

SENATE BILL NO. 28

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - FIRST SESSION

BY SENATORS GIESSEL, Gray-Jackson, Kiehl, Claman, Tobin, Kawasaki, Bjorkman, Dunbar, Stevens, Wielechowski

Introduced: 1/22/25

Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the Public Employees' Retirement System of Alaska and the**
2 **teachers' retirement system; providing certain employees an opportunity to choose**
3 **between the defined benefit and defined contribution plans of the Public Employees'**
4 **Retirement System of Alaska and the teachers' retirement system; and providing for an**
5 **effective date."**

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

7 * **Section 1.** AS 14.25.009 is repealed and reenacted to read:

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

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

13 (a) **A teacher or member contracting for service with a participating**

employer is subject to AS 14.25.009 - 14.25.220 unless the [UNLESS A] teacher or member

(1) participates in a university retirement program under AS 14.40.661 - 14.40.799;

(2) became a member after June 30, 2006, and before July 1, 2025, is eligible to participate in the defined contribution retirement plan under AS 14.25.310 - 14.25.590, and does not elect to participate in the defined benefit retirement plan under AS 14.25.009 - 14.25.220; or

(3) has elected under former AS 14.25.540 to participate in the plan established in AS 14.25.310 - 14.25.590 and does not elect to participate in the defined benefit retirement plan under AS 14.25.009 - 14.25.220 [, A TEACHER OR MEMBER CONTRACTING FOR SERVICE WITH A PARTICIPATING EMPLOYER IS SUBJECT TO AS 14.25.009 - 14.25.220].

* **Sec. 3.** AS 14.25.040 is amended by adding new subsections to read:

(f) An active member of this plan who is also employed in a position in the public employees' retirement plan under AS 39.35.095 - 39.35.680 may elect to participate solely in this plan if

(1) the member directs the public employees' retirement plan employer in writing to

(A) pay into this plan the employer contributions required for a member under AS 14.25.009 - 14.25.220; and

(B) deduct from the member's salary and pay into this plan

(i) the employee contributions required for a member under AS 14.25.009 - 14.25.220; and

(ii) an amount equal to the difference between the total employer and state contributions required for a member under AS 14.25.009 - 14.25.220 and the employer contributions that would be required under AS 39.35.095 - 39.35.680 if the member participated in that plan; and

(2) the member provides written notice to the administrator.

(g) An active member of this plan who elects to participate solely in this plan

1 under (f) of this section may not, while participating solely in this plan, receive
 2 credited service for benefit eligibility for service performed in a position in the public
 3 employees' retirement plan.

4 (h) A teacher who became a member of the system after June 30, 2006, and
 5 before July 1, 2025, or who has elected under former AS 14.25.540 to participate in
 6 the defined contribution retirement plan under AS 14.25.310 - 14.25.590, is subject to
 7 AS 14.25.009 - 14.25.220 and is not eligible to participate in the defined contribution
 8 retirement plan established in AS 14.25.310 - 14.25.590 if the teacher

9 (1) is not employed by an employer on July 1, 2025;

10 (2) is reemployed by an employer after July 1, 2025; and

11 (3) has, before the date of reemployment, received

12 (A) a distribution, other than a rollover distribution, of the
 13 entire balance in the teacher's individual account in the defined contribution
 14 retirement plan; or

15 (B) a rollover distribution of the entire balance in the teacher's
 16 individual account in the defined contribution retirement plan under
 17 AS 14.25.310 - 14.25.590 and has not within 180 days of reemployment had
 18 all or part of a direct rollover distribution from an eligible retirement plan
 19 owned by the teacher paid directly into the teacher's individual account under
 20 AS 14.25.310 - 14.25.590.

21 * **Sec. 4.** AS 14.25 is amended by adding a new section to read:

22 **Sec. 14.25.044. Election of defined benefit retirement plan by reemployed**
 23 **teachers.** (a) A teacher may make a one-time election to participate in the defined
 24 benefit retirement plan under AS 14.25.009 - 14.25.220 if the teacher

25 (1) became a member of the defined contribution retirement plan under
 26 AS 14.25.310 - 14.25.590 after June 30, 2006, and before July 1, 2025;

27 (2) is not employed by an employer on July 1, 2025;

28 (3) is reemployed by an employer after July 1, 2025; and

29 (4) before the date of reemployment,

30 (A) has not received a distribution of the entire balance in the
 31 teacher's individual account under the defined contribution retirement plan

1 under AS 14.25.310 - 14.25.590; or

2 (B) has received a rollover distribution of the entire balance in
3 the teacher's individual account in the plan under AS 14.25.310 - 14.25.590
4 and has within 180 days of reemployment had all or part of a direct rollover
5 distribution from an eligible retirement plan owned by the teacher paid directly
6 into the teacher's individual account under AS 14.25.310 - 14.25.590.

7 (b) An election under (a) of this section may be made not more than 180 days
8 after the date of reemployment. A reemployed teacher electing to participate under (a)
9 of this section shall use the balance of the member's individual account in the plan
10 under AS 14.25.310 - 14.25.590, including any rollover contributions, to purchase
11 credited service in the plan under AS 14.25.009 - 14.25.220. An election made under
12 (a) of this section must be made in writing in the manner prescribed by the
13 administrator. An election made by a teacher who is married is not effective unless the
14 election is signed by the teacher's spouse. The administrator shall provide a teacher
15 who is eligible to make an election under (a) of this section with information about the
16 potential consequences of the teacher's election, including calculations to illustrate the
17 effect of moving the teacher's retirement plan from a defined contribution retirement
18 plan to a defined benefit retirement plan.

19 (c) An election made under (a) of this section to participate in the plan under
20 AS 14.25.009 - 14.25.220 is irrevocable. On the effective date of the election, the
21 teacher shall be enrolled as a member of the plan, and the teacher's participation in the
22 plan shall be governed by the applicable provisions of the plan. The teacher's
23 enrollment in the plan is retroactive to the date of hire.

24 (d) When a teacher makes an election under this section, the administrator
25 shall cause the total amount of the teacher's member and employer contributions to the
26 plan under AS 14.25.310 - 14.25.590, with investment earnings and losses through the
27 day of the teacher's election to participate as a member in the plan under AS 14.25.009
28 - 14.25.220, to be actuarially calculated and, subject to (f) of this section, transferred
29 to the retirement fund in the plan under AS 14.25.009 - 14.25.220. On the effective
30 date of the teacher's participation in the plan under AS 14.25.009 - 14.25.220, the
31 teacher shall be credited with service in the plan. The board shall determine the cost of

the teacher's actual service time based on the teacher's accrued actuarial liability of pension benefits in the plan, and credit the teacher with service time equal to the value actuarially calculated and transferred to the retirement fund in the plan under AS 14.25.009 - 14.25.220. The board shall adopt regulations establishing transfer procedures. The transfer may not occur later than 60 days after the date the administrator receives the teacher's election, unless the major financial markets for securities available for a transfer are seriously disrupted by an unforeseen event that also causes the suspension of trading on a national securities exchange in the country where the securities were issued; in that event, the 60-day period may be extended by a resolution of the board. A transfer is not commissionable or subject to a fee and may be in the form of cash or a security as determined by the board. The value of a security shall be assessed on the date the security is received in the teacher's account.

(e) When making a transfer under (d) of this section or a transfer for a reemployed teacher subject to the plan under AS 14.25.040(h), the administrator shall transfer

(1) an amount equal to the decrease in the accrued actuarial liability of the death and disability trust in the plan established under AS 14.25.310 - 14.25.590 resulting from the transfer as of the date of transfer, based on the most recent actuarial valuation of the death and disability trust, from the death and disability trust in the plan established under AS 14.25.310 - 14.25.590 to the retirement fund in the plan established under AS 14.25.009 - 14.25.220; and

(2) an amount equal to the increase in the accrued actuarial liability of the health care trust in the plan established under AS 14.25.009 - 14.25.220 resulting from the transfer as of the date of transfer, based on the actuarial assumptions set out in (g) of this section, from the trust established under AS 39.30.097(b) for the prefunding of medical benefits provided by AS 14.25.480 to the trust established under AS 39.30.097(a) for the prefunding of medical benefits provided by AS 14.25.171.

(f) If the value actuarially calculated under (d) of this section is insufficient to pay for service credit equal to the teacher's actual service time, the administrator shall allow the teacher the option of purchasing service credit in an amount up to the

amount needed to eliminate the insufficiency; however, if that value exceeds the amount needed to pay for service credit equal to the teacher's actual service, the administrator shall cause the excess to be paid to the employee as a rollover transfer to either an individual employee annuity account in the Department of Administration under the terms of AS 39.30.150 - 39.30.180 (State of Alaska Supplemental Annuity Plan) or, if the member's employer does not participate in the State of Alaska Supplemental Annuity Plan, to an eligible retirement plan as defined in AS 14.25.360(d). An excess may not be used to purchase additional service credit in the plan under AS 14.25.009 - 14.25.220. When a reemployed teacher enters the plan under AS 14.25.040(h), the administrator shall allow the teacher to pay for a period of service credit up to the teacher's actual service. When a teacher elects to purchase service credit under this section and does not immediately pay for the service credit purchased, an indebtedness is established. Interest as prescribed by regulation accrues on a teacher's indebtedness. If the indebtedness exists when the teacher is appointed to retirement, the administrator shall make a corresponding actuarial adjustment to the benefit payable to the teacher for service in the defined contribution retirement plan.

(g) Actuarial assumptions about the plan under AS 14.25.009 - 14.25.220 must be based on the most recent actuarial valuation of the plan, except that the retirement rates are computed at 25 percent of the retirement rates used in the most recent actuarial valuation of the retirement fund plus 75 percent of the retirement rates used in the most recent actuarial valuation of the plan under AS 14.25.310 - 14.25.590.

(h) The provisions of this section are subject to the requirements of the Internal Revenue Code and the limitations under AS 14.25.010, 14.25.181, 14.25.320(c) and (d), and 14.25.490.

* **Sec. 5.** AS 14.25.048(b) is amended to read:

(b) An employee or former employee who first became a member of the plan before July 1, 2006, may receive credit for retroactive membership service for employment before June 5, 1988, if the employee or former employee met the requirements listed in (a) of this section at the time of the employment. To receive credit for the retroactive membership service, the employee or former employee shall claim the service and pay the retroactive contributions required under former

1 AS 14.25.061. However, an employee or former employee may not receive retroactive
 2 credit under this subsection if the employee received credited service under AS 39.35
 3 for the employment.

4 * **Sec. 6.** AS 14.25.048(c) is amended to read:

5 (c) An employee or former employee who first became a member of the
 6 plan before July 1, 2006, and who received credit under AS 39.35 for service that
 7 qualifies under (a) of this section may elect to transfer those periods of employment to
 8 the plan. To receive credit for retroactive membership service under this subsection,
 9 the employee or former employee shall claim the service and pay the retroactive
 10 contributions required under former AS 14.25.061.

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

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

25 * **Sec. 8.** AS 14.25.050 is amended by adding new subsections to read:

26 (e) A member who first participates in the plan after June 30, 2006, shall
 27 contribute to the plan an amount equal to eight percent of the member's base salary
 28 accrued from July 1 to the following June 30. The board may, from time to time,
 29 adjust the contribution under this subsection to an amount that,

30 (1) if decreased, is not less than eight percent of the member's base
 31 salary; and

1 (2) if increased, is not more than 12 percent of the member's base
2 salary.

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

10 (g) The board shall increase the member contribution under (e) of this section
11 if the board determines that, unless the contribution is increased, the portion of the
12 liability of the plan that is attributable to all members who first became members of
13 the plan after June 30, 2006, will be funded below 90 percent. The board may not
14 increase the member contribution unless the board increases the employer contribution
15 under AS 14.25.070(a)(2) by an equal amount. The board may decrease the
16 contribution under (e) of this section if the board determines that, after the
17 contribution is decreased, the portion of the liability of the plan that is attributable to
18 all members who first became members of the plan after June 30, 2006, will be funded
19 above 90 percent. The board may not decrease the member contribution unless the
20 board decreases the employer contribution under AS 14.25.070(a)(2) by an equal
21 amount.

22 * **Sec. 9.** AS 14.25.065(b) is amended to read:

23 (b) The contributions of employers under AS 14.25.070 must be transmitted to
24 the plan for deposit in the retirement fund and the Alaska retiree health care trust at the
25 close of each pay period. If the contributions are not submitted within the prescribed
26 time limit, interest must be assessed on the outstanding contributions at [ONE AND
27 ONE-HALF TIMES] the most recent actuarially determined rate of earnings for the
28 plan from the date that contributions were originally due. Amounts due from an
29 employer and interest as prescribed in this section may be claimed by the
30 administrator from any agency of the state or political subdivision that has in its
31 possession funds of the employer or that is authorized to disburse funds to the

1 employer that are not restricted by statute or appropriation to a specific purpose. The
 2 amount claimed shall be certified by the administrator as sufficient to pay the
 3 contributions and interest due from the employer. The amount claimed shall be
 4 submitted to the administrator for deposit in the retirement fund and the Alaska retiree
 5 health care trust.

6 * **Sec. 10.** AS 14.25.070(a) is amended to read:

7 (a) Each employer shall contribute to the system every payroll period the
 8 lesser of

9 (1) an amount calculated by applying a rate of 12.56 percent to the
 10 total of all base salaries paid by the employer to active members of the system and to
 11 members who are retired from the plan and reemployed under AS 14.20.136,
 12 including any adjustments to contributions required by AS 14.25.173(a); or

13 (2) an amount calculated by applying a rate established by the
 14 board under AS 37.10.220 to the total of all base salaries paid by the employer to
 15 active members of the system and to members who are retired from the plan and
 16 reemployed under AS 14.20.136, including any adjustments to contributions
 17 required by AS 14.25.173(a); the rate must be at least 12 percent and be sufficient
 18 to pay the actuarially determined employer normal cost, all contributions
 19 required under AS 14.25.350 and AS 39.30.370, and past service cost for
 20 members of the system.

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

22 (i) If the legislature appropriates funds for the purpose of decreasing an
 23 employer's contribution, the employer's contribution under (a) of this section shall
 24 decrease by that amount.

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

26 (a) An employee who is eligible to purchase credited service under
 27 AS 14.25.047 or 14.25.048, a member who is eligible to purchase credited service
 28 under former AS 14.25.061 or under AS 14.25.048, 14.25.050, 14.25.060,
 29 [14.25.061,] 14.25.100, or 14.25.107, or a teacher who is eligible to purchase credited
 30 service under AS 14.20.345, AS 14.25.044, 14.25.050 [AS 14.25.050], or 14.25.105,
 31 in lieu of making payments directly to the plan, may elect to have the member's

1 employer make payments as provided in this section.

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

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

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

10 (2) the member shall make an irrevocable election under this
11 subsection to purchase credited service as permitted in **former AS 14.25.061 or in**
12 **AS 14.20.345, AS 14.25.044, 14.25.047** [AS 14.25.047], 14.25.048, 14.25.050,
13 14.25.060, [14.25.061,] 14.25.100, 14.25.105, or 14.25.107 before the member's
14 termination of employment; the irrevocable election must specify the number of
15 payroll periods that deductions will be made from the member's compensation and the
16 dollar amount of deductions for each payroll period during the specified number of
17 payroll periods; the deductions made under this paragraph cease upon the earlier of the
18 member's termination of employment with the employer or the member's death;
19 amounts paid by an employer under (f) of this section may not be applied toward the
20 payment of the dollar amount of the deductions representing the portion of the credited
21 service that is being purchased by the member through payroll deduction in
22 accordance with the member's irrevocable election under this paragraph;

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 26
25 U.S.C. (Internal Revenue Code); the amounts paid by the employer under this section
26 may not be included in the member's gross income for income tax purposes until those
27 amounts are distributed by refund or retirement benefit payments.

28 * **Sec. 14.** AS 14.25.075(i) is amended to read:

29 (i) On satisfaction of the eligibility requirements of **former AS 14.25.061 or**
30 **of AS 14.20.345, AS 14.25.044, 14.25.047** [AS 14.25.047], 14.25.048, 14.25.050,
31 14.25.060, [14.25.061,] 14.25.100, 14.25.105, or 14.25.107, the requirements of this

1 section, and the administrative filing requirements specified by the administrator, the
 2 plan shall adjust the member's credited service history and add any additional service
 3 credits acquired.

4 * **Sec. 15.** AS 14.25 is amended by adding a new section to read:

5 **Sec. 14.25.086. Sub-trust for members who first became members after**
 6 **June 30, 2006.** The administrator shall deposit a portion of employer contributions
 7 under AS 14.25.070 and 14.25.085 in a sub-trust of the retirement fund established by
 8 the board for members who first became members after June 30, 2006. The amount
 9 deposited, when combined with the amount separately computed for medical benefits
 10 under AS 14.25.087, must be sufficient to pay the actuarially determined employer
 11 normal cost and past service cost for members of the system who first became
 12 members after June 30, 2006. When the amount sufficient to pay the actuarially
 13 determined employer normal cost, all contributions required under AS 14.25.350 and
 14 AS 39.30.370, and past service cost for members of the system is less than 12 percent
 15 of all base salaries paid to active members of the system and to members who are
 16 retired from the plan and reemployed under AS 14.20.136, including any adjustments
 17 to contributions required by AS 14.25.173(a), the administrator shall deposit the
 18 difference in the sub-trust established under this section.

19 * **Sec. 16.** AS 14.25.087 is amended to read:

20 **Sec. 14.25.087. Contributions for medical benefits.** Contributions made by
 21 an employer under AS 14.25.070 and 14.25.085 must [SHALL] be separately
 22 computed for benefits provided by AS 14.25.168 and retiree major medical
 23 insurance plan benefits provided under AS 14.25.171, and must [SHALL] be
 24 deposited in the Alaska retiree health care trust established under AS 39.30.097(a).

25 * **Sec. 17.** AS 14.25.110(a) is amended to read:

26 (a) Subject to AS 14.25.167,

27 (1) a member who first became a member of the plan before July 1,
 28 2006, is eligible for a normal retirement benefit if the member

29 (A) [(1)] was first hired before July 1, 1975, has attained the
 30 age of 55 years, and has at least 15 years of credited service, the last five of
 31 which have been membership service, or is otherwise vested in the plan;

1 **(B)** [(2)] has attained the age of 60 years and has at least eight
2 years of membership service;

3 **(C)** [(3)] has attained the age of 60 years, has at least five years
4 of membership service, and has Alaska BIA service which, when added to the
5 membership service, will equal at least eight years;

6 **(D)** [(4)] has at least 25 years of credited service, the last five
7 of which have been membership service;

8 **(E)** [(5)] has at least 20 years of membership service;

9 **(F)** [(6)] has at least 20 years of combined membership service
10 and Alaska BIA service, the last five of which have been membership service;
11 or

12 **(G)** [(7)] has, for each of 20 school years,

13 **(i)** [(A)] at least one-half year of membership service as
14 a part-time teacher;

15 **(ii)** [(B)] one full year of membership service as a full-
16 time teacher; or

17 **(iii)** [(C)] any combination of service qualified under
18 this **subparagraph**;

19 **(2) a member who first became a member of the plan after**
20 **June 30, 2006, is eligible for a normal retirement benefit if the member**

21 **(A) has attained the age of 60 years and has at least five**
22 **years of membership service; or**

23 **(B) has at least 30 years of membership service**
24 **[PARAGRAPH].**

25 * **Sec. 18.** AS 14.25.110(b) is amended to read:

26 (b) Subject to AS 14.25.167, a member is eligible for an early retirement
27 benefit upon completing the service requirements in **(a)(1)(A)** [(a)(1)] of this section
28 and attaining the age of 50 years or upon completing the service requirements in
29 **(a)(1)(B) or (C)** [(a)(2) OR (3)] of this section and attaining the age of 55 years.

30 * **Sec. 19.** AS 14.25.110(d) is amended to read:

31 (d) The monthly amount of a retirement benefit

(1) for a member who first became a member of the plan before July 1, 2006, and who has paid the full amount of any indebtedness is one-twelfth of the member's average base salary during any three school years of membership service multiplied by

(A) [(1)] two percent of the years of credited service earned before June 30, 1990, including credited fractional years, and the years of credited service through a total of 20 years; plus

(B) [(2)] two and one-half percent of the years of credited service earned after June 30, 1990, that are more than 20 years of total credited service;

(2) for a member who first became a member of the plan after June 30, 2006, and who has paid the full amount of any indebtedness is one-twelfth of the member's average base salary during any five school years of membership service multiplied by

(A) two percent of the years of credited service through a total of 10 years; plus

(B) two and one-quarter percent of the years over 10 years of total credited service through 20 years; plus

(C) two and one-half percent of the years of credited service that are more than 20 years of total credited service.

* Sec. 20. AS 14.25.142(a) is amended to read:

(a) While residing in the state, a person who first became a member of the plan before July 1, 2006, who is receiving a benefit under AS 14.25.009 - 14.25.220, and who is at least 65 years of age or a person who first became a member of the plan before July 1, 2006, and who is receiving a disability benefit under AS 14.25.009 - 14.25.220 is entitled to receive a monthly cost-of-living allowance in addition to the basic benefit. The amount of this allowance is 10 percent of the basic benefit.

* Sec. 21. AS 14.25.143(a) is amended to read:

(a) Once each year, the administrator shall increase benefit payments to eligible disabled members, to persons age 60 or older receiving benefits under this

1 plan in the preceding calendar year, and to persons who have received benefits under
 2 this plan for at least **five** [EIGHT] years who are not otherwise eligible for an increase
 3 under this section.

4 * **Sec. 22.** AS 14.25.143(b) is amended to read:

5 (b) **Subject to (g) and (h) of this section, the** [THE] increase in benefit
 6 payments applies to total benefit payments except for the cost-of-living allowance
 7 under AS 14.25.142. The amount of the increase is a percentage of the current benefit
 8 equal to

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

12 (2) the lesser of 50 percent of the increase in the cost of living in the
 13 preceding calendar year or six percent, for recipients who on July 1 are at least 60 but
 14 less than 65 years old or for recipients who on July 1 are less than 60 years old but
 15 who have received benefits from the plan for at least **five** [EIGHT] years.

16 * **Sec. 23.** AS 14.25.143 is amended by adding new subsections to read:

17 (g) Subject to (h) of this section, the amount of an increase for members who
 18 first became members of the plan after June 30, 2006, and do not meet the eligibility
 19 requirements for a permanent fund dividend in effect on July 1, 2025, under
 20 AS 43.23.005(a) is equal to one-half of the applicable percentage under (b) of this
 21 section.

22 (h) If the board determines that the portion of the liability of the plan that is
 23 attributable to all members who first became members of the plan after June 30, 2006,
 24 is funded below 90 percent, the board may reduce the amount of the increase
 25 determined under (b) or (g) of this section that is payable to a member who first
 26 became a member after June 30, 2006. At any time, the board may terminate a
 27 reduction made under this subsection.

28 * **Sec. 24.** AS 14.25.168(a) is amended to read:

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

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

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

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

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

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

9 (2) for teachers first hired [ON OR] after June 30 [JULY 1], 1990,

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

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

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

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

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

21 * **Sec. 25.** AS 14.25 is amended by adding a new section to read:

22 **Sec. 14.25.171. Medical benefit; eligibility of employees first hired after**
23 **June 30, 2006; surviving spouses and dependents.** (a) A teacher who first became a
24 member of the plan after June 30, 2006, receives a monthly benefit from the plan,
25 retired directly from the plan, and has elected benefits under this section is entitled to
26 medical benefits under this section. A member who applies for medical benefits under
27 this section shall apply on the forms and in the manner prescribed by the
28 administrator. A member is eligible to retire from the plan if the member has been an
29 active member for at least 12 months before application for retirement and the member

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

31 (2) reaches the age set for Medicare eligibility and has at least 10 years

1 of service.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(n) The administrator shall

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

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

(B) of time limits for selecting optional health insurance

1 coverage; and

2 (C) whether the election is irrevocable; and

3 (2) require that a person entitled to retiree major medical insurance
4 coverage under this section indicate in writing on a form provided by the administrator
5 whether the person has chosen to receive optional health insurance coverage.

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

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

15 * **Sec. 26.** AS 14.25.220(5) is amended to read:

16 (5) "average base salary" means,

17 **(A) for a teacher who first became a member before July 1,**
18 **2006,** the result obtained by dividing the sum of the member's three highest
19 years' base salary by three, or if a member does not have three years base
20 salary, then by dividing the sum of all base salaries by the number of years of
21 base salary; the base salary for a year in which credit is granted for disability
22 totaling more than one-third of a year may not be used in the computation of
23 the average base salary; the base salary in a school year for which the member
24 receives compensation for less than two-thirds of a year may not be used in the
25 computation of the average base salary; if compensation is received for more
26 than two-thirds of a year, the full base salary for that school year shall be used
27 in the computation of the average base salary;

28 **(B) for a teacher who first became a member after June 30,**
29 **2006, the result obtained by dividing the sum of the member's five highest**
30 **years' base salary by five, or if a member does not have five years' base**
31 **salary, then by dividing the sum of all base salaries by the number of**

years of base salary; the base salary for a year in which credit is granted for disability totaling more than one-third of a year may not be used in the computation of the average base salary; the base salary in a school year for which the member receives compensation for less than two-thirds of a year may not be used in the computation of the average base salary; if compensation is received for more than two-thirds of a year, the full base salary for that school year shall be used in the computation of the average base salary;

* **Sec. 27.** AS 14.25.220(6) is amended to read:

(6) "base salary"

(A) means the total remuneration payable under contract for a full year of membership service, including addenda to the contract and, for a member who elects to participate solely in this plan under AS 14.25.040(f), remuneration paid by the public employees' retirement plan employer, but, for a member first hired on or after July 1, 1996, does not include remuneration in excess of the limitations set out in 26 U.S.C. 401(a)(17);

(B) has the same meaning as "compensation" under AS 39.35.680(9) when applied to a state legislator who elects membership under AS 14.25.040(b);

* **Sec. 28.** AS 14.25.220(46) is amended to read:

(46) "vested member" or "vested teacher" means an active member who [HAS COMPLETED EITHER]

(A) first became a member before July 1, 2006, and has completed

(i) 15 years of service, the last five of which have been membership service, for a member first hired before July 1, 1975;

(ii) [(B)] eight years of membership service;

(iii) [(C)] five years of membership and three years of BIA service; or

(iv) [(D)] 12 school years of part-time membership service or 12 school years in each of which the member earned either

part-time or full-time membership service;

(B) first became a member after June 30, 2006, and has completed five years of membership service;

* **Sec. 29.** AS 14.25.220 is amended by adding a new paragraph to read:

(48) "first became a member after June 30, 2006" and "first became a member of the plan after June 30, 2006" include a member who elected under former AS 14.25.540 to participate in the defined contribution retirement plan under AS 14.25.310 - 14.25.590 and who elects to participate in the defined benefit retirement plan under AS 14.25.009 - 14.25.220.

* **Sec. 30.** AS 14.25.310 is amended to read:

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

(1) teachers who first become members [ON OR] after June 30, 2006, and before July 1, 2025, and who are eligible but do not elect to participate in a defined benefit retirement plan under AS 14.25.009 - 14.25.220 or AS 39.35.095 - 39.35.680; and

(2) teachers [JULY 1, 2006, TO MEMBERS WHO ARE EMPLOYED BY EMPLOYERS THAT DO NOT PARTICIPATE IN THE DEFINED BENEFIT RETIREMENT PLAN ESTABLISHED UNDER AS 14.25.009 - 14.25.220, TO FORMER MEMBERS UNDER AS 14.25.220, OR TO MEMBERS] who transferred [TRANSFER] into the defined contribution retirement plan under former AS 14.25.540 and do not elect to participate in the defined benefit retirement plan under AS 14.25.009 - 14.25.220.

* **Sec. 31.** AS 14.25.310 is amended by adding a new subsection to read:

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

* **Sec. 32.** AS 14.25.330(a) is amended to read:

(a) A teacher who first becomes a member [ON OR] after **June 30, 2006, and before July 1, 2025, and who does not participate in a defined benefit retirement plan under AS 14.25.009 - 14.25.220 or AS 39.35.095 - 39.35.680 is** [JULY 1, 2006, SHALL PARTICIPATE IN THE PLAN AS] a member of the defined contribution

1 retirement plan.

2 * **Sec. 33.** AS 14.25.490(a) is amended to read:

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

7 * **Sec. 34.** AS 14.25.490(b) is amended to read:

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

14 * **Sec. 35.** AS 14.25.490(c) is amended to read:

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

22 * **Sec. 36.** AS 14.25.490(d) is repealed and reenacted to read:

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

26 * **Sec. 37.** AS 37.10.220(a) is amended to read:

27 (a) The board shall
 28 (1) hold regular and special meetings at the call of the chair or of at
 29 least five members; meetings are open to the public, and the board shall keep a full
 30 record of all its proceedings;
 31 (2) after reviewing recommendations from the Department of

1 Revenue, adopt investment policies for each of the funds entrusted to the board;

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

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

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

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

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

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

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

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

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

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

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

31 (B) an appropriate contribution rate for liquidating any past

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

(C) an appropriate monthly employer contribution under AS 14.25.070 and AS 39.35.255; and

(D) appropriate adjustments, if any, under AS 14.25.050(e) and AS 39.35.160(e);

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

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

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

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

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

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

(B) current investment policies adopted by the board;

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

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

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

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

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

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

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

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

(17) establish one or more sub-trusts of the pension fund to hold employer contributions deposited under AS 14.25.086 and AS 39.35.281, employee contributions, assets, and earnings attributable to members of the defined benefit retirement plan under AS 14.25.009 - 14.25.220 or the defined benefit retirement plan under AS 39.35.095 - 39.35.680 who first became members of the respective plan after June 30, 2006; and

(18) account for and track employer contributions, employee contributions, assets, and earnings in each trust fund or sub-trust attributable to members who first became members after June 30, 2006, of the defined benefit retirement plan under AS 14.25.009 - 14.25.220 and members who first became members after June 30, 2006, of the defined benefit retirement plan under AS 39.35.095 - 39.35.680; employer contributions that exceed those assigned to members who first became members after June 30, 2006, of the defined benefit retirement plan under AS 14.25.009 - 14.25.220 and members who first became members after June 30, 2006, of the defined benefit retirement plan under AS 39.35.095 - 39.35.680 shall be transferred or retained in trusts or sub-trusts with liability allocated toward employer normal costs for members who became members of the respective defined benefit retirement plan before July 1, 2025, past service costs, the State of Alaska Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan under AS 39.30.300 - 39.30.495, and employer contributions under AS 14.25.350 and AS 39.35.750.

1 * **Sec. 38.** AS 37.10.220(b) is amended to read:

2 (b) The board may

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

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

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

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

12 **(5) adjust the amount of the increase in benefits payable to a**
13 **member who first became a member after June 30, 2006, as provided under**
14 **AS 14.25.143 and AS 39.35.475;**

15 **(6) adjust contributions under AS 14.25.050(e) and**
16 **AS 39.35.160(e).**

17 * **Sec. 39.** AS 39.30.090(a) is amended to read:

18 (a) The Department of Administration may obtain a policy or policies of group
19 insurance covering state employees, persons entitled to coverage under AS 14.25.168,
20 **14.25.171**, 14.25.480, AS 22.25.090, AS 39.35.535, **39.35.537**, 39.35.880, or former
21 AS 39.37.145, employees of other participating governmental units, or persons
22 entitled to coverage under AS 23.15.136, subject to the following conditions:

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

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

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

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

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

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

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

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

1 AS 39.30.091;

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

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

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

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

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

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

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

31 * **Sec. 40.** AS 39.30.097(a) is amended to read:

(a) The commissioner of administration is authorized to prefund medical benefits provided by AS 14.25.168, 14.25.171, AS 22.25.090, [AND] AS 39.35.535, and 39.35.537 by establishing an irrevocable trust that is exempt from federal income tax under 26 U.S.C. 115 and subject to the applicable financial reporting, disclosure, and actuarial requirements of the Governmental Accounting Standards Board.

* **Sec. 41.** AS 39.30.097(b) is amended to read:

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

* **Sec. 42.** AS 39.30.097 is amended by adding a new subsection to read:

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

* **Sec. 43.** AS 39.30.300 is amended to read:

Sec. 39.30.300. State of Alaska Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan established. The State of Alaska Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan is established for

(1) teachers who first become members of the [DEFINED CONTRIBUTION PLAN OF THE] teachers' retirement system under AS 14.25.009 - 14.25.590 [AS 14.25.310 - 14.25.590 ON OR] after June 30, 2006 [JULY 1, 2006], and teachers who elected under former AS 14.25.540 to participate in the plan under AS 14.25.310 - 14.25.590; and

(2) employees of the state, political subdivisions of the state, and public organizations of the state who first become members [OF THE DEFINED CONTRIBUTION PLAN] of the Public Employees' Retirement System of Alaska (AS 39.35) [PUBLIC EMPLOYEES' RETIREMENT SYSTEM UNDER

1 AS 39.35.700 - 39.35.990 ON OR] after June 30, 2006, and employees of the state,
 2 political subdivisions of the state, and public organizations of the state who
 3 elected under former AS 39.35.940 to participate in the plan established under
 4 AS 39.35.700 - 39.35.990 [JULY 1, 2006].

5 * **Sec. 44.** AS 39.30.340 is amended to read:

6 **Sec. 39.30.340. Powers and duties of the administrator.** The administrator
 7 shall establish a teachers' and public employees' retiree health reimbursement
 8 arrangement plan trust fund under AS 39.30.097(f) in which the assets of the plan
 9 shall be deposited and held. [THE RETIREE HEALTH REIMBURSEMENT
 10 ARRANGEMENT PLAN TRUST FUND MAY BE A SUB-TRUST OF THE
 11 ALASKA RETIREE HEALTH CARE TRUST ESTABLISHED UNDER
 12 AS 39.30.097(b).] The administrator has the same powers and duties with regard to
 13 the plan and the trust fund as provided in AS 14.25.003 and 14.25.004.

14 * **Sec. 45.** AS 39.30.380 is amended to read:

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

26 * **Sec. 46.** AS 39.30.390 is amended to read:

27 **Sec. 39.30.390. Eligibility and reimbursement.** Persons who meet the
 28 eligibility requirements of AS 14.25.171, 14.25.470, AS 39.35.537, or 39.35.870
 29 [AS 14.25.470 AND AS 39.35.870] are eligible for reimbursements from the
 30 individual account established for a member under the plan, except members do not
 31 have to retire directly from the system. A person who is the dependent child of an

1 eligible member is eligible for reimbursements if the eligible member and surviving
2 spouse have both died so long as the person meets the definition of dependent child.

3 * **Sec. 47.** AS 39.30.400(a) is amended to read:

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

8 * **Sec. 48.** AS 39.30.420(a) is amended to read:

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

13 * **Sec. 49.** AS 39.30.420(b) is amended to read:

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

20 * **Sec. 50.** AS 39.30.420(c) is amended to read:

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

28 * **Sec. 51.** AS 39.30.420(d) is repealed and reenacted to read:

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

1 * **Sec. 52.** AS 39.30.495(5) is amended to read:

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

5 * **Sec. 53.** AS 39.30.495(6) is amended to read:

6 (6) "employer" has the meaning given in AS 14.25.220 for employers
7 of teachers in the defined benefit retirement plan established in AS 14.25.009 -
8 14.25.220, has the meaning given in AS 14.25.590 for employers of teachers in the
9 defined contribution plan established in AS 14.25.310 - 14.25.590, has the meaning
10 given in AS 39.35.680 for employers of public employees in the defined benefit
11 retirement plan established in AS 39.35.095 - 39.35.680, and has the meaning given
12 in AS 39.35.990 for employers of public employees in the defined contribution plan
13 established in AS 39.35.700 - 39.35.990;

14 * **Sec. 54.** AS 39.30.495(9) is amended to read:

15 (9) "member" means a member of the State of Alaska Teachers' and
16 Public Employees' Retiree Health Reimbursement Arrangement Plan established
17 in AS 39.30.300 - 39.30.495 [DEFINED CONTRIBUTION PLAN OF THE
18 TEACHERS' RETIREMENT SYSTEM IN AS 14.25.310 - 14.25.590 OR A
19 MEMBER OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM IN
20 AS 39.35.700 - 39.35.990];

21 * **Sec. 55.** AS 39.35.095 is amended to read:

22 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680.** The
23 [FOLLOWING] provisions of AS 39.35.095 - 39.35.680 [THIS CHAPTER] apply
24 only to members first hired

25 (1) before July 1, 2006, who have

26 (A) not elected under former AS 39.35.940 to participate in
27 the defined contribution retirement plan under AS 39.35.700 - 39.35.990;
28 or

29 (B) elected under former AS 39.35.940 to participate in the
30 defined contribution retirement plan under AS 39.35.700 - 39.35.990 and
31 are former members of the defined contribution retirement plan under

1 **AS 39.35.700 - 39.35.990;**

2 **(2) after June 30, 2006, and before July 1, 2025, who are former**
 3 **members of the defined contribution retirement plan under AS 39.35.700 -**
 4 **39.35.990; or**

5 **(3) on or after July 1, 2025** [: AS 39.35.095 - 39.35.680].

6 * **Sec. 56.** AS 39.35.095 is amended by adding a new subsection to read:

7 (b) An employee who became a member of the system after June 30, 2006,
 8 and before July 1, 2025, or who has elected under former AS 39.35.940 to participate
 9 in the defined contribution retirement plan under AS 39.35.700 - 39.35.990, is subject
 10 to AS 39.35.095 - 39.35.680 if the employee

11 (1) is not employed by an employer on July 1, 2025;

12 (2) is reemployed by an employer after July 1, 2025; and

13 (3) has, before the date of reemployment, received

14 (A) a distribution, other than a rollover distribution, of the
 15 entire balance in the member's individual account in the defined contribution
 16 retirement plan; or

17 (B) a rollover distribution of the entire balance in the member's
 18 individual account in the defined contribution retirement plan and has not
 19 within 180 days of reemployment had all or part of a direct rollover
 20 distribution from an eligible retirement plan owned by the member paid
 21 directly into the member's individual account.

22 * **Sec. 57.** AS 39.35.100(b) is amended to read:

23 (b) An individual account shall be maintained for each employee to record the
 24 amount of the employee's mandatory contributions collected under **AS 39.35.160**
 25 [AS 39.35.160(a)]. As of the last day of each calendar year and of each fiscal year, this
 26 account shall be credited with interest by applying the prescribed rate of interest, as
 27 determined by the board, to the balance in the account as of that date. When the
 28 employee is appointed to retirement, the amount held in the individual account shall
 29 be used first to fully finance the benefits paid. Once this account has been exhausted,
 30 the plan shall fully finance the benefits paid that were not financed by the employee's
 31 individual account.

1 * **Sec. 58.** AS 39.35 is amended by adding a new section to article 3 to read:

2 **Sec. 39.35.159. Election of defined benefit retirement plan by reemployed**
 3 **employees.** (a) An employee may make a one-time election to participate in the plan
 4 under AS 39.35.095 - 39.35.680 if the employee

5 (1) became a member of the defined contribution retirement plan under
 6 AS 39.35.700 - 39.35.990 after June 30, 2006, and before July 1, 2025;

7 (2) is not employed by an employer on July 1, 2025;

8 (3) is reemployed by an employer after July 1, 2025; and

9 (4) before the date of reemployment,

10 (A) has not received a distribution of the entire balance in the
 11 employee's individual account under the defined contribution retirement plan
 12 established in AS 39.35.700 - 39.35.990; or

13 (B) has received a rollover distribution of the entire balance in
 14 the member's individual account in the defined contribution retirement plan
 15 and has within 180 days of reemployment had all or part of a direct rollover
 16 distribution from an eligible retirement plan owned by the member paid
 17 directly into the member's individual account.

18 (b) An election under (a) of this section may be made not more than 180 days
 19 after the date of reemployment. A reemployed employee electing to participate under
 20 (a) of this section shall use the balance of the employee's individual account in the
 21 plan under AS 39.35.700 - 39.35.990, including any rollover contributions, to
 22 purchase credited service in the plan under AS 39.35.095 - 39.35.680. An election
 23 made under (a) of this section must be made in writing in the manner prescribed by the
 24 administrator. An election made by an employee who is married is not effective unless
 25 the election is signed by the employee's spouse. The administrator shall provide an
 26 employee who is eligible to make an election under (a) of this section with
 27 information about the potential consequences of the employee's election, including
 28 calculations to illustrate the effect of moving the employee's retirement plan from a
 29 defined contribution retirement plan to a defined benefit retirement plan.

30 (c) An election made under (a) of this section to participate in the plan under
 31 AS 39.35.095 - 39.35.680 is irrevocable. On the effective date of the election, an

1 eligible employee shall be enrolled as a member of the plan, and the employee's
2 participation in the plan shall be governed by the applicable provisions of the plan.
3 The employee's enrollment in the plan is retroactive to the date of hire.

4 (d) When an eligible employee makes an election under this section, the
5 administrator shall cause the total amount of the employee's employee and employer
6 contributions to the plan under AS 39.35.700 - 39.35.990, with investment earnings
7 and losses through the day of the employee's election to participate as a member in the
8 plan under AS 39.35.095 - 39.35.680, to be actuarially calculated and, subject to (f) of
9 this section, transferred to the pension fund in the plan under AS 39.35.095 -
10 39.35.680. On the effective date of the employee's participation in the plan under
11 AS 39.35.095 - 39.35.680, the employee shall be credited with service in the plan. The
12 board shall determine the cost of the employee's actual service time based on the
13 employee's accrued actuarial liability of pension benefits in the plan, and credit the
14 employee with service time equal to the value actuarially calculated and transferred to
15 the pension fund in the plan under AS 39.35.095 - 39.35.680. The board shall adopt
16 regulations establishing transfer procedures. The transfer may not occur later than 60
17 days after the date the administrator receives the employee's election, unless the major
18 financial markets for securities available for a transfer are seriously disrupted by an
19 unforeseen event that also causes the suspension of trading on a national securities
20 exchange in the country where the securities were issued; in that event, the 60-day
21 period may be extended by a resolution of the board. A transfer is not commissionable
22 or subject to a fee and may be in the form of cash or a security as determined by the
23 board. The value of a security shall be assessed on the date the security is received in
24 the employee's account.

25 (e) When making a transfer under (d) of this section or a transfer for a
26 reemployed employee subject to the plan under AS 39.35.095(b), the administrator
27 shall transfer

28 (1) an amount equal to the decrease in the accrued actuarial liability of
29 the death and disability trust in the plan under AS 39.35.700 - 39.35.990 resulting
30 from the transfer as of the date of transfer, based on the most recent actuarial valuation
31 of the death and disability trust, from the death and disability trust in the plan under

1 AS 39.35.700 - 39.35.990 to the pension fund in the plan under AS 39.35.095 -
2 39.35.680; and

3 (2) an amount equal to the increase in the accrued actuarial liability of
4 the health care trust in the plan under AS 39.35.095 - 39.35.680 resulting from the
5 transfer as of the date of transfer, based on the actuarial assumptions set out in (g) of
6 this section, from the trust established under AS 39.30.097(b) for the prefunding of
7 medical benefits provided by AS 39.35.880 to the trust established under
8 AS 39.30.097(a) for the prefunding of medical benefits provided by AS 39.35.537.

9 (f) If the value actuarially calculated under (d) of this section is insufficient to
10 pay for service credit equal to the employee's actual service, the administrator shall
11 allow the employee the option of purchasing service credit in an amount up to the
12 amount needed to eliminate the insufficiency; however, if that value exceeds the
13 amount needed to pay for service credit equal to the employee's actual service, the
14 administrator shall cause the excess to be paid to the employee as a rollover transfer to
15 either an individual employee annuity account in the Department of Administration
16 under the terms of AS 39.30.150 - 39.30.180 (State of Alaska Supplemental Annuity
17 Plan) or, if the member's employer does not participate in the State of Alaska
18 Supplemental Annuity Plan, to an eligible retirement plan as defined in
19 AS 39.35.760(d). An excess may not be used to purchase additional service credit in
20 the plan under AS 39.35.095 - 39.35.680. When a reemployed employee enters the
21 plan under AS 39.35.095(b), the administrator shall allow the employee to pay for a
22 period of service credit up to the employee's actual service. When an employee elects
23 to purchase service credit under this section and does not immediately pay for the
24 service credit purchased, an indebtedness is established. Interest as prescribed by
25 regulation accrues on an employee's indebtedness. If the indebtedness exists when the
26 employee is appointed to retirement, the administrator shall make a corresponding
27 actuarial adjustment to the benefit payable to the employee for service in the defined
28 contribution retirement plan.

29 (g) Actuarial assumptions about the plan under AS 39.35.095 - 39.35.680
30 must be based on the most recent actuarial valuation of the plan, except that the
31 retirement rates are computed at 25 percent of the retirement rates used in the most

1 recent actuarial valuation of the pension fund for the plan plus 75 percent of the
 2 retirement rates used in the most recent actuarial valuation of the plan under
 3 AS 39.35.700 - 39.35.990.

4 (h) The provisions of this section are subject to the requirements of the
 5 Internal Revenue Code and the limitations under AS 39.35.115, 39.35.678,
 6 39.35.710(c) and (d), and 39.35.895. In this subsection, "Internal Revenue Code" has
 7 the meaning given in AS 39.35.990.

8 * **Sec. 59.** AS 39.35.160(a) is amended to read:

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

22 * **Sec. 60.** AS 39.35.160 is amended by adding new subsections to read:

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

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

29 (2) if increased, is not more than 12 percent of the employee's
 30 compensation.

31 (f) Contributions under (a) and (e) of this section shall be deducted by the

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

6 (g) The board shall increase the employee contribution under (e) of this
 7 section if the board determines that, unless the contribution is increased, the portion of
 8 the liability of the plan that is attributable to employees who first participate in the
 9 plan after June 30, 2006, will be funded below 90 percent. The board may not increase
 10 the employee contribution unless the board increases the employer contribution under
 11 AS 39.35.255(a)(2) by an equal amount. The board may decrease the contribution
 12 under (e) of this section if the board determines that, after the contribution is
 13 decreased, the portion of the liability of the plan that is attributable to all members
 14 who first became members of the plan after June 30, 2006, will be funded above 90
 15 percent. The board may not decrease the employee contribution unless the board
 16 decreases the employer contribution under AS 39.35.255(a)(2) by an equal amount.

17 * **Sec. 61.** AS 39.35.165(a) is amended to read:

18 (a) An employee who is eligible to purchase credited service under
 19 AS 39.35.159, 39.35.310 [AS 39.35.310], 39.35.330, 39.35.340, 39.35.342, 39.35.345,
 20 39.35.360, or 39.35.370, a member who is eligible to purchase credited service under
 21 AS 39.35.375, or an elected public official who is eligible to purchase credited service
 22 under AS 39.35.381 is an employee for purposes of this section. An employee may, in
 23 lieu of making payments directly to the plan, elect to have the employee's employer
 24 make payments as provided in this section.

25 * **Sec. 62.** AS 39.35.165(b) is amended to read:

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

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

subsection;

(2) the employee shall make an irrevocable election under this section to purchase credited service as permitted in AS 39.35.159, 39.35.310 [AS 39.35.310], 39.35.330, 39.35.340, 39.35.342, 39.35.345, 39.35.360, 39.35.370, 39.35.375, or 39.35.381 and before the employee's termination of employment; the irrevocable election must specify the number of payroll periods that deductions will be made from the employee's compensation and the dollar amount of deductions for each payroll period during the specified number of payroll periods; the deductions made under this paragraph cease upon the earlier of the member's termination of employment with the employer or the member's death; amounts paid by an employer under (f) of this section may not be applied toward the payment of the dollar amount of the deductions representing the portion of the credited service that is being purchased by the member through payroll deduction in accordance with the member's irrevocable election under this subsection;

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

* **Sec. 63.** AS 39.35.165(g) is amended to read:

(g) Payments made under this section shall be applied to reduce the employee's outstanding indebtedness described in AS 39.35.159, 39.35.310 [AS 39.35.310], 39.35.330, 39.35.340, 39.35.342, 39.35.345, 39.35.360, 39.35.370, 39.35.375, or 39.35.381 at the time that the contributions are received by the plan.

* **Sec. 64.** AS 39.35.165(i) is amended to read:

(i) On satisfaction of the eligibility requirements of AS 39.35.159, 39.35.310 [AS 39.35.310], 39.35.330, 39.35.340, 39.35.341, 39.35.345, 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. 65.** AS 39.35.255(a) is amended to read:

(a) Each employer, except as provided in (h) of this section, shall contribute to the system every payroll period the lesser of

(1) an amount calculated by applying a rate of 22 percent of the greater of the total of all base salaries

(A) [(1)] paid by the employer to employees who are active members of the system, including any adjustments to contributions required by AS 39.35.520; or

(B) [(2)] paid by the employer to employees who were active members of the system during the corresponding payroll period for the fiscal year ending

(i) [(A)] June 30, 2008; or

(ii) [(B)] June 30, 2012, if that total is less than the total under (i) of this subparagraph [(A) OF THIS PARAGRAPH], and the employer is a municipality in which the population decreased by more than 25 percent between 2000 and 2010, according to the decennial census conducted by the United States Bureau of the Census; or

(2) an amount calculated by applying a rate established by the board under AS 37.10.220 to the total of all base salaries paid by the employer to active members of the system; the rate must be at least 12 percent and be sufficient to pay the actuarially determined employer normal cost, all contributions required under AS 39.30.370 and AS 39.35.750, and past service cost for members of the system.

* **Sec. 66.** AS 39.35.255 is amended by adding a new subsection to read:

(j) If the legislature appropriates funds for the purpose of decreasing an employer's contribution, the employer's contribution under (a) of this section shall decrease by that amount.

* **Sec. 67.** AS 39.35 is amended by adding a new section to read:

Sec. 39.35.281. Sub-trust for members who first became members after June 30, 2006. The administrator shall deposit a portion of employer contributions under AS 39.35.255 and 39.35.280 in a sub-trust of the retirement fund established by the board for members who first became members after June 30, 2006. The amount

deposited, when combined with the amount separately computed for medical benefits under AS 39.35.282, must be sufficient to pay the actuarially determined employer normal cost and past service cost for members of the system who first became members after June 30, 2006. When the amount sufficient to pay the actuarially determined employer normal cost, all contributions required under AS 39.30.370 and AS 39.35.750, and past service cost for members of the system is less than 12 percent of all base salaries paid to active members of the system, the administrator shall deposit the difference in the sub-trust established under this section.

* **Sec. 68.** AS 39.35.282 is amended to read:

Sec. 39.35.282. Contributions for medical benefits. Contributions made by an employer under AS 39.35.255 and 39.35.280 must [SHALL] be separately computed for benefits provided by AS 39.35.535 and retiree major medical insurance plan benefits provided under AS 39.35.537, and must [SHALL] be deposited in the Alaska retiree health care trust established under AS 39.30.097(a).

* **Sec. 69.** AS 39.35.340(i) is amended to read:

(i) Notwithstanding (d) of this section, a member who retires as a peace officer or firefighter may elect to use five or fewer years of credited service granted under this section in computing years of credited service under AS 39.35.535(c) or 39.35.537. When eligibility for credited service for military service has been established and an election under this subsection has been made, an indebtedness in addition to the indebtedness determined under (b) of this section shall be determined for each year of military service used under this subsection, in an amount based on the increase, if any, in the present value of future benefits for that year as determined by the department.

* **Sec. 70.** AS 39.35.345(d) is amended to read:

(d) An employee may choose whether the credited service granted under this section is used to satisfy the credited service requirements for normal retirement under AS 39.35.370(a)(1)(B) or (C), 39.35.370(a)(2)(B), (C), or (D), [AS 39.35.370(a)(2) OR (3)] or 39.35.385(f) or is only used for the calculation of benefits. An election under this subsection is irrevocable and applies to all temporary credited service that the employee has accrued when the employee retires. An election under this subsection does not change the date that an employee is considered to have

commenced participation in the plan under AS 39.35.120.

* **Sec. 71.** AS 39.35.370(a) is amended to read:

(a) Subject to AS 39.35.450, a terminated employee

(1) who first became a member before July 1, 2006, is eligible for a normal retirement benefit

(A) [(1)] at age 60 with at least five years **of** credited service;

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

(C) [(3)] with at least 30 years of credited service;

(2) who first became a member after June 30, 2006, is eligible for a normal retirement benefit

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

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

(C) at age 50 with at least 25 years of credited service as a peace officer or firefighter; or

(D) with at least 30 years of credited service [FOR ALL OTHER EMPLOYEES].

* **Sec. 72.** AS 39.35.381(e) is amended to read:

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

* **Sec. 73.** AS 39.35.475(b) is amended to read:

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

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

(2) the lesser of 50 percent of the increase in the cost of living in the preceding calendar year or six percent, for recipients who on July 1 are at least 60 but less than 65 years old or for recipients who are less than 60 years old on July 1 but who have received benefits from the plan for at least five years.

* **Sec. 74.** AS 39.35.475 is amended by adding new subsections to read:

(g) Subject to (h) of this section, the amount of an increase for members who first became members of the plan after June 30, 2006, and do not meet the eligibility requirements for a permanent fund dividend in effect on July 1, 2025, under AS 43.23.005(a) is equal to one-half of the applicable percentage under (b) of this section.

(h) If the board determines that the portion of the liability of the plan that is attributable to all members who first became members of the plan after June 30, 2006, is funded below 90 percent, the board may reduce the amount of the increase determined under (b) or (g) of this section that is payable to a member who first became a member after June 30, 2006. At any time, the board may terminate a reduction made under this subsection.

* **Sec. 75.** AS 39.35.480(a) is amended to read:

(a) While residing in the state, a person who first became a member of the plan before July 1, 2006, who is receiving a benefit under AS 39.35.095 - 39.35.680, and who is 65 years of age or older or a person who first became a member of the plan before July 1, 2006, and who is receiving a disability benefit is entitled to receive a monthly cost-of-living allowance in addition to the basic benefit. The amount of this allowance shall be \$50 or 10 percent of the basic benefit, whichever is greater.

* **Sec. 76.** AS 39.35.535(a) is amended to read:

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

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

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

(B) the spouse and dependent children of the employee

described in (A) of this paragraph;

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

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

(2) for members first hired [ON OR] after **June 30** [JULY 1], 1986,

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

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

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

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

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

* **Sec. 77.** AS 39.35.535(c) is amended to read:

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

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

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

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

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

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

(2) a person is not required to make premium payments for retiree

major medical coverage if the person

(A) is a disabled member;

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

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

(D) has at least

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

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

* **Sec. 78.** AS 39.35.535 is amended by adding a new subsection to read:

(g) A benefit recipient who first became a member after June 30, 2006, or a surviving spouse who is eligible under AS 39.35.537(b), is not eligible for benefits under this section but may elect medical benefits under AS 39.35.537.

* **Sec. 79.** AS 39.35 is amended by adding a new section to read:

Sec. 39.35.537. Medical benefit; eligibility of employees first hired after June 30, 2006; surviving spouses and dependents. (a) An employee who first became a member of the plan after June 30, 2006, receives a monthly benefit from the plan, retired directly from the plan, and has elected benefits under this section is entitled to medical benefits under this section. A member who applies for medical benefits under this section shall apply on the forms and in the manner prescribed by the administrator. A member is eligible to retire from the plan if the member has been an active member for at least 12 months before application for retirement and the member

(1) is at least

(A) 50 years of age and has at least 25 years of membership service as a peace officer or firefighter;

(B) 55 years of age and has at least 20 years of membership service as a peace officer or firefighter;

(2) has at least 30 years of membership; or

1 (3) reaches the age set for Medicare eligibility and has at least 10 years
2 of membership service.

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

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

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

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

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

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

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

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

29 (j) The coverage for persons 65 years of age or older is the same as that
30 available for persons under 65 years of age. The benefits payable to those persons 65
31 years of age or older supplement any benefits provided under the federal old age,

1 survivors, and disability insurance program.

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

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

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

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

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

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

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

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

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

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

26 (n) The administrator shall

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

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

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

(C) whether the election is irrevocable; and

(2) require that a person entitled to retiree major medical insurance coverage under this section indicate in writing on a form provided by the administrator whether the person has chosen to receive optional health insurance coverage.

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

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

*** Sec. 80.** AS 39.35.610(a) is amended to read:

(a) The contributions of an employer and the contributions of its employees shall be transmitted to the administrator as soon as practicable after the close of the payroll period for which the contributions are made. Subject to (c) of this section, if an employer is delinquent in transferring the contributions for more than 15 days, interest shall be assessed on the outstanding contributions at [ONE AND ONE-HALF TIMES] the most recent actuarially determined rate of earnings for the retirement plan from the date that the contributions were originally due.

*** Sec. 81.** AS 39.35.680(4) is amended to read:

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

(A) for employees first hired before July 1, 1996, the three

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

(B) for employees first hired [ON OR] after June 30 [JULY 1], 1996, the five consecutive payroll years during the period of credited service that yield the highest average;

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

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

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

* **Sec. 82.** AS 39.35.680(18) is amended to read:

(18) "employer" means

(A) the State of Alaska;

(B) a political subdivision or public organization of the state that participates in the plan based on a resolution to participate in the plan that was approved by the administrator [ON OR BEFORE JULY 1, 2006]; or

(C) a political subdivision or public organization of the state that, as a result of consolidation or reorganization [THAT OCCURS ON OR AFTER JULY 1, 2006], assumes liability under the plan of a political subdivision or public organization described in (B) of this paragraph;

* **Sec. 83.** AS 39.35.680 is amended by adding a new paragraph to read:

(44) "first became a member after June 30, 2006" and "first became a member of the plan after June 30, 2006" include a member who elected under former AS 39.35.940 to participate in the plan under AS 39.35.700 - 39.35.990 and who elects to participate in the defined benefit retirement plan under AS 39.35.095 - 39.35.680.

* **Sec. 84.** AS 39.35.700 is amended to read:

1 **Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of
2 AS 39.35.700 - 39.35.990 apply only to

3 **(1) members first hired [ON OR] after June 30, 2006, and before**
4 **July 1, 2025, who do not participate in a defined benefit retirement plan under**
5 **AS 14.25.009 - 14.25.220 or AS 39.35.095 - 39.35.680; and**

6 **(2) [JULY 1, 2006, TO] members [WHO ARE EMPLOYED BY**
7 **EMPLOYERS THAT DO NOT PARTICIPATE IN THE DEFINED BENEFIT**
8 **RETIREMENT PLAN ESTABLISHED UNDER AS 39.35.095 - 39.35.680, TO**
9 **FORMER MEMBERS AS DEFINED IN AS 39.35.680, OR TO MEMBERS]** who
10 **transferred [TRANSFER] into the defined contribution retirement plan under former**
11 **AS 39.35.940 and do not elect to participate in the defined benefit retirement plan**
12 **under AS 39.35.095 - 39.35.680.**

13 * **Sec. 85.** AS 39.35.700 is amended by adding a new subsection to read:

14 (b) A public organization as defined in AS 39.35.680 or a municipality or
15 other political subdivision of the state that participates in the plan shall also participate
16 in the defined benefit retirement plan under AS 39.35.095 - 39.35.680.

17 * **Sec. 86.** AS 39.35.720 is amended to read:

18 **Sec. 39.35.720. Membership.** An employee who becomes a member [ON OR]
19 after **June 30, 2006, and before July 1, 2025, who does not participate in a defined**
20 **benefit retirement plan under AS 14.25.009 - 14.25.220 or AS 39.35.095 -**
21 **39.35.680** [JULY 1, 2006,] shall participate in the plan set out in AS 39.35.700 -
22 39.35.990.

23 * **Sec. 87.** AS 39.35.895(a) is amended to read:

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

28 * **Sec. 88.** AS 39.35.895(b) is amended to read:

29 (b) The plan administrator may not modify or amend the plan retroactively [IN
30 SUCH A MANNER AS] to reduce [THE] benefits **accrued by a** [OF ANY] member
31 [ACCRUED TO DATE UNDER THE PLAN BY REASON OF CONTRIBUTIONS

MADE] before the modification or amendment except to the extent that the reduction is permitted by **art. XII, sec. 7, Constitution of the State of Alaska, and** the Internal Revenue Code.

* **Sec. 89.** AS 39.35.895(c) is amended to read:

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

* **Sec. 90.** AS 39.35.895(d) is repealed and reenacted to read:

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

* **Sec. 91.** AS 14.25.012(c), 14.25.061, 14.25.540; and AS 39.35.940 are repealed.

* **Sec. 92.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: RETIREMENT PLAN ELECTION. (a) A teacher who became a member of the defined contribution retirement plan of the teachers' retirement system after June 30, 2006, and before July 1, 2025, and who, on July 1, 2025, is a member employed by an employer in the defined contribution retirement plan of the teachers' retirement system may, before January 1, 2026, make a one-time election to participate in the defined benefit retirement plan and to transfer all contributions that have been made or should be made to the defined contribution retirement plan for service the member completes before the effective date of the member's participation in the defined benefit retirement plan. The transferred contributions shall be used to purchase credited service in the defined benefit retirement plan on an actuarial equivalent basis determined by the Alaska Retirement Management Board established under AS 37.10.210. The provisions of AS 14.25.044 apply to an election made under this subsection.

(b) An employee who became a member of the defined contribution retirement plan

1 of the public employees' retirement system after June 30, 2006, and before July 1, 2025, and
2 who, on July 1, 2025, is a member employed by an employer in the defined contribution
3 retirement plan of the public employees' retirement system may, before January 1, 2026, make
4 a one-time election to participate in the defined benefit retirement plan under AS 39.35.095 -
5 39.35.680 and to transfer all contributions that have been made or should be made to the
6 defined contribution retirement plan for service the member completes before the effective
7 date of the member's participation in the defined benefit retirement plan. The transferred
8 contributions shall be used to purchase credited service in the defined benefit retirement plan
9 on an actuarial equivalent basis determined by the Alaska Retirement Management Board
10 established under AS 37.10.210. The provisions of AS 39.35.159 apply to an election made
11 under this subsection.

12 * **Sec. 93.** The uncodified law of the State of Alaska is amended by adding a new section to
13 read:

14 ADOPTION OF REGULATIONS. (a) The Alaska Retirement Management Board
15 may adopt regulations necessary to implement secs. 37 and 38 of this Act. Regulations
16 adopted by the Alaska Retirement Management Board under this Act relate to the internal
17 management of a state agency and are not subject to AS 44.62 (Administrative Procedure Act)
18 under AS 37.10.240.

19 (b) The commissioner of administration may adopt regulations necessary to
20 implement secs. 1 - 36 and 39 - 92 of this Act. Regulations adopted by the commissioner of
21 administration under this Act relate to the internal management of a state agency and are not
22 subject to AS 44.62 (Administrative Procedure Act) under AS 14.25.005, AS 39.30.098, and
23 AS 39.35.005.

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

26 * **Sec. 94.** Section 93 of this Act takes effect immediately under AS 01.10.070(c).

27 * **Sec. 95.** Except as provided in sec. 94 of this Act, this Act takes effect July 1, 2025.