retirement,

1 AS 39.35.420 for nonoccupational death benefits, AS 39.35.450 for the survivor's
2 option, former AS 39.35.460 for the level income option, AS 39.35.475 for the post-
3 retirement pension adjustment, and AS 39.35.480 for the cost of living.

4 * **Sec. 114.** AS 39.35.520(c) is amended to read:

5 (c) **At least quarterly** [AT EACH REGULARLY SCHEDULED MEETING
6 OF THE PUBLIC EMPLOYEES' RETIREMENT BOARD], the administrator shall
7 report to the **commissioner of administration** [BOARD] on all situations since the
8 administrator's last report in which an adjustment has been prohibited under (b) of this
9 section. If the **commissioner of administration** [BOARD] finds that there is reason
10 to believe that one or more of the conditions set out in (b) of this section have not been
11 met, the administrator shall notify the member or beneficiary that an adjustment will
12 be made to recover the overpayment. A member or beneficiary who receives notice of
13 adjustment under this subsection may **file a request with the commissioner of**
14 **administration** [APPEAL TO THE BOARD] for a waiver of the adjustment under
15 AS 39.35.522. An adjustment may not be required while the **waiver request**
16 [APPEAL] is pending.

17 * **Sec. 115.** AS 39.35.522(a) is amended to read:

18 (a) Upon **request** [APPEAL] by an affected member or beneficiary under (b)
19 of this section, the **commissioner of administration** [BOARD] may waive an
20 adjustment or any portion of an adjustment made under AS 39.35.520 if, in the
21 opinion of the **commissioner of administration** [BOARD],

22 (1) the adjustment or portion of the adjustment will cause undue
23 hardship to the member or beneficiary;

24 (2) [REPEALED]

25 (3) REPEALED

26 (4)] the adjustment was not the result of erroneous information
27 supplied by the member or beneficiary;

28 **(3)** [(5)] before the adjustment was made, the member or beneficiary
29 received confirmation from the administrator that the employee's or beneficiary's
30 records were correct; and

31 **(4)** [(6)] the member or beneficiary had no reasonable grounds to

1 believe the employee's or beneficiary's records were incorrect before the adjustment
2 was made.

3 *** Sec. 116.** AS 39.35.535(a) is repealed and reenacted to read:

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

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

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

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

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

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

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

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

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

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

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

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

27 *** Sec. 117.** AS 39.35.680(2) is amended to read:

28 (2) "actuarial adjustment" means the adjustment necessary to obtain
29 equality in value of the aggregate expected payments under two different forms of
30 pension payments, considering expected mortality and interest earnings on the basis of
31 assumptions, factors, and methods specified in regulations issued under this **plan**

1 [SYSTEM] that are formally adopted [UNDER AS 39.35.042] by the board that
2 clearly preclude employer discretion in the determination of the amount of any
3 member's benefit;

4 * **Sec. 118.** AS 39.35.680(6) is amended to read:

5 (6) "board" means the **Alaska Retirement Management** [PUBLIC
6 EMPLOYEES RETIREMENT] Board;

7 * **Sec. 119.** AS 39.35.680(21) is amended to read:

8 (21) "member" or "employee"

9 (A) means a person eligible to participate in the system and
10 who is covered by the system;

11 (B) includes

12 (i) an active member;

13 (ii) an inactive member;

14 (iii) a vested member;

15 (iv) a deferred vested member;

16 (v) a nonvested member;

17 (vi) a disabled member;

18 (vii) a retired member;

19 (viii) an elected public officer under AS 39.35.381;

20 (C) does not include

21 (i) former members;

22 (ii) persons compensated on a contractual or fee basis;

23 (iii) casual or emergency workers or nonpermanent
24 employees as defined in AS 39.25.200;

25 (iv) persons covered by the Alaska Teachers'
26 Retirement System except as provided under AS 39.35.131 and
27 39.35.381, or persons covered by **a** [THE OPTIONAL] university
28 retirement program;

29 (v) employees of the division of marine transportation
30 engaged in operating the state ferry system who are covered by a union
31 or group retirement system to which the state makes contributions;

1 (vi) justices of the supreme court or judges of the court
2 of appeals or of the superior or district courts of Alaska;

3 (vii) the administrative director of courts appointed
4 under art. IV, sec. 16 of the state constitution unless the director
5 becomes a member under AS 39.35.158;

6 (viii) members of the elected public officers' retirement
7 system (former AS 39.37); and

8 (ix) contractual employees of the legislative branch of
9 state government under AS 24.10.060(f);

10 (D) may include employees of the division of marine
11 transportation excluded under (C)(v) of this paragraph provided that

12 (i) the State of Alaska formally agrees to their inclusion
13 through the process of collective bargaining; and

14 (ii) no collective bargaining agreement has the effect of
15 obligating contributions made by the state under AS 39.30.150 in the
16 event the state resumes participation in the federal social security
17 system;

18 * **Sec. 120.** AS 39.35.680(34) is amended to read:

19 (34) "qualified domestic relations order" means a divorce or
20 dissolution judgment under AS 25.24, including an order approving a property
21 settlement, that

22 (A) creates or recognizes the existence of an alternate payee's
23 right to, or assigns to an alternate payee the right to, receive all or a portion of
24 employee contribution account or the benefits payable with respect to an
25 employee;

26 (B) sets out the name and last known mailing address, if any, of
27 the employee and of each alternate payee covered by the order;

28 (C) sets out the amount or percentage of the employee's benefit,
29 or of any survivor's benefit, to be paid to the alternate payee, or sets out the
30 manner in which that amount or percentage is to be determined;

31 (D) sets out the number of payments or period to which the

order applies;

(E) sets out the **retirement plan** [SYSTEM] to which the order applies;

(F) does not require any type or form of benefit or any option not otherwise provided by **AS 39.35.095 - 39.35.680** [THIS CHAPTER];

(G) does not require an increase of benefits in excess of the amount provided by **AS 39.35.095 - 39.35.680** [THIS CHAPTER], determined on the basis of actuarial value; and

(H) does not require the payment to an alternate payee of benefits that are required to be paid to another alternate payee under another order previously determined to be a qualified domestic relations order;

* **Sec. 121.** AS 39.35.680 is amended by adding new paragraphs to read:

(41) "commissioner" means the commissioner of administration;

(42) "plan" means the retirement plan established in AS 39.35.095 - 39.35.680.

* **Sec. 122.** AS 39.35 is amended by adding new sections to read:

Article 9. Employees First Hired on or after July 1, 2006.

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 members first hired on or after July 1, 2006, or to members who transfer into the defined contribution plan under AS 39.35.940.

Sec. 39.35.710. Defined contribution retirement plan established; federal qualification requirements. (a) A defined contribution retirement plan is established for employees of the state or a political subdivision or public organization of the state.

(b) The defined contribution retirement plan is a plan in which savings are accumulated in an individual retirement account for the exclusive benefit of the member or beneficiaries. The plan is established effective July 1, 2006, at which time contributions by employers and members begin.

(c) The retirement plan established by AS 39.35.700 - 39.35.990 is intended to qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified retirement plan established and maintained by the state for its employees, for the employees of political subdivisions, public corporations, and public organizations of

1 the state, and for the employees of other employers whose participation is authorized
2 by AS 39.35.700 - 39.35.990 and who participate in the plan set out in AS 39.35.700 -
3 39.35.990.

4 (d) An amendment to AS 39.35.700 - 39.35.990 does not provide a person
5 with a vested right to a benefit if the Internal Revenue Service determines that the
6 amendment will result in disqualification of the plan under the Internal Revenue Code.

7 **Sec. 39.35.720. Membership.** An employee who becomes a member on or
8 after July 1, 2006, shall participate in the plan set out in AS 39.35.700 - 39.35.990.

9 **Sec. 39.35.730. Contributions by members.** (a) Each member shall
10 contribute to the member's individual account an amount equal to eight percent of the
11 member's compensation from July 1 to the following June 30.

12 (b) Subject to the limitations on contributions under AS 39.35.780, a member
13 may elect to make additional contributions to the member's individual account.

14 (c) The employer shall deduct the contribution from the member's
15 compensation at the end of each payroll period, and the contribution shall be credited
16 by the plan to the member's individual account. The contributions shall be deducted
17 from the member's compensation before the computation of applicable federal taxes
18 and shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member
19 may not have the option of making the payroll deduction directly in cash instead of
20 having the contribution picked up by the employer.

21 **Sec. 39.35.740. Employment contributions mandatory.** Contributions of
22 employees shall be made by payroll deductions. Every included employee shall be
23 considered to consent to payroll deductions. It is of no consequence that a payroll
24 deduction may cause the compensation paid in cash to an employee to be reduced
25 below the minimum required by law. Payment of an employee's compensation, less
26 payroll deductions, is a full and complete discharge and satisfaction of all claims and
27 demands by the employee relating to remuneration of services during the period
28 covered by the payment, except with respect to the benefits provided under the plan.

29 **Sec. 39.35.750. Contributions by employers.** (a) An employer shall
30 contribute to each member's individual account an amount equal to five percent of the
31 member's compensation from July 1 to the following June 30.

1 (b) An employer shall also contribute an amount equal to a percentage, as
2 certified by the board, of each member's compensation from July 1 to the following
3 June 30 to pay for retiree major medical insurance. This contribution shall be paid
4 into the group health and life benefits fund established by the commissioner of
5 administration under AS 39.30.095 and shall be accounted for in accordance with
6 regulations established by the commissioner.

7 (c) Notwithstanding (b) of this section, the employer contribution for retiree
8 major medical insurance for fiscal year 2007 shall be 1.75 percent of each member's
9 compensation from July 1 to the following June 30.

10 (d) An employer shall also make contributions to the health reimbursement
11 arrangement plan under AS 39.30.300.

12 (e) An employer shall make annual contributions to the plan in an amount
13 determined by the board to be actuarially required to fully fund the cost of providing
14 occupational disability and occupational death benefits under AS 39.35.890 and
15 39.35.892. The contribution required under this subsection for peace officers and fire
16 fighters and the contribution required under this subsection for other employees shall
17 be separately calculated based on the actuarially calculated costs for each group of
18 employees.

19 **Sec. 39.35.760. Rollover contributions and distributions.** (a) An employee
20 entering the plan may elect, at the time and in the manner prescribed by the
21 administrator, to have all or part of a direct rollover distribution from an eligible
22 retirement plan owned by the member paid directly into the member's individual
23 account.

24 (b) Rollover contributions do not count as a purchase of membership service
25 for the purpose of determining years of service.

26 (c) A distributee may elect, at the time and in the manner prescribed by the
27 administrator, to have all or part of an eligible rollover distribution paid directly to an
28 eligible retirement plan specified by the distributee in the direct rollover.

29 (d) In this section,

30 (1) "direct rollover" means the payment of an eligible rollover
31 distribution by the plan to an eligible retirement plan specified by a distributee who is

1 eligible to elect a direct rollover;

2 (2) "distributee" means a member, or a beneficiary who is the
3 surviving spouse of the member, or an alternate payee;

4 (3) "eligible retirement plan" means

5 (A) a conduit individual retirement account described in 26
6 U.S.C. 408(d)(3)(A);

7 (B) an annuity plan described in 26 U.S.C. 403(a);

8 (C) a qualified trust described in 26 U.S.C. 401(a);

9 (D) an annuity plan described in 26 U.S.C. 403(b); or

10 (E) a governmental plan described in 26 U.S.C. 457(b);

11 (4) "eligible rollover distribution" means a distribution of all or part of
12 a total account to a distributee, except for

13 (A) a distribution that is one of a series of substantially equal
14 installments payable not less frequently than annually over the life expectancy
15 of the distributee or the joint and last survivor life expectancy of the distributee
16 and the distributee's designated beneficiary, as defined in 26 U.S.C. 401(a)(9);

17 (B) a distribution that is one of a series of substantially equal
18 installments payable not less frequently than annually over a specified period
19 of 10 years or more;

20 (C) a distribution that is required under 26 U.S.C. 401(a)(9);

21 (D) the portion of any distribution that is not includable in
22 gross income;

23 (E) a distribution that is on account of hardship; and

24 (F) other distributions that are reasonably expected to total less
25 than \$200 during a year.

26 **Sec. 39.35.770. Transmittal of contributions.** All contributions deducted in
27 accordance with AS 39.35.700 - 39.35.990 shall be transmitted to the plan for deposit
28 in the trust fund as soon as administratively feasible, but in no event later than 15 days
29 following the close of the payroll period.

30 **Sec. 39.35.780. Limitations on contributions.** Notwithstanding any other
31 provisions of this plan, the annual additions to each member's individual account

1 under this plan and under all defined contribution plans of the employer required to be
2 aggregated with the contributions from this plan under the provisions of 26 U.S.C. 415
3 may not exceed, for any limitation year, the amount permitted under 26 U.S.C. 415 at
4 any time. If the amount of a member's defined contribution plan contributions exceeds
5 the limitation of 26 U.S.C. 415(c) for any limitation year, the administrator shall take
6 any necessary remedial action to correct an excess contribution. The provisions of 26
7 U.S.C. 415, and the regulations adopted under that statute, as applied to qualified
8 defined contribution plans of governmental employees are incorporated as part of the
9 terms and conditions of the plan.

10 **Sec. 39.35.790. Vesting.** (a) A participating member is immediately and
11 fully vested in that member's contributions and related earnings.

12 (b) A member shall be fully vested in the employer contributions made on that
13 member's behalf, and related earnings, after five years of service. A member is
14 partially vested in the employer contributions made on that member's behalf, and the
15 related earnings, in the ratio of

- 16 (1) 25 percent with two years of service;
17 (2) 50 percent with three years of service; and
18 (3) 75 percent with four years of service.

19 **Sec. 39.35.800. Investment of individual accounts.** (a) The board shall
20 provide a range of investment options and permit a participant to exercise investment
21 control over the participant's assets in the member's individual account as provided in
22 this section. If a participant exercises control over the assets in the individual account,
23 the participant is not considered a fiduciary for any reason on the basis of exercising
24 that control.

25 (b) A participant may direct investment of plan funds held in an account
26 among available investment funds in accordance with rules established by the board.

27 (c) A participant may elect to change or transfer all or a portion of the
28 participant's existing account balance among available investment funds not more
29 often than once each day in accordance with the rules established by the administrator.
30 Only the last election received by the administrator before the transmittal of
31 contributions to the trust fund for allocation to the individual account shall be used to

1 direct the investment of the contributions received.

2 (d) Except to the extent clearly set out in the terms of the investment plans
3 offered by the employer to the employee, the employer is not liable to the participant
4 for investment losses if the prudent investment standard has been met.

5 (e) The employer, administrator, state, board, or a person or entity who is
6 otherwise a fiduciary is not liable by reason for any participant's investment loss that
7 results from the participant's directing the investment of plan assets allocated to the
8 participant's account.

9 (f) To the extent that a member's individual account has been divided as
10 provided in a qualified domestic relations order between participants, each participant
11 shall be treated as the holder of a separate individual account for purposes of
12 investment yields, decisions, transfers, and time limitations imposed by this section.

13 **Sec. 39.35.810. Distribution election at termination.** (a) A member is
14 eligible to elect distribution of the member's account in accordance with this section
15 60 days after termination of employment.

16 (b) Notwithstanding (a) of this section, distribution of all or a portion of the
17 individual account of a member may take place before the 60th day after the
18 termination of employment with the approval of the administrator if the member
19 makes a written request for a distribution under this subsection. The member's spouse
20 must consent to the request in writing if the member is married. Distribution of an
21 individual account may only be made on account of an immediate and heavy financial
22 need of the member for the following reasons and in the amount the need is
23 demonstrated for

24 (1) medical care described in 26 U.S.C. 213(d) incurred by the
25 member, the member's spouse, or the member's dependent, or necessary to obtain that
26 medical care;

27 (2) the purchase of a principal residence for the member;

28 (3) postsecondary education tuition and related educational fees for the
29 next 12-month period for the member, the member's spouse, or a dependent of the
30 member; in this paragraph, "dependent" has the meaning given in 26 U.S.C. 152;

31 (4) prevention of the eviction of the member from the member's

1 principal residence or foreclosure on the mortgage of the member's principal
2 residence; or

3 (5) any need prescribed by the United States Department of the
4 Treasury, Internal Revenue Service, in a revenue ruling, notice, or other document of
5 general applicability that satisfies the safe harbor definition of hardship under
6 regulations adopted under 26 U.S.C. 401(k).

7 (c) If a member dies before benefits commence, the member's beneficiary is
8 immediately eligible to elect distribution of the member's share of the member's
9 individual account.

10 (d) Distributions are payable to an alternate payee in accordance with the
11 terms and conditions of a qualified domestic relations order that is received and
12 approved by the administrator as specified in AS 39.35.860.

13 (e) Distributions that are being paid to a member may not be affected by the
14 member's subsequent reemployment with the employer. Upon reemployment, a new
15 individual account shall be established for the member to which any future
16 contributions shall be allocated. Upon subsequent termination of employment, the
17 member's new individual account shall be distributed in accordance with this section.

18 **Sec. 39.35.820. Forms of distribution.** (a) A participant may elect to receive
19 the participant's share of the individual account in a

20 (1) lump sum payment, which is a single payment of the entire balance
21 in the account;

22 (2) periodic lump sum payment, which is a payment of a portion of the
23 balance in the account, not more than twice each year;

24 (3) period certain annuity payment, which is an annuity payable in a
25 fixed number of monthly installments for a duration of 60, 120, or 180 months;

26 (4) life annuity with a period certain payment, which is an annuity
27 payable until the later of the first day of the month in which the annuitant's death
28 occurs, or the date on which the payment of a fixed number of monthly installments is
29 completed; the period certain for installments is 120 or 180 months;

30 (5) single life annuity payment, which is an annuity payable monthly
31 until the first of the month in which the annuitant's death occurs; or

1 (6) joint and survivor annuity payment, which is an annuity payable
2 monthly to the member until the first of the month in which the member's death
3 occurs; after the member's death, a survivor annuity equal to 50 percent or 100 percent
4 of the member's benefit, as previously elected by the member, shall be paid monthly to
5 the joint annuitant for the remainder of the survivor's lifetime.

6 (b) Upon the death of an annuitant whose payments have commenced, an
7 annuitant's beneficiary shall receive further payments only to the extent provided in
8 accordance with the form of payment that was being made to the annuitant. The
9 remaining portion of the interest shall continue to be distributed at least as rapidly as
10 under the method of distribution being used before the annuitant's death.

11 (c) If a participant dies before the distribution commencement date,
12 distribution of the participant's entire interest to a beneficiary shall be payable in any
13 form other than a joint and survivor annuity.

14 (d) If an unmarried member or other participant fails to elect a form of
15 payment before the distribution commencement date, the account shall be paid to a
16 beneficiary in the form of a lump sum to the extent required by the minimum
17 distribution requirements set out in the Internal Revenue Code. If a married member
18 fails to elect a form of payment before the distribution commencement date, the
19 account shall be paid in the form of a 50 percent joint and survivor annuity, with the
20 member's spouse as the joint annuitant.

21 **Sec. 39.35.830. Manner of electing distributions.** (a) Any election or any
22 alteration or revocation of a prior election by a participant for any purpose under this
23 plan shall be on forms or made in a manner prescribed for that purpose by the plan
24 administrator. To be effective, the forms required or the required action for any
25 purpose under this plan must be completed and received in accordance with
26 regulations adopted by the commissioner of administration.

27 (b) At any time, but not less than seven days before the benefit
28 commencement date, a member, alternate payee, or beneficiary may change

- 29 (1) the form of payment election;
30 (2) an election to commence benefits; or
31 (3) the joint annuitant designation.

1 (c) Changes in elections are not allowed on or after seven days before the
2 benefit commencement date.

3 **Sec. 39.35.840. Distribution requirements.** (a) Payments to a participant
4 shall commence as soon as administratively feasible following the distribution
5 commencement date. The distribution commencement date is the first date on which
6 one of the following occurs:

7 (1) a member meets the requirements of AS 39.35.810 and has made a
8 complete application for payment under AS 39.35.830;

9 (2) a participant has elected to defer receipt of the account to a date
10 specified, the date has been attained, and the participant has made a complete
11 application for payment;

12 (3) a member attains normal retirement age and has not made an
13 application for payment or elected to defer receipt of the account to a date later than
14 normal retirement age;

15 (4) a member's beneficiary does not make an application for benefits,
16 and five years have elapsed since the member's death;

17 (5) notwithstanding (1) - (4) of this subsection, a participant whose
18 account has a balance of \$1,000 or less meets the requirements of AS 39.35.810, at
19 which time the participant must take payment of the participant's account.

20 (b) The entire interest of a member must be distributed or must begin to be
21 distributed not later than the member's required beginning date.

22 (c) If a member dies after the distribution of the member's interest has begun
23 but before the distribution has been completed, the remaining portion of the interest
24 shall continue to be distributed at least as rapidly as under the method of distribution
25 being used before the member's death.

26 (d) If a member has made a distribution election and dies before the
27 distribution of the member's interest begins, distribution of the member's entire interest
28 shall be completed by December 31 of the calendar year containing the fifth
29 anniversary of the member's death. However, if any portion of the member's interest
30 is payable to a designated beneficiary, distributions may be made over the life of the
31 designated beneficiary or over a period certain not greater than the life expectancy of

1 the designated beneficiary, commencing on or before December 31 of the calendar
2 year immediately following the calendar year in which the member died, and, if the
3 designated beneficiary is the member's surviving spouse, the date distributions are
4 required to begin may not be earlier than the later of December 31 of the calendar year
5 (1) immediately following the calendar year in which the member died, or (2) in which
6 the member would have attained 70 1/2 years of age, whichever is earlier. If the
7 surviving spouse dies after the member but before payments to the spouse have begun,
8 the provisions of this subsection apply as if the surviving spouse were the member.
9 An amount paid to a child of the member shall be treated as if it were paid to the
10 surviving spouse if the amount becomes payable to the surviving spouse when the
11 child reaches the age of majority.

12 (e) If a member has not made a distribution election before the member's
13 death, the member's designated beneficiary must elect the method of distribution not
14 later than December 31 of the calendar year (1) in which distributions would be
15 required to begin under this section, or (2) that contains the fifth anniversary of the
16 date of death of the member, whichever is earlier. If the member does not have a
17 designated beneficiary or if the designated beneficiary does not elect a method of
18 distribution, distribution of the member's entire interest must be completed by
19 December 31 of the calendar year containing the fifth anniversary of the member's
20 death.

21 (f) For purposes of (b) of this section, distribution of a member's interest is
22 considered to begin (1) on the member's required beginning date, or (2) if the
23 designated beneficiary is the member's surviving spouse and the surviving spouse dies
24 after the member but before payments to the spouse have begun, on the date
25 distribution is required to begin to the surviving spouse. If distribution in the form of
26 an annuity irrevocably commences to the member before the required beginning date,
27 the date distribution is considered to begin is the date that the distribution actually
28 commences.

29 (g) Notwithstanding any contrary provisions of AS 39.35.700 - 39.35.990, the
30 requirements of this section apply to all distributions of a member's interest and take
31 precedence over any inconsistent provisions of AS 39.35.700 - 39.35.990.

1 (h) All distributions required under this section are determined and made in
2 accordance with 26 U.S.C. 401(a)(9) and regulations adopted under that statute,
3 including any minimum distribution incidental benefit requirement.

4 (i) In this section,

5 (1) "designated beneficiary" means the individual who is designated as
6 the beneficiary under the plan in accordance with 26 U.S.C. 401(a)(9) and regulations
7 adopted under that statute;

8 (2) "required beginning date" means the first day of April of the
9 calendar year following the calendar year in which the member either attains 70 1/2
10 years of age or actually terminates employment, whichever is later.

11 **Sec. 39.35.850. Designation of beneficiary.** (a) Each participant shall have
12 the right to designate a beneficiary and shall have the right, at any time, to revoke the
13 designation or to substitute another beneficiary, subject to the following limitation: if
14 a married member elects a nonspouse beneficiary, the value of the benefit payable to
15 the beneficiary may not exceed 50 percent of the member's portion of the account
16 balance, and the member's spouse shall automatically be considered the beneficiary for
17 the remaining 50 percent of the account balance, unless the spouse consents to the
18 beneficiary designation in a writing that is notarized or witnessed by the administrator.
19 If the spouse consents in this manner, a married member may designate a nonspouse
20 beneficiary for the entire benefit or any portion the benefit as part of an available form
21 of payment contained in this plan,

22 (1) except to the extent a qualified domestic relations order filed with
23 the administrator provides for payment to a former spouse or other dependent of the
24 member; or

25 (2) unless the member filed a revocation of beneficiary accompanied
26 by a written consent to the revocation from the present spouse and each person entitled
27 under the order; however, consent of the present spouse is not required if the member
28 and the present spouse had been married for less than one year on the date of the
29 member's death and if the member established when filing the revocation that the
30 member and the present spouse were not cohabiting.

31 (b) Except as provided in (a) of this section, the member may change or

1 revoke the designation without notice to the beneficiary or beneficiaries at any time.
2 If a member designates more than one beneficiary, each shares equally unless the
3 member specifies a different allocation or preference. The designation of a
4 beneficiary, a change or revocation of a beneficiary, and a consent to revocation of a
5 beneficiary shall be made on a form provided by the administrator and is not effective
6 until filed with the administrator.

7 (c) If a member fails to designate a beneficiary, or if no designated beneficiary
8 survives the member, the death benefit shall be paid

9 (1) to the surviving spouse or, if there is none surviving;

10 (2) to the surviving children of the member in equal parts or, if there
11 are none surviving;

12 (3) to the surviving parents in equal parts or, if there are none
13 surviving;

14 (4) to the estate.

15 (d) A person claiming entitlement to benefits payable under AS 39.35.700 -
16 39.35.990 as a consequence of a member's death shall provide the administrator with a
17 marriage certificate, divorce or dissolution judgment, or other evidence of entitlement.
18 Documents establishing entitlement may be filed with the administrator immediately
19 after a change in the member's marital status. If the administrator does not receive
20 notification of a claim before the date 10 days after the member's death, the person
21 claiming entitlement is not entitled to receive from the division of retirement and
22 benefits any benefit already paid by the administrator.

23 **Sec. 39.35.860. Rights under qualified domestic relations order.** (a)
24 Notwithstanding the nonalienation provisions in AS 39.35.900(a), the plan
25 administrator may direct that benefits be paid to someone other than a member or
26 beneficiary under a valid qualified domestic relations order that is executed by the
27 judge of a competent court in accordance with applicable state law and that has been
28 accepted by the administrator.

29 (b) The administrator shall determine whether an order meets the requirements
30 of this section within a reasonable period after receiving an order. The administrator
31 shall notify the member and any alternate payee that an order has been received and

1 indicate to the member and any alternate payee when the order is accepted. A separate
2 account for the alternate payee portion shall be established as soon as administratively
3 feasible after the order has been accepted by the administrator.

4 **Sec. 39.35.870. Eligibility for retirement and medical benefits.** (a) In
5 order to obtain medical benefits under AS 39.35.880, an active member must retire
6 directly from the plan. A member is eligible to retire from the plan if the member has
7 been an active member for at least 12 months before application for retirement and

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

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

13 (b) The normal retirement age is the age set for Medicare eligibility at the time
14 the member retires.

15 (c) A member's surviving spouse is eligible to elect medical benefits under
16 AS 39.35.880 if the member had retired, or was eligible for retirement and medical
17 benefits at the time of the member's death.

18 (d) Members shall apply for retirement and medical benefits on the forms and
19 in the manner prescribed by the administrator.

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

22 (f) A person eligible for retirement and medical benefits is not required to
23 participate in the health reimbursement arrangement in order to participate in the
24 retiree major medical insurance plan.

25 (g) An eligible person must make the irrevocable election to participate or not
26 participate in the retiree major medical insurance plan by reaching 70 1/2 years of age,
27 or upon application for retirement and medical benefits, whichever is later.

28 **Sec. 39.35.880. Medical benefits.** (a) The medical benefits available to
29 eligible persons are access to the retiree major medical insurance plan and to the
30 health reimbursement arrangement under AS 39.30.300. Access to the retiree major
31 medical insurance plan means that an eligible person may not be denied insurance

1 coverage except for failure to pay the required premium.

2 (b) 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 (c) 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 (d) Major medical insurance coverage takes effect on the first day of the
9 month following the date of the administrator's approval of the election and stops
10 when the person who elects coverage dies or fails to make a required premium
11 payment.

12 (e) The coverage for persons 65 years of age or older is the same as that
13 available for persons under 65 years of age. The benefits payable to those persons 65
14 years of age or older supplement any benefits provided under the federal old age,
15 survivors and disability insurance program.

16 (f) The medical and optional insurance premiums owed by the person who
17 elects coverage may be deducted from the health reimbursement arrangement. If the
18 amount of the health reimbursement arrangement becomes insufficient to pay the
19 premiums, the person who elects coverage under (a) of this section shall pay the
20 premiums directly.

21 (g) The cost of premiums for retiree major medical insurance coverage for an
22 eligible member or surviving spouse who is

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

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

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

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

31 (C) 20 percent if the member had 20 or more, but less than 25,

1 years of service;

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

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

5 (h) The eligibility for retiree major medical insurance coverage for an
6 alternate payee under a qualified domestic relations order shall be determined based
7 on the eligibility of the member to elect coverage. The alternate payee shall pay the
8 full monthly premium for retiree major medical insurance coverage.

9 (i) A person who is entitled to retiree major medical insurance coverage shall

10 (1) be informed by the administrator in writing

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

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

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

19 (j) The monthly group premiums for retiree major medical insurance coverage
20 are established by the administrator in accordance with AS 39.30.095. Nothing in
21 AS 39.35.700 - 39.35.990 guarantees a person who elects coverage under (a) of this
22 section a monthly group premium rate for retiree major medical insurance coverage
23 other than the premium in effect for the month in which the premium is due for
24 coverage for that month.

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

27 **Sec. 39.35.890. Occupational disability benefits and reemployment of**
28 **disabled employees.** (a) An employee is eligible for an occupational disability
29 benefit if employment is terminated because of a total and apparently permanent
30 occupational disability before the employee's normal retirement date.

31 (b) The occupational disability benefits accrue beginning the first day of the

1 month following termination of employment as a result of the disability and are
2 payable the last day of the month. If a final determination granting the benefit is not
3 made in time to pay the benefit when due, a retroactive payment shall be made to
4 cover the period of deferment. The last payment shall be for the first month in which
5 the disabled employee

6 (1) dies;

7 (2) recovers from the disability;

8 (3) fails to meet the requirements under (f) or (j) of this section; or

9 (4) reaches normal retirement age.

10 (c) If the disabled employee becomes ineligible to receive occupational
11 disability benefits before the normal retirement date, the disabled employee shall then
12 be entitled to receive retirement benefits if the employee would have been eligible for
13 the benefit had employment continued during the period of disability. The period of
14 disability constitutes membership service in regard to determining eligibility for
15 retirement.

16 (d) The monthly amount of an occupational disability benefit is 40 percent of
17 the disabled employee's gross monthly compensation at the time of termination due to
18 disability. While an employee is receiving disability benefits, based on the disabled
19 employee's gross monthly compensation at the time of termination due to disability,
20 the employer shall make contributions

21 (1) to the employee's individual account under AS 39.35.730 on behalf
22 of the employee, without deduction from the employee's disability payments; and

23 (2) on behalf of the employee under AS 39.35.750.

24 (e) An employee is not entitled to an occupational disability benefit unless the
25 employee files an application for an occupational disability benefit with the
26 administrator within 90 days after the date of terminating employment. If the
27 employee is unable to meet a filing requirement of this subsection, the filing
28 requirement may be waived by the administrator if there are extraordinary
29 circumstances that resulted in the employee's inability to meet the filing requirement.

30 (f) A disabled employee receiving an occupational disability benefit shall
31 undergo a medical examination as often as the administrator considers advisable, but

1 not more frequently than once each year. The administrator shall determine the place
2 of the examination and engage the physician or physicians. If, in the judgment of the
3 administrator, the examination indicates that the retired employee is no longer
4 incapacitated because of a total and apparently permanent occupational disability, the
5 administrator may not issue further disability benefits to the employee.

6 (g) A disabled employee's occupational disability benefit terminates when the
7 disabled employee first attains eligibility for normal retirement. At that time, the
8 employee's retirement benefit shall be determined under the provisions of
9 AS 39.35.820 - 39.35.840, 39.35.870, and 39.35.880. An employee receiving
10 disability benefits up until eligibility for retirement shall be considered to have retired
11 directly from the plan.

12 (h) Notwithstanding (g) of this section, at the time a peace officer or fire
13 fighter receiving occupational disability benefits under this section first attains
14 eligibility for normal retirement, the employee shall irrevocably elect to receive
15 retirement benefits in the amount calculated as the

16 (1) employee's retirement benefit calculated under the provisions of
17 AS 39.35.820 - 39.35.840; or

18 (2) employee's retirement benefit calculated as if the provisions of
19 AS 39.35.370(c) were to apply; however, retirement benefits paid under this paragraph
20 may not be made from the trust fund of the public employees' defined benefit
21 retirement plan.

22 (i) Notwithstanding (b)(3) of this section, a peace officer or fire fighter who
23 retires under (h) of this section is not subject to the requirements of (f) or (j) of this
24 section during retirement.

25 (j) An employee appointed to disability benefits shall apply to the division of
26 vocational rehabilitation within 30 days after the date disability benefits commence.
27 The employee shall be enrolled in a rehabilitation program if the employee meets the
28 eligibility requirements of the division of vocational rehabilitation. Unless the
29 employee demonstrates cause, benefits shall terminate at the end of the first month in
30 which a disabled employee

31 (1) fails to report to the division of vocational rehabilitation;

1 (2) is certified by the division of vocational rehabilitation as failing to
2 cooperate in a vocational rehabilitation program;

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

4 (4) fails to accept a position offered.

5 (k) Upon the death of a disabled employee who is receiving or is entitled to
6 receive an occupational disability benefit, the administrator shall pay the surviving
7 spouse a surviving spouse's pension, equal to 40 percent of the employee's monthly
8 compensation at the termination of employment because of occupational disability. If
9 there is no surviving spouse, the administrator shall pay the survivor's pension in equal
10 parts to the dependent children of the employee. The first payment of the surviving
11 spouse's pension or of a dependent child's pension shall accrue from the first day of
12 the month following the employee's death and is payable the last day of the month.
13 The last payment shall be made for the last month in which there is an eligible
14 surviving spouse or child. On the date the normal retirement of the employee would
15 have occurred if the employee had lived, the retirement benefit shall be determined
16 under the provisions of AS 39.35.820 - 39.35.840, 39.35.870, and 39.35.880. An
17 employee who died while receiving disability benefits shall be considered to have
18 retired directly from the plan on the date the normal retirement of the employee would
19 have occurred if the employee had lived.

20 (l) In this section, "occupational disability" has the meaning given in
21 AS 39.35.680.

22 **Sec. 39.35.892. Occupational death benefit.** (a) If (1) the death of an
23 employee occurs before the employee's retirement and before the employee's normal
24 retirement date, (2) the proximate cause of death is a bodily injury sustained or a
25 hazard undergone while in the performance and within the scope of the employee's
26 duties, and (3) the injury or hazard is not the proximate result of wilful negligence of
27 the employee, a monthly survivor's pension shall be paid to the surviving spouse. If
28 there is no surviving spouse or if the spouse later dies, the monthly survivor's pension
29 shall be paid in equal parts to the dependent children of the employee.

30 (b) The first payment of the surviving spouse's pension or of a dependent
31 child's pension shall be made for the month following the month in which the

1 employee dies, and payment shall cease to be made beginning with the month in
2 which the employee would have first qualified for retirement.

3 (c) The monthly survivor's pension in (b) of this section for survivors of
4 employees who were not peace officers or fire fighters is 40 percent of the employee's
5 monthly compensation in the month in which the employee dies. The monthly
6 survivor's pension in (b) of this section for survivors of employees who were peace
7 officers or fire fighters is 50 percent of the monthly compensation in the month in
8 which the employee dies. While the monthly survivor's pension is being paid, the
9 employer shall make contributions on behalf of the employee's beneficiaries based on
10 the deceased employee's gross monthly compensation at the time of occupational
11 death

12 (1) to the employee's individual account under AS 39.35.730, without
13 deduction from the survivor's pension; and

14 (2) to the appropriate accounts and funds under AS 39.35.750.

15 (d) If an employee's death is caused by an act of assault, assassination, or
16 terrorism directly related to the person's status as an employee, whether the act occurs
17 on or off the employee's job site, the death shall be considered to have occurred in the
18 performance of and within the scope of the employee's duties for purposes of (a)(2) of
19 this section. If the expressed or apparent motive and intent of the perpetrator of the
20 harm inflicted upon the employee was due to the performance of the employee's job
21 duties or employment, the death shall be considered to be directly related to the
22 employee's status as an employee. An employee's job duties are those performed
23 within the course and scope of the person's employment with an employer.

24 (e) On the date the normal retirement of the employee would have occurred if
25 the employee had lived, the retirement benefit shall be determined under the
26 provisions of AS 39.35.820 - 39.35.840, 39.35.870, and 39.35.880. An employee who
27 died and whose survivors receive occupational death benefits under this section shall
28 be considered to have retired directly from the plan on the date the normal retirement
29 of the employee would have occurred if the employee had lived.

30 **Sec. 39.35.895. Amendment and termination of plan.** (a) The state has the
31 right to amend the plan at any time and from time to time, in whole or in part,

1 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

2 (b) The plan administrator may not modify or amend the plan retroactively in
3 such a manner as to reduce the benefits of any member accrued to date under the plan
4 by reason of contributions made before the modification or amendment except to the
5 extent that the reduction is permitted by the Internal Revenue Code.

6 (c) The state may, in its discretion, terminate the plan in whole or part at any
7 time without liability for the termination. If the plan is terminated, all investments
8 remain in force until all individual accounts have been completely distributed under
9 the plan, and, after all plan liabilities are satisfied, excess assets revert to the employer.

10 (d) Any contribution made by an employer to the plan because of a mistake of
11 fact must be returned to the employer by the administrator within one year after the
12 contribution or discovery, whichever is later.

13 **Sec. 39.35.900. Exclusive benefit.** (a) The corpus or income of the assets
14 held in trust as required by the plan may not be diverted or used for other than the
15 exclusive benefit of the participants.

16 (b) If plan benefits are provided through the distribution of annuity or
17 insurance contracts, any refunds or credits in excess of plan benefits due to dividends,
18 earnings, or other experience rating credits, or surrender or cancellation credits, shall
19 be paid to the trust fund.

20 (c) The assets of the plan may not be used to pay premiums or contributions of
21 the employer under another plan maintained by the employer.

22 **Sec. 39.35.910. Nonguarantee of returns, rates, or benefit amounts.** The
23 plan created by AS 39.35.700 - 39.35.990 is a defined contribution plan, not a defined
24 benefit plan. The amount of money in the account of a participant depends on the
25 amount of contributions and the rate of return from investments of the account that
26 varies over time. If benefits are paid in the form of an annuity, the benefit amount
27 payable is dependent on the amount of money in the account and the interest rates
28 applied and service fees charged by the annuity payor at the time benefits are first
29 paid. Nothing in this plan guarantees a participant

30 (1) a rate of return or interest rate other than that actually earned by the
31 account of the participant, less applicable administrative expenses; or

1 (2) an annuity based on interest rates or service charges other than
2 interest rates available from and service charges by the annuity payor in effect at the
3 time the annuity is paid.

4 **Sec. 39.35.920. Nonguarantee of employment.** The provisions of
5 AS 39.35.700 - 39.35.990 are not a contract of employment between an employer and
6 an employee, nor do they confer a right of an employee to be continued in the
7 employment of an employer, nor are they a limitation of the right of an employer to
8 discharge an employee with or without cause.

9 **Sec. 39.35.930. Fraud.** (a) A person who knowingly makes a false statement
10 or falsifies or permits to be falsified a record of this plan in an attempt to defraud the
11 plan is guilty of a class A misdemeanor.

12 (b) In this section, "knowingly" has the meaning given in AS 11.81.900(a).

13 **Sec. 39.35.940. Transfer into defined contribution plan by nonvested**
14 **members of defined benefit plan.** (a) Subject to (i) of this section, an active
15 member of the defined benefit retirement plan of the public employees' retirement
16 system is eligible to participate in the defined contribution retirement plan established
17 under AS 39.35.700 - 39.35.990 if that member has not vested. Participation in the
18 defined contribution retirement plan is in lieu of participation in the defined benefit
19 retirement plan established under AS 39.35.095 - 39.35.680.

20 (b) A member who has vested in a defined benefit retirement plan is not
21 eligible to transfer under this section.

22 (c) Each eligible member who elects to participate in the defined contribution
23 retirement plan shall have transferred to a new account the employee contribution
24 account balance held in trust for the member under the defined benefit retirement plan
25 of the public employees' retirement system. A matching employer contribution shall
26 be made on behalf of that employee to the new account. The employer shall make the
27 matching contribution from funds other than the trust funds of the defined benefit
28 retirement plan established under AS 39.35.095 - 39.35.680.

29 (d) Upon a transfer, all membership service previously earned under the
30 defined benefit retirement plan shall be nullified for purposes of entitlement to a future
31 benefit under the defined benefit retirement plan but shall be credited for purposes of

1 eligibility to elect medical benefits under AS 39.35.870. Membership service allowed
2 for credit toward medical benefits does not include any service credit purchased for
3 employment by an employer who is not a participating employer in this chapter.

4 (e) An eligible member whose accounts are subject to a qualified domestic
5 relations order may not make an election to participate in the defined contribution
6 retirement plan under this subsection unless the qualified domestic relations order is
7 amended or vacated and court-certified copies of the order are received by the
8 administrator.

9 (f) As directed by the participant, the board shall transfer or cause to be
10 transferred the appropriate amounts to the designated account. The board shall
11 establish transfer procedures by regulation, but the actual transfer may not be later
12 than 30 days after the effective date of the member's participation in the defined
13 contribution retirement plan unless the major financial markets for securities available
14 for a transfer are seriously disrupted by an unforeseen event that also causes the
15 suspension of trading on any national securities exchange in the country where the
16 securities were issued. In that event, the 30-day period of time may be extended by a
17 resolution of the board of trustees. Transfers are not commissionable or subject to
18 other fees and may be in the form of securities or cash as determined by the board.
19 Securities shall be valued as of the date of receipt in the participant's account.

20 (g) If the board or the administrator receives notification from the United
21 States Department of the Treasury, Internal Revenue Service, that this section or a
22 portion of this section will cause the retirement system under this chapter, or a portion
23 of the retirement system under this chapter, to be disqualified for tax purposes under
24 the Internal Revenue Code, the portion that will cause the disqualification does not
25 apply, and the board and the administrator shall notify the presiding officers of the
26 legislature.

27 (h) The election to participate in the defined contribution retirement plan must
28 be made in writing on forms and in the manner prescribed by the administrator.
29 Before accepting an election to participate in the defined contribution retirement plan,
30 the administrator must provide the employee planning on making an election to
31 participate in the defined contribution retirement plan with information, including

1 calculations to illustrate the effect of moving the employee's retirement plan from the
2 defined benefit retirement plan to the defined contribution retirement plan as well as
3 other information to clearly inform the employee of the potential consequences of the
4 employee's election. An election made under this subsection to participate in the
5 defined contribution retirement plan is irrevocable. Upon making the election, the
6 participant shall be enrolled as a member of the defined contribution retirement plan,
7 the member's participation in the plan shall be governed by the provisions of
8 AS 39.35.700 - 39.35.990, and the member's participation in the defined benefit
9 retirement plan under AS 39.35.115 shall terminate. The participant's enrollment in
10 the defined contribution retirement plan shall be effective the first day of the month
11 after the administrator receives the completed enrollment forms. An election made by
12 an eligible member who is married is not effective unless the election is signed by the
13 individual's spouse.

14 (i) A member may make an election under this section only if the member's
15 employer participates in both the defined benefit retirement plan and the defined
16 contribution retirement plan and consents to transfers under this section. The
17 employer shall notify the administrator if the employer consents to allowing the
18 employer's members to choose to transfer from the defined benefit retirement plan to
19 the defined contribution retirement plan under this section. An employer's notice to
20 allow transfers is irrevocable and applicable to all eligible employees of the employer.

21 (j) In this section,

22 (1) "defined benefit retirement plan" means the retirement plan
23 established in AS 39.35.095 - 39.35.680;

24 (2) "defined contribution retirement plan" means the retirement plan
25 established in AS 39.35.700 - 39.35.990.

26 **Sec. 39.35.950. Request by political subdivision to participate and**
27 **adoption of resolution.** A municipality or other political subdivision of the state may
28 request to become an employer in this plan. The request shall be made after adoption
29 of a resolution by the legislative body of the political subdivision and after approval of
30 the resolution by the person required by law to approve the resolution. A certified
31 copy of the resolution shall be filed with the administrator. If the administrator

1 approves the request for participation, the political subdivision is an employer of the
2 plan.

3 **Sec. 39.35.955. Request by public organization to participate and**
4 **adoption of resolution.** A public organization may request to become an employer in
5 this plan. The request shall be made after adoption of a resolution by the governing
6 body of the public organization. A certified copy of the resolution shall be filed with
7 the administrator. If the administrator approves the request for participation, the
8 public organization is an employer of the plan.

9 **Sec. 39.35.960. Membership in teachers' and public employees'**
10 **retirement systems.** A person who is employed at least half-time in the public
11 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the
12 same period that the person is employed at least half-time in a position in the teachers'
13 defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited
14 service under each plan for half-time employment. However, the amount of credited
15 service a person receives under the public employees' defined contribution retirement
16 plan during a school year may not exceed the amount necessary, when added to the
17 amount of credited service earned during the school year under the teachers' defined
18 contribution retirement plan, to equal one year of credited service.

19 **Sec. 39.35.965. Army and air national guard employees.** A regular full-
20 time civilian employee of the Alaska Army National Guard and Air National Guard
21 whose entire salary is paid from allotted federal funds is included in the public
22 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) if the
23 federal or state government pays the employer's contributions. If the amount that the
24 federal government may legally contribute to the plan is lower than the required
25 employer's contribution, the state government shall contribute the difference. If the
26 employer's contributions are not paid when due, service credit for the period of
27 delinquency may not be granted until the contributions are paid.

28 **Sec. 39.35.970. North Pacific Fishery Management Council employees.**
29 An employee of the North Pacific Fishery Management Council appointed under 16
30 U.S.C. 1852(f)(1) (Sec. 302(f)(1) of P.L. 94-265) whose compensation is paid from
31 allotted federal funds is included in the public employees' defined contribution

1 retirement plan (AS 39.35.700 - 39.35.990) if the council pays the employer's
2 contributions. If the employer's contributions are not paid when due, credited service
3 for the period of delinquency may not be granted until the contributions are paid.

4 **Sec. 39.35.990. Definitions.** In AS 39.35.700 - 39.35.990, unless the context
5 requires otherwise,

6 (1) "administrator" means the commissioner of administration or the
7 commissioner's designee;

8 (2) "alternate payee" means the person for whom an amount has been
9 separated into an account under a qualified domestic relations order;

10 (3) "annuitant" means a member, beneficiary, or alternate payee who is
11 receiving a benefit under this plan;

12 (4) "beneficiary" means the person or persons entitled under the
13 provisions of this plan to receive benefits after the death of a member or alternate
14 payee;

15 (5) "board" has the meaning given in AS 39.35.680;

16 (6) "calendar year" has the meaning given in AS 39.35.680;

17 (7) "compensation"

18 (A) means

19 (i) the total remuneration earned by an employee for
20 personal services rendered, including cost-of-living differentials, as
21 reported on the employee's Federal Income Tax Withholding Statement
22 (Form W-2) from the employer for the calendar year;

23 (ii) the member contribution to the public employees'
24 retirement system under AS 39.35.730, employee deferrals under
25 AS 39.45.010, the wage reduction amount contributed to the Alaska
26 Supplemental Annuity Plan under AS 39.30.150(a), and the wage
27 reduction amount contributed to the Alaska Supplemental Benefit Plan
28 under AS 39.30.150(c), as those statutes may be amended from time to
29 time;

30 (B) does not include retirement benefits, severance pay or other
31 separation bonuses, welfare benefits, per diem, expense allowances, workers'

1 compensation payments, payments for leave not used whether those leave
2 payments are scheduled payments, lump-sum payments, donations, or cash-ins,
3 any remuneration contributed by the employer for or on account of the
4 employee under this plan or under any other qualified or nonqualified
5 employee benefit plan, any remuneration not specifically included above
6 which would have been excluded under 26 U.S.C. 3121(a) (Internal Revenue
7 Code) if the employer had remained in the Federal Social Security System, or
8 any remuneration paid by the employer in excess of the Social Security
9 Taxable Wage Base for the calendar year;

10 (C) notwithstanding (B) of this paragraph, includes any amount
11 that is contributed by the employer under a salary reduction agreement and that
12 is not includible in the gross income of the employee under 26 U.S.C. 125,
13 132(f)(4), 402(e)(3), 402(h)(1)(B) or 403(b) (Internal Revenue Code); the
14 annual compensation limitation for the member, which is so taken into account
15 for those purposes, may not exceed \$200,000, as adjusted for the cost of living
16 in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the
17 limitation for a fiscal year being the limitation in effect for the calendar year
18 within which the fiscal year begins;

19 (8) "dependent child" has the meaning given in AS 39.35.680;

20 (9) "distribution commencement date" has the meaning given in
21 AS 39.35.840(a);

22 (10) "employer" means

23 (A) the State of Alaska; or

24 (B) a political subdivision or public organization of the state
25 that participates in the plan;

26 (11) "fund" means the assets of the plan;

27 (12) "individual account" means the total maintained by the plan in an
28 investment account within the trust fund, established for each member for the purposes
29 of allocation of the member's contributions, the employer's contributions on behalf of
30 the member, and earnings credited to each of those contributions, investment gains
31 and losses, and expenses; as well as reporting of the member's benefit under the plan;

1 (13) "Internal Revenue Code" means the Internal Revenue Code of
2 1986, as amended;

3 (14) "investment funds" means those separate funds that are provided
4 within and that make up the trust fund and that are established for the purpose of
5 directing investment through the exercise of the sole control of a member, beneficiary,
6 or alternate payee under the terms of the plan and trust agreement;

7 (15) "limitation year" means the year for which contributions are made
8 to a member's individual account as reported to the Internal Revenue Service and as
9 meets the limits described in 26 U.S.C. 415(c);

10 (16) "member" means an employee of an employer or former
11 employee of an employer who retains a right to benefits under the plan, but does not
12 include full-time or part-time instructors of the Department of Labor and Workforce
13 Development;

14 (17) "membership service" means full-time or part-time employment
15 with an employer in the plan;

16 (18) "normal retirement age" means the age set for Medicare eligibility
17 at the time the member retires;

18 (19) "participant" means the person who has a vested right to an
19 individual account, such as a member, an alternate payee if the account is subject to a
20 qualified domestic relations order, the member's beneficiary if the member is
21 deceased, or an alternate payee's beneficiary if the alternate payee is deceased;

22 (20) "peace officer" or "fire fighter" has the meaning given in
23 AS 39.35.680;

24 (21) "plan" means the retirement plan established in AS 39.35.700 -
25 39.35.990;

26 (22) "prudent investment standard" means the degree of care, skill,
27 prudence, and diligence under the circumstances then prevailing that a prudent person
28 acting in a like capacity and familiar with such matters would use in the conduct of an
29 enterprise of a like character and with like aims;

30 (23) "qualified domestic relations order" means a divorce or
31 dissolution judgment under AS 25.24, including an order approving a property

1 settlement, that

2 (A) creates or recognizes the existence of an alternate payee's
3 right to, or assigns to an alternate payee the right to, receive all or a portion of
4 an individual account or the benefits payable with respect to a member;

5 (B) sets out the name and last known mailing address, if any, of
6 the member and of each alternate payee covered by the order;

7 (C) sets out the amount or percentage of the member's benefit,
8 or of any survivor's benefit, to be paid to the alternate payee, or sets out the
9 manner in which that amount or percentage is to be determined;

10 (D) sets out the number of payments or period to which the
11 order applies;

12 (E) sets out the retirement plan to which the order applies;

13 (F) does not require any type or form of benefit or any option
14 not otherwise provided by AS 39.35.700 - 39.35.990;

15 (G) does not require an increase of benefits in excess of the
16 amount provided by AS 39.35.700 - 39.35.990; and

17 (H) does not require the payment to an alternate payee of
18 benefits that are required to be paid to another alternate payee under another
19 order previously determined to be a qualified domestic relations order;

20 (24) "retiree" means an eligible person who has elected to receive
21 medical benefits under AS 39.35.880;

22 (25) "surviving spouse" means the spouse of an employee who has
23 been married to the employee for at least one year at the time of the employee's death;

24 (26) "system" has the meaning given in AS 39.35.680;

25 (27) "year of service" means the equivalent of 52 weeks of permanent
26 full-time employment, which may consist of a combination of permanent full-time or
27 permanent part-time membership service; in this paragraph, "permanent full-time" and
28 "permanent part-time" have the meanings given in AS 39.35.680.

29 * **Sec. 123.** AS 39.45.030(a) is amended to read:

30 (a) The Alaska **Retirement Management** [STATE PENSION
31 INVESTMENT] Board is authorized, subject to contracts with individual employees,

1 to invest the funds held under a deferred compensation program. The board has the
2 same powers and duties concerning the management and investment in regard to those
3 funds as are provided under **AS 37.10.220** [AS 14.25.180].

4 * **Sec. 124.** AS 39.45.030(g) is amended to read:

5 (g) In this section, "board" means the Alaska **Retirement Management**
6 [STATE PENSION INVESTMENT] Board.

7 * **Sec. 125.** AS 39.45.060 is amended by adding a new paragraph to read:

8 (2) "board" means the trustees of the Alaska Retirement Management
9 Board established under AS 37.10.210.

10 * **Sec. 126.** AS 39.50.200(a)(9) is amended to read:

11 (9) "public official" means

12 (A) a judicial officer;

13 (B) the governor or the lieutenant governor;

14 (C) a person hired or appointed in a department in the
15 executive branch as

16 (i) the head or deputy head of the department;

17 (ii) the director or deputy director of a division;

18 (iii) a special assistant to the head of the department;

19 (iv) a person serving as the legislative liaison for the
20 department;

21 (D) an assistant to the governor or the lieutenant governor;

22 (E) the chair or a member of a state commission or board
23 [OTHER THAN PHYSICIAN MEMBERS OR ALTERNATES OF THE
24 ALASKA TEACHERS' RETIREMENT BOARD APPOINTED UNDER
25 AS 14.25.035(a)(2) OR OF THE PUBLIC EMPLOYEES' RETIREMENT
26 BOARD APPOINTED UNDER AS 39.35.030(d);]

27 (F) state investment officers and the state comptroller in the
28 Department of Revenue;

29 (G) [REPEALED

30 (H)] the chief procurement officer appointed under
31 AS 36.30.010;

1 (H) [(I)] the executive director of the Alaska Workforce
2 Investment Board; and

3 (I) [(J)] each appointed or elected municipal officer;

4 * **Sec. 127.** AS 39.50.200(b)(54) is amended to read:

5 (54) Alaska **Retirement Management** [STATE PENSION
6 INVESTMENT] Board (AS 37.10.210);

7 * **Sec. 128.** AS 44.25.020(2) is amended to read:

8 (2) collect, account for, have custody of, invest, and manage all state
9 funds and all revenues of the state except revenues incidental to a program of licensing
10 and regulation carried on by another state department, funds managed and invested by
11 the Alaska **Retirement Management** [STATE PENSION INVESTMENT] Board,
12 and as otherwise provided by law;

13 * **Sec. 129.** AS 44.25.028(a) is amended to read:

14 (a) The commissioner of revenue may designate employees of the Department
15 of Revenue who are subject to the provisions of AS 39.50 because of their
16 responsibility for participating in the management or investment of the funds for
17 which the Alaska **Retirement Management** [STATE PENSION INVESTMENT]
18 Board is responsible.

19 * **Sec. 130.** AS 44.25.028(b) is amended to read:

20 (b) If an officer or employee of the Department of Revenue with responsibility
21 for funds for which the Alaska **Retirement Management** [STATE PENSION
22 INVESTMENT] Board is responsible acquires, owns, or controls an interest, direct or
23 indirect, in an entity or project in which assets under the control of the board are
24 invested, the officer or employee shall immediately disclose the interest to the board.
25 The disclosure is a matter of public record and shall be included in the minutes of the
26 board meeting next following the disclosure. The commissioner shall adopt
27 regulations to restrict officers and employees of the department from having a
28 substantial interest in an entity or project in which assets under the control of the board
29 are invested.

30 * **Sec. 131.** AS 44.64.030(a) is amended by adding new paragraphs to read:

31 (36) AS 14.25.006 (teachers' retirement system);

1 (37) AS 39.35.006 (public employees' retirement system).

2 * **Sec. 132.** AS 14.25.012(a), 14.25.015, 14.25.020, 14.25.022, 14.25.030, 14.25.035,
3 14.25.037, 14.25.170, 14.25.175(e), 14.25.180, 14.25.190, 14.25.220(41); AS 39.30.175(f);
4 AS 39.35.010, 39.35.020, 39.35.030, 39.35.040, 39.35.042, 39.35.047, 39.35.060, 39.35.080,
5 39.35.090, 39.35.520(c), 39.35.522(c), 39.35.522(e); AS 39.45.025; AS 39.50.200(b)(23), and
6 39.50.200(b)(29) are repealed.

7 * **Sec. 133.** AS 14.25.061(c), 14.25.062; and AS 39.35.350 are repealed.

8 * **Sec. 134.** The uncodified law of the State of Alaska is amended by adding a new section
9 to read:

10 EMPLOYER CONTRIBUTIONS FOR OCCUPATIONAL DISABILITY AND
11 DEATH BENEFITS IN THE PUBLIC EMPLOYEES' DEFINED CONTRIBUTION
12 RETIREMENT PLAN FOR THE FIRST FISCAL YEAR THE PLAN IS IN EFFECT.
13 Notwithstanding AS 39.35.750(e), added by sec. 122 of this Act, for the first fiscal year in
14 which the public employees' defined contribution retirement plan is in effect, the employer
15 contribution to fully fund the cost of providing occupational disability and occupational death
16 benefits under AS 39.35.890 and 39.35.892 shall be equal to

17 (1) 0.4 percent of the compensation for peace officers and fire fighters; and

18 (2) 0.3 percent of the compensation for all other employees.

19 * **Sec. 135.** The uncodified law of the State of Alaska is amended by adding a new section
20 to read:

21 TRANSITION: INITIAL STAGGERED TERMS OF TRUSTEES OF THE
22 ALASKA RETIREMENT MANAGEMENT BOARD. Notwithstanding AS 37.10.210(c), as
23 repealed and reenacted by sec. 58 of this Act, the terms of the initially appointed trustees of
24 the Alaska Retirement Management Board who are not commissioners shall be set by the
25 governor to achieve staggered terms in the manner provided for seven-member boards by
26 AS 39.05.055(5). Notwithstanding AS 39.05.055(5), the terms of each of the two members of
27 the two retirement systems appointed under AS 37.10.210(b)(2)(C) and 37.10.210(b)(2)(D),
28 as repealed and reenacted by sec. 58 of this Act, shall be set so that the term of one of each of
29 the members in each system expires two years apart from the term of the other member
30 representing that system.

31 * **Sec. 136.** The uncodified law of the State of Alaska is amended by adding a new section

1 to read:

2 TERMS OF MEMBERS OF THE ALASKA TEACHERS' RETIREMENT BOARD
3 AND THE PUBLIC EMPLOYEES' RETIREMENT BOARD. The terms of all board
4 members appointed to the Alaska Teachers' Retirement Board and the Public Employees'
5 Retirement Board expire on the effective date of this section.

6 * **Sec. 137.** The uncoded law of the State of Alaska is amended by adding a new section
7 to read:

8 TERMS OF MEMBERS OF THE ALASKA STATE PENSION INVESTMENT
9 BOARD. The terms of all board members appointed to the Alaska State Pension Investment
10 Board expire on September 30, 2005.

11 * **Sec. 138.** The uncoded law of the State of Alaska is amended by adding a new section
12 to read:

13 TRANSITION OF DUTIES BETWEEN THE ALASKA STATE PENSION
14 INVESTMENT BOARD AND THE ALASKA RETIREMENT MANAGEMENT BOARD.

15 (a) After the effective date of this section and until September 30, 2005, the Alaska State
16 Pension Investment Board shall continue to exercise the powers and duties assigned in this
17 Act to the Alaska Retirement Management Board. The Alaska State Pension Investment
18 Board shall take actions to facilitate the transition of duties formerly assigned to the Alaska
19 State Pension Investment Board to the duties assigned in this Act to the Alaska Retirement
20 Management Board. A member of the Alaska Retirement Management Board appointed to
21 serve as a trustee before September 30, 2005, shall be invited to observe and train with the
22 Alaska State Pension Investment Board.

23 (b) The Alaska Retirement Management Board may not assume the duties and
24 responsibilities assigned to the Alaska Retirement Management Board in this Act until
25 October 1, 2005.

26 * **Sec. 139.** The uncoded law of the State of Alaska is amended by adding a new section
27 to read:

28 TRANSITION. Hearings and other proceedings pending under a law amended or
29 repealed by this Act or in connection with functions transferred by this Act continue in effect
30 and may be continued and completed notwithstanding a transfer or amendment or repeal
31 provided for in this Act. Orders and regulations issued or adopted under authority of a law

1 amended or repealed by this Act remain in effect for the term issued, or until revoked,
2 vacated, or otherwise modified under the provisions of this Act. Contracts, rights, liabilities,
3 and obligations created by or under a law amended or repealed by this Act, and in effect on
4 the effective date of this section, remain in effect notwithstanding this Act's taking effect.
5 Records, equipment, appropriations, funds, and other property of boards or agencies of the
6 state whose functions are transferred under this Act shall be transferred to implement the
7 provisions of this Act.

8 * **Sec. 140.** The uncodified law of the State of Alaska is amended by adding a new section
9 to read:

10 TRANSITION: REGULATIONS. (a) The Department of Administration and the
11 Department of Revenue may proceed to develop and adopt regulations required to implement
12 this Act.

13 (b) Regulations adopted by the Department of Administration and the Department of
14 Revenue under this Act relate to the internal management of a state agency, and the adoption
15 of the regulations is not subject to AS 44.62 (Administrative Procedure Act).

16 * **Sec. 141.** The uncodified law of the State of Alaska is amended by adding a new section
17 to read:

18 REPORT TO THE LEGISLATURE BY ALASKA RETIREMENT MANAGEMENT
19 BOARD. It is the intent of the legislature that there will be a moratorium after the effective
20 date of this section on legislation affecting all public employees' retirement plans until the
21 Alaska Retirement Management Board can present a report to the legislature containing the
22 board's assessment and recommendations as provided in this section. The Alaska Retirement
23 Management Board shall report to the legislature 120 days after all members are appointed to
24 the board, or 15 days after the first day of the first regular legislative session following the
25 effective date of this section, whichever occurs first. The report must include the board's

26 (1) preliminary assessment of the financial health of all public employees'
27 retirement plans and all teachers' retirement plans;

28 (2) assessment of the actuarial services purchased by the board;

29 (3) recommendations for additional legislative or administrative policy to
30 improve the financial health of the retirement plans;

31 (4) short-term and long-term recommendations for addressing the unfunded

1 liability of the retirement plans; and

2 (5) recommendations for legislative procedures regarding fiscal notes for new
3 legislation affecting the retirement plans.

4 * **Sec. 142.** The uncodified law of the State of Alaska is amended by adding a new section
5 to read:

6 REPORT TO THE LEGISLATURE ON HEALTH CARE COST-SAVING
7 MEASURES. The Department of Administration shall provide an annual report to the
8 legislature regarding the cost-saving measures it has implemented by regulation appropriate to
9 current and future retirees in the health care system.

10 * **Sec. 143.** The uncodified law of the State of Alaska is amended by adding a new section
11 to read:

12 INSTRUCTION REGARDING ALASKA TEACHERS' RETIREMENT SYSTEM
13 BOARD, ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD, AND
14 ALASKA STATE PENSION INVESTMENT BOARD. Wherever in the Alaska Statutes and
15 the Alaska Administrative Code the terms "Alaska Teachers' Retirement System Board,"
16 "Alaska Public Employees' Retirement System Board," or "Alaska State Pension Investment
17 Board" are used, they shall be read as "Alaska Retirement Management Board" when to do so
18 would be consistent with the changes made by this Act.

19 * **Sec. 144.** The uncodified law of the State of Alaska is amended by adding a new section
20 to read:

21 SPECIFIC INSTRUCTIONS TO REVISOR OF STATUTES CONCERNING
22 SPECIFIC REFERENCES. (a) The revisor of statutes shall change references to "this
23 chapter" to "AS 14.25.009 - 14.25.220" in the following statutes: AS 14.25.040(b),
24 14.25.040(c), 14.25.045(a), 14.25.047, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.075(c),
25 14.25.105, 14.25.107, 14.25.110(k), 14.25.142, 14.25.150(b), 14.25.153, 14.25.160(h),
26 14.25.165(f), 14.25.166, 14.25.177, 14.25.195, 14.25.200(b), 14.25.205, and 14.25.210, and
27 in 14.25.220 in each place that the phrase appears.

28 (b) The revisor of statutes shall change the reference to "board" to "administrator" in
29 the following statutes: AS 14.25.075 and 14.25.130(f).

30 (c) The revisor of statutes shall change the reference to "system" to "plan" in the
31 following statutes: AS 14.25.040(b), 14.25.040(c), 14.25.045, 14.25.047, 14.25.050(a),

1 14.25.055, 14.25.060, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.065, 14.25.070,
2 14.25.075(c), 14.25.075(d), 14.25.075(g), 14.25.075(h), 14.25.075(i), 14.25.100(a),
3 14.25.105(c), 14.25.107, 14.25.110, 14.25.125(c), 14.25.143, 14.25.163, 14.25.165(i),
4 14.25.167(g), 14.25.168, 14.25.169, 14.25.173(a), 14.25.173(d), 14.25.181, 14.25.200,
5 14.25.210, 14.25.220(1), 14.25.220(4), 14.25.220(7), 14.25.220(14), 14.25.220(20),
6 14.25.220(22), 14.25.220(23), 14.25.220(31), 14.25.220(34), 14.25.220(36), 14.25.220(37),
7 14.25.220(42); AS 39.35.011; AS 39.35.120, 39.35.125, 39.35.160, 39.35.165(a),
8 39.35.165(c), 39.35.165(d), 39.35.165(e), 39.35.165(g), 39.35.165(h), 39.35.165(i),
9 39.35.170, 39.35.180, 39.35.195(b), 39.35.195(c), 39.35.250, 39.35.280, 39.35.300(c),
10 39.35.310(a), 39.35.310(c), 39.35.340(a), 39.35.342(a), 39.35.342(d), 39.35.345(a),
11 39.35.345(d), 39.35.360(a), 39.35.360(g), 39.35.360(h), 39.35.360(k), 39.35.370(f),
12 39.35.370(h), 39.35.370(i), 39.35.370(j), 39.35.370(k), 39.35.371(i), 39.35.381(b),
13 39.35.381(g), 39.35.385(c), 39.35.400(e), 39.35.450(g), 39.35.475(a), 39.35.475(b),
14 39.35.475(d), 39.35.500(a), 39.35.505, 39.35.520(a), 39.35.520(d), 39.35.522(d),
15 39.35.527(a), 39.35.527(b), 39.35.530, 39.35.535(a), 39.35.535(d), 39.35.550, 39.35.560,
16 39.35.570, 39.35.580, 39.35.590, 39.35.600, 39.35.610, 39.35.620(a), 39.35.620(h),
17 39.35.650, 39.35.670, 39.35.675(a), 39.35.680(1), 39.35.680(5), 39.35.680(9), 39.35.680(12),
18 39.35.680(15), 39.35.680(16), 39.35.680(17), 39.35.680(20), 39.35.680(21)(A),
19 39.35.680(29), 39.35.680(32), 39.35.680(33), and 39.35.680(35).

20 (d) The revisor of statutes shall change the reference to "board" to "commissioner" in
21 the following statutes: AS 39.35.290, 39.35.522(a), 39.35.522(b), and 39.35.522(d).

22 (e) The revisor of statutes shall change references to "this chapter" to "AS 39.35.095 -
23 39.35.680" in the following statutes: AS 39.35.165, 39.35.200, 39.35.250, 39.35.300,
24 39.35.340, 39.35.350, 39.35.360, 39.35.370, 39.35.371, 39.35.375, 39.35.381, 39.35.480,
25 39.35.490, 39.35.495, 39.35.505, 39.35.530, 39.35.546, 39.35.547, 39.35.615(c),
26 39.35.620(e), 39.35.660, 39.35.675(b), 39.35.677, and 39.35.680.

27 (f) The revisor of statutes shall renumber AS 39.35.690 to follow AS 39.35.990.

28 * **Sec. 145.** The uncodified law of the State of Alaska is amended by adding a new section
29 to read:

30 **IMPLEMENTATION OF SECTIONS 143 AND 144 OF THIS ACT.** Under
31 AS 01.05.031, the revisor of statutes shall implement secs. 143 and 144 of this Act in the

1 Alaska Statutes, and, under AS 44.62.125(b)(6), the regulations attorney shall implement secs.
2 143 and 144 of this Act in the administrative code.

3 * **Sec. 146.** The uncodified law of the State of Alaska is amended by adding a new section
4 to read:

5 **CONDITIONAL RETROACTIVITY.** If secs. 1, 3 - 7, 9 - 11, 14, 17 - 20, 23 - 34, 36
6 - 39, 41 - 45, 47 - 60, 62 - 68, 70 - 79, 81, 83 - 88, 95 - 106, 108 - 112, 114, 115, 117 - 121,
7 123 - 132, and 135 - 144 of this Act take effect after July 1, 2005, secs. 1, 3 - 7, 9 - 11, 14, 17
8 - 20, 23 - 34, 36 - 39, 41 - 45, 47 - 60, 62 - 68, 70 - 79, 81, 83 - 88, 95 - 106, 108 - 112, 114,
9 115, 117 - 121, 123 - 132, and 135 - 144 of this Act are retroactive to July 1, 2005.

10 * **Sec. 147.** Sections 22 and 116 of this Act take effect January 1, 2006.

11 * **Sec. 148.** Sections 2, 8, 35, 40, 46, 61, 69, 80, 82, 122, and 134 of this Act take effect
12 July 1, 2006.

13 * **Sec. 149.** Sections 12, 13, 15, 16, 21, 89 - 94, 107, 113, and 133 of this Act take effect
14 June 30, 2010.

15 * **Sec. 150.** Section 145 of this Act takes effect immediately under AS 01.10.070(c).

16 * **Sec. 151.** Except as provided in secs. 147 - 150 of this Act, this Act takes effect July 1,
17 2005.