

SENATE CS FOR CS FOR HOUSE BILL NO. 78(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered:**Referred:****Sponsor(s): HOUSE FINANCE COMMITTEE****A BILL****FOR AN ACT ENTITLED**

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

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

6 * **Section 1.** AS 14.25.009 is repealed and reenacted to read:

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

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

12 (a) **A teacher or member contracting for service with a participating**
13 **employer is subject to AS 14.25.009 - 14.25.220 unless the** [UNLESS A] teacher or
14 member

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

(2) became a member after June 30, 2006, and before July 1, 2026, 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 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 under (f) of this section may not, while participating solely in this plan, receive credited service for benefit eligibility for service performed in a position in the public

1 employees' retirement plan.

2 (h) A teacher who became a member of the system after June 30, 2006, and
3 before July 1, 2026, or who has elected under AS 14.25.540 to participate in the
4 defined contribution retirement plan under AS 14.25.310 - 14.25.590, is subject to
5 AS 14.25.009 - 14.25.220 and is not eligible to participate in the defined contribution
6 retirement plan established in AS 14.25.310 - 14.25.590 if the teacher

7 (1) is not employed by an employer on July 1, 2026;
8 (2) is reemployed by an employer after July 1, 2026; and
9 (3) has, before the date of reemployment, received

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

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

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

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

23 (1) became a member of the defined contribution retirement plan under
24 AS 14.25.310 - 14.25.590 after June 30, 2006, and before July 1, 2026;

25 (2) is not employed by an employer on July 1, 2026;
26 (3) is reemployed by an employer after July 1, 2026; and
27 (4) before the date of reemployment,

28 (A) has not received a distribution of the entire balance in the
29 teacher's individual account under the defined contribution retirement plan
30 under AS 14.25.310 - 14.25.590; or

31 (B) has received a rollover distribution of the entire balance in

the teacher's individual account in the plan under AS 14.25.310 - 14.25.590 and has within 180 days of reemployment had all or part of a direct rollover distribution from an eligible retirement plan owned by the teacher paid directly into the teacher's individual account under AS 14.25.310 - 14.25.590.

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

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

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

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

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

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

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

28 (f) If the value actuarially calculated under (d) of this section is insufficient to
29 pay for service credit equal to the teacher's actual service time, the administrator shall
30 allow the teacher the option of purchasing service credit in an amount up to the
31 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 either to 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 AS 14.25.061. However, an employee or former employee may not receive retroactive

1 credit under this subsection if the employee received credited service under AS 39.35
2 for the employment.

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

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

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

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

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

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

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

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

1 salary.

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

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

21 (h) The board may not increase the employer contribution under
22 AS 14.25.070(a) unless the board increases the member contribution under (e) of this
23 section by a comparable amount.

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

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

1 administrator from any agency of the state or political subdivision that has in its
2 possession funds of the employer or that is authorized to disburse funds to the
3 employer that are not restricted by statute or appropriation to a specific purpose. The
4 amount claimed shall be certified by the administrator as sufficient to pay the
5 contributions and interest due from the employer. The amount claimed shall be
6 submitted to the administrator for deposit in the retirement fund and the Alaska retiree
7 health care trust.

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

9 (a) Each employer shall contribute to the system every payroll period the
10 lesser of

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

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

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

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

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

28 (a) An employee who is eligible to purchase credited service under
29 AS 14.25.047 or 14.25.048, a member who is eligible to purchase credited service
30 under former AS 14.25.061 or under AS 14.25.048, 14.25.050, 14.25.060,
31 [14.25.061,] 14.25.100, or 14.25.107, or a teacher who is eligible to purchase credited

1 service under AS 14.20.345, AS 14.25.044, 14.25.050 [AS 14.25.050], or 14.25.105,
2 in lieu of making payments directly to the plan, may elect to have the member's
3 employer make payments as provided in this section.

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

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

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

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

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

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

31 (i) On satisfaction of the eligibility requirements of former AS 14.25.061 or

1 of AS 14.20.345, AS 14.25.044, 14.25.047 [AS 14.25.047], 14.25.048, 14.25.050,
2 14.25.060, [14.25.061,] 14.25.100, 14.25.105, or 14.25.107, the requirements of this
3 section, and the administrative filing requirements specified by the administrator, the
4 plan shall adjust the member's credited service history and add any additional service
5 credits acquired.

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

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

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

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

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

28 (a) Subject to AS 14.25.167,

29 (1) a member who first became a member of the plan before July 1,
30 2006, is eligible for a normal retirement benefit if the member

31 (A) [(1)] was first hired before July 1, 1975, has attained the

age of 55 years, and has at least 15 years of credited service, the last five of which have been membership service, or is otherwise vested in the plan;

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

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

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

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

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

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

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

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

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

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

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

(B) has at least 30 years of membership service

[PARAGRAPH].

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

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

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

2 (d) The monthly amount of a retirement benefit

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

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

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

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

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

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

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

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

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

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

* **Sec. 22.** AS 14.25.143(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 14.25.142. The amount of the increase is a percentage of the current benefit equal to

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

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

* **Sec. 23.** AS 14.25.143 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 under AS 43.23.005(a) in effect on July 1, 2025, 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 shall 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. 24.** AS 14.25.168(a) is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 (1) has at least 25 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.

(I) 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**

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

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

10 (6) "base salary"

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

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

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

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

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

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

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

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

30 (iv) [(D)] 12 school years of part-time membership
31 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 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 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, 2026, 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 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, 2026, 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

retirement plan.

* Sec. 33. AS 14.25.470(a) is amended to read:

(a) In order to obtain medical benefits under AS 14.25.480, a member must retire [DIRECTLY] from the plan. A member is eligible to retire from the plan if [THE MEMBER HAS BEEN AN ACTIVE MEMBER FOR AT LEAST 12 MONTHS BEFORE APPLICATION FOR RETIREMENT AND]

(1) the member has at least **25** [30] years of service; or

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

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

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

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

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

* **Sec. 36.** AS 14.25.490(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. 37. AS 14.25.490(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. 38.** AS 14.25.540(a) is amended to read:

(a) Subject to (i) of this section, an active member of the defined benefit retirement plan of the teachers' retirement system **who was first hired before July 1, 2026**, is eligible to participate in the defined contribution retirement plan established under AS 14.25.310 - 14.25.590 if that member has not vested. Participation in the defined contribution retirement plan is in lieu of participation in the defined benefit retirement plan established under AS 14.25.009 - 14.25.220.

* **Sec. 39.** AS 37.10.220(a) is amended to read:

(a) The board shall

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

(2) after reviewing recommendations from the Department of Revenue, adopt investment policies for each of the funds entrusted to the board, **including a policy to prevent each fund from having an unfunded liability greater than 10 percent;**

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

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

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

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

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

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

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

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

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

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

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

(B) an appropriate contribution rate for liquidating any past service liability; in this subparagraph, the appropriate contribution rate for liquidating the past service liability of the defined benefit retirement plan under AS 14.25.009 - 14.25.220 or the past service liability of the defined benefit retirement plan under AS 39.35.095 - 39.35.680 must be [DETERMINED BY A LEVEL PERCENT OF PAY METHOD] based on amortization of the past service liability for a closed term of 25 years;

(C) an appropriate monthly employer contribution under AS 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

1 prepared under this paragraph shall be reviewed and certified by a second member of
2 the American Academy of Actuaries before presentation to the board;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28 (17) **establish one or more sub-trusts of the pension fund to hold**
29 **employer contributions deposited under AS 14.25.086 and AS 39.35.281,**
30 **employee contributions, assets, and earnings attributable to members of the**
31 **defined benefit retirement plan under AS 14.25.009 - 14.25.220 or the defined**

1 benefit retirement plan under AS 39.35.095 - 39.35.680 who first became
2 members of the respective plan after June 30, 2006; and

3 (18) account for and track employer contributions, employee
4 contributions, assets, and earnings in each trust fund or sub-trust attributable to
5 members who first became members after June 30, 2006, of the defined benefit
6 retirement plan under AS 14.25.009 - 14.25.220 and members who first became
7 members after June 30, 2006, of the defined benefit retirement plan under
8 AS 39.35.095 - 39.35.680; employer contributions that exceed those assigned to
9 members who first became members after June 30, 2006, of the defined benefit
10 retirement plan under AS 14.25.009 - 14.25.220 and members who first became
11 members after June 30, 2006, of the defined benefit retirement plan under
12 AS 39.35.095 - 39.35.680 shall be transferred or retained in trusts or sub-trusts
13 with liability allocated toward employer normal costs for members who became
14 members of the respective defined benefit retirement plan before July 1, 2026,
15 past service costs, the health reimbursement arrangement plan under
16 AS 39.30.300 - 39.30.495, and employer contributions under AS 14.25.350 and
17 AS 39.35.750.

18 * Sec. 40. AS 37.10.220(b) is amended to read:

19 (b) The board may

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

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

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

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

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

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

* Sec. 41. AS 39.30.090(a) is amended to read:

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

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

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

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

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

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

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

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

1 insurance policy may be obtained from a life or health insurer authorized to transact
2 business in this state under AS 21.09 or from a hospital or medical service corporation
3 authorized to transact business in this state under AS 21.87;

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

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

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

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

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

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

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

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

* **Sec. 42.** 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. 43.** 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. 44.** 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

1 from federal income tax under 26 U.S.C. 115 and subject to the applicable financial
2 reporting, disclosure, and actuarial requirements of the Governmental Accounting
3 Standards Board.

4 * **Sec. 45.** AS 39.30.300 is amended to read:

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

9 **(1)** teachers who first become members of the [DEFINED
10 CONTRIBUTION PLAN OF THE] teachers' retirement system under **AS 14.25.009 -**
11 **14.25.590** [AS 14.25.310 - 14.25.590 ON OR] after **June 30, 2006** [JULY 1, 2006],
12 and **teachers who elected under AS 14.25.540 to participate in the plan under**
13 **AS 14.25.310 - 14.25.590; and**

14 **(2)** employees of the state, political subdivisions of the state, and
15 public organizations of the state who first become members [OF THE DEFINED
16 CONTRIBUTION PLAN] of the **public employees' retirement system (AS 39.35)**
17 [PUBLIC EMPLOYEES' RETIREMENT SYSTEM UNDER AS 39.35.700 -
18 39.35.990 ON OR] after **June 30, 2006, and employees of the state, political**
19 **subdivisions of the state, and public organizations of the state who elected under**
20 **AS 39.35.940 to participate in the plan established under AS 39.35.700 - 39.35.990**
21 [JULY 1, 2006].

22 * **Sec. 46.** AS 39.30.340 is amended to read:

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

31 * **Sec. 47.** AS 39.30.370 is amended to read:

Sec. 39.30.370. Contributions by employers. Except as required under (b)

of this section, for [FOR] each member of the plan, an employer shall contribute to the teachers' and public employees' retiree health reimbursement arrangement plan trust fund an amount equal to three percent of the average annual compensation of all employees of all employers in the teachers' retirement system and public employees' retirement system. [THE ADMINISTRATOR SHALL MAINTAIN A RECORD FOR EACH MEMBER TO ACCOUNT FOR EMPLOYER CONTRIBUTIONS ON BEHALF OF THAT MEMBER. THE BOARD SHALL ESTABLISH BY REGULATION THE RATE OF INTEREST TO BE APPLIED ANNUALLY TO THE AMOUNT IN A MEMBER'S INDIVIDUAL ACCOUNT.]

* **Sec. 48.** AS 39.30.370 is amended by adding new subsections to read:

(b) For each member of the plan who is a peace officer or firefighter, an employer shall contribute to the teachers' and public employees' retiree health reimbursement arrangement plan trust fund an amount equal to four percent of the average annual compensation of all employees of all employers in the teachers' retirement system and public employees' retirement system.

(c) The administrator shall maintain a record for each member to account for employer contributions on behalf of that member. The board shall establish by regulation the rate of interest to be applied annually to the amount in a member's individual account.

(d) In this section, "peace officer" and "firefighter" have the meaning given in AS 39.35.990.

* **Sec. 49.** AS 39.30.380 is amended to read:

Sec. 39.30.380. Termination of employment. A person who terminates employment before meeting the eligibility requirements of AS 14.25.171, 14.25.470, AS 39.35.537, or 39.35.870 [AS 14.25.470 OR AS 39.35.870] loses any right to the contributions made on behalf of the person to the teachers' and public employees' retiree health reimbursement arrangement trust fund. If a person returns to employment with a participating employer by December 31 of the year in which the person reaches 65 years of age, the person's account balance shall be restored in the amount recorded on the date of termination from the trust, adjusted for inflation at the

rate of the Consumer Price Index for Anchorage, Alaska. The earlier period of employment with a participating employer shall be credited toward eligibility for medical benefits.

* **Sec. 50.** AS 39.30.390 is amended to read:

Sec. 39.30.390. Eligibility and reimbursement. Persons who meet the eligibility requirements of AS 14.25.171, 14.25.470, AS 39.35.537, or 39.35.870 [AS 14.25.470 AND AS 39.35.870] are eligible for reimbursements from the individual account established for a member under the plan [, EXCEPT MEMBERS DO NOT HAVE TO RETIRE DIRECTLY FROM THE SYSTEM]. A person who is the dependent child of an eligible member is eligible for reimbursements if the eligible member and surviving spouse have both died so long as the person meets the definition of dependent child.

* Sec. 51. AS 39.30.400(a) is amended to read:

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

* **Sec. 52.** AS 39.30.420(a) is amended to read:

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

* **Sec. 53.** AS 39.30.420(b) is amended to read:

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

* **Sec. 54.** AS 39.30.420(c) is amended to read:

(c) **Subject to art. XII, sec. 7, Constitution of the State of Alaska, and the**

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

7 * **Sec. 55.** AS 39.30.420(d) is repealed and reenacted to read:

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

11 * **Sec. 56.** AS 39.30.495(5) is amended to read:

12 (5) "eligible person" means a person who meets the eligibility
13 requirements of **AS 14.25.171, 14.25.470, AS 39.35.537, or 39.35.870** [AS 14.25.470
14 OR AS 39.35.870];

15 * **Sec. 57.** AS 39.30.495(6) is amended to read:

16 (6) "employer" has the meaning given in **AS 14.25.220 for employers**
17 **of teachers in the defined benefit retirement plan established in AS 14.25.009 -**
18 **14.25.220, has the meaning given in** AS 14.25.590 for employers of teachers in the
19 defined contribution plan established in AS 14.25.310 - 14.25.590, **has the meaning**
20 **given in AS 39.35.680 for employers of public employees in the defined benefit**
21 **retirement plan established in AS 39.35.095 - 39.35.680,** and has the meaning given
22 in AS 39.35.990 for employers of public employees in the defined contribution plan
23 established in AS 39.35.700 - 39.35.990;

24 * **Sec. 58.** AS 39.30.495(9) is amended to read:

25 (9) "member" means a member of the **plan** [DEFINED
26 CONTRIBUTION PLAN OF THE TEACHERS' RETIREMENT SYSTEM IN
27 AS 14.25.310 - 14.25.590 OR A MEMBER OF THE PUBLIC EMPLOYEES'
28 RETIREMENT SYSTEM IN AS 39.35.700 - 39.35.990];

29 * **Sec. 59.** AS 39.35.095 is amended to read:

30 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680.** The
31 [FOLLOWING] provisions of **AS 39.35.095 - 39.35.680** [THIS CHAPTER] apply

only to members first hired

(1) before July 1, 2006, who have

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

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

(2) after June 30, 2006, and before July 1, 2026, who are former members of the defined contribution retirement plan under AS 39.35.700 - 39.35.990; or

(3) on or after July 1, 2026 [: AS 39.35.095 - 39.35.680].

* **Sec. 60.** AS 39.35.095 is amended by adding a new subsection to read:

(b) An employee who became a member of the system after June 30, 2006, and before July 1, 2026, or who has elected under AS 39.35.940 to participate in the defined contribution retirement plan under AS 39.35.700 - 39.35.990, is subject to AS 39.35.095 - 39.35.680 if the employee

(1) is not employed by an employer on July 1, 2026;

(2) is reemployed by an employer after July 1, 2026; and

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

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

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

* **Sec. 61.** AS 39.35.100(b) is amended to read:

(b) An individual account shall be maintained for each employee to record the amount of the employee's mandatory contributions collected under **AS 39.35.160**

1 [AS 39.35.160(a)]. As of the last day of each calendar year and of each fiscal year, this
2 account shall be credited with interest by applying the prescribed rate of interest, as
3 determined by the board, to the balance in the account as of that date. When the
4 employee is appointed to retirement, the amount held in the individual account shall
5 be used first to fully finance the benefits paid. Once this account has been exhausted,
6 the plan shall fully finance the benefits paid that were not financed by the employee's
7 individual account.

8 * **Sec. 62.** AS 39.35 is amended by adding a new section to article 3 to read:

9 **Sec. 39.35.159. Election of defined benefit retirement plan by reemployed
10 employees.** (a) An employee may make a one-time election to participate in the plan
11 under AS 39.35.095 - 39.35.680 if the employee was first hired after June 30, 2006,
12 and before July 1, 2026, and, if not employed by an employer on July 1, 2026, is
13 reemployed by an employer after July 1, 2026, and, before the date of reemployment,

14 (1) has not received a distribution of the entire balance in the
15 employee's individual account under the defined contribution retirement plan
16 established in AS 39.35.700 - 39.35.990; or

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

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

1 calculations to illustrate the effect of moving the employee's retirement plan from a
2 defined contribution retirement plan to a defined benefit retirement plan.

3 (c) An election made under (a) of this section to participate in the plan under
4 AS 39.35.095 - 39.35.680 is irrevocable. On the effective date of the election, an
5 eligible employee shall be enrolled as a member of the plan, and the employee's
6 participation in the plan shall be governed by the applicable provisions of the plan.
7 The employee's enrollment in the plan is retroactive to the date of hire.

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

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

(1) an amount equal to the decrease in the accrued actuarial liability of the death and disability trust in the plan under AS 39.35.700 - 39.35.990 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 under AS 39.35.700 - 39.35.990 to the pension fund in the plan under AS 39.35.095 - 39.35.680; and

(2) an amount equal to the increase in the accrued actuarial liability of the health care trust in the plan under AS 39.35.095 - 39.35.680 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 39.35.880 to the trust established under AS 39.30.097(a) for the prefunding of medical benefits provided by AS 39.35.537.

(f) If the value actuarially calculated under (d) of this section is insufficient to pay for service credit equal to the employee's actual service, the administrator shall allow the employee 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 employee's actual service, the administrator shall cause the excess to be paid to the employee as a rollover transfer either to 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 39.35.760(d). An excess may not be used to purchase additional service credit in the plan under AS 39.35.095 - 39.35.680. When a reemployed employee enters the plan under AS 39.35.095(b), the administrator shall allow the employee to pay for a period of service credit up to the employee's actual service. When an employee 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 an employee's indebtedness. If the indebtedness exists when the employee is appointed to retirement, the administrator shall make a corresponding actuarial adjustment to the benefit payable to the employee for service in the defined

1 contribution retirement plan.

2 (g) Actuarial assumptions about the plan under AS 39.35.095 - 39.35.680
3 must be based on the most recent actuarial valuation of the plan, except that the
4 retirement rates are computed at 25 percent of the retirement rates used in the most
5 recent actuarial valuation of the pension fund for the plan plus 75 percent of the
6 retirement rates used in the most recent actuarial valuation of the plan under
7 AS 39.35.700 - 39.35.990.

8 (h) The provisions of this section are subject to the requirements of the
9 Internal Revenue Code and the limitations under AS 39.35.115, 39.35.678,
10 39.35.710(c) and (d), and 39.35.895. In this subsection, "Internal Revenue Code" has
11 the meaning given in AS 39.35.990.

12 * **Sec. 63.** AS 39.35.160(a) is amended to read:

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

26 * **Sec. 64.** AS 39.35.160 is amended by adding new subsections to read:

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

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

1 compensation; and

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

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

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

21 (h) The board may not increase the employer contribution under
22 AS 39.35.255(a) unless the board increases the member contribution under (e) of this
23 section by a comparable amount.

24 * **Sec. 65.** AS 39.35.165(a) is amended to read:

25 (a) An employee who is eligible to purchase credited service under
26 **AS 39.35.159, 39.35.310** [AS 39.35.310], 39.35.330, 39.35.340, 39.35.342, 39.35.345,
27 39.35.360, or 39.35.370, a member who is eligible to purchase credited service under
28 AS 39.35.375, or an elected public official who is eligible to purchase credited service
29 under AS 39.35.381 is an employee for purposes of this section. An employee may, in
30 lieu of making payments directly to the plan, elect to have the employee's employer
31 make payments as provided in this section.

1 * **Sec. 66.** AS 39.35.165(b) is amended to read:

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

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

9 (2) the employee shall make an irrevocable election under this section
10 to purchase credited service as permitted in AS 39.35.159, 39.35.310 [AS 39.35.310],
11 39.35.330, 39.35.340, 39.35.342, 39.35.345, 39.35.360, 39.35.370, 39.35.375, or
12 39.35.381 and before the employee's termination of employment; the irrevocable
13 election must specify the number of payroll periods that deductions will be made from
14 the employee's compensation and the dollar amount of deductions for each payroll
15 period during the specified number of payroll periods; the deductions made under this
16 paragraph cease upon the earlier of the member's termination of employment with the
17 employer or the member's death; amounts paid by an employer under (f) of this
18 section may not be applied toward the payment of the dollar amount of the deductions
19 representing the portion of the credited service that is being purchased by the member
20 through payroll deduction in accordance with the member's irrevocable election under
21 this subsection;

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

27 * **Sec. 67.** AS 39.35.165(g) is amended to read:

28 (g) Payments made under this section shall be applied to reduce the
29 employee's outstanding indebtedness described in AS 39.35.159, 39.35.310
30 [AS 39.35.310], 39.35.330, 39.35.340, 39.35.342, 39.35.345, 39.35.360, 39.35.370,
31 39.35.375, or 39.35.381 at the time that the contributions are received by the plan.

1 * **Sec. 68.** AS 39.35.165(i) is amended to read:

2 (i) On satisfaction of the eligibility requirements of **AS 39.35.159, 39.35.310**
3 [AS 39.35.310], 39.35.330, 39.35.340, 39.35.341, 39.35.345, 39.35.360, 39.35.370,
4 39.35.375, or 39.35.381, the requirements of this section, and the administrative filing
5 requirements specified by the commissioner, the plan shall adjust the employee's
6 credited service history and add any additional service credits acquired.

7 * **Sec. 69.** AS 39.35.255(a) is amended to read:

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

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

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

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

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

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

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

30 * **Sec. 70.** AS 39.35.255 is amended by adding a new subsection to read:

31 (j) If the legislature appropriates funds for the purpose of decreasing an

1 employer's contribution, the employer's contribution under (a) of this section shall
2 decrease by that amount.

3 * **Sec. 71.** AS 39.35 is amended by adding a new section to read:

4 **Sec. 39.35.281. Sub-trust for members who first became members after**
5 **June 30, 2006.** The administrator shall deposit a portion of employer contributions
6 under AS 39.35.255 and 39.35.280 in a sub-trust of the retirement fund established by
7 the board for members who first became members after June 30, 2006. The amount
8 deposited, when combined with the amount separately computed for medical benefits
9 under AS 39.35.282, must be sufficient to pay the actuarially determined employer
10 normal cost and past service cost for members of the system who first became
11 members after June 30, 2006. When the amount sufficient to pay the actuarially
12 determined employer normal cost, all contributions required under AS 39.30.370 and
13 AS 39.35.750, and past service cost for members of the system is less than 12 percent
14 of all base salaries paid to active members of the system, the administrator shall
15 deposit the difference in the sub-trust established under this section.

16 * **Sec. 72.** AS 39.35.282 is amended to read:

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

22 * **Sec. 73.** AS 39.35.340(i) is amended to read:

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

31 * **Sec. 74.** 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. 75. 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. 76.** 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. 77.** 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. 78.** AS 39.35.475 is amended by adding a new subsection 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 under AS 43.23.005(a) in effect on July 1, 2025, 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 shall 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. 79.** 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. 80.** 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. 81.** 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 coverage if the person

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

ment;

- (C) is 60 years of age or older and has at least 10 years of
- ed 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. 82.** 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. 83.** 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 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

(1) is at least 50 years of age and has at least 20 years of membership service as a peace officer or firefighter;

(2) has at least 25 years of membership; or

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

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

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

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

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

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

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

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

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

(j) The coverage for persons 65 years of age or older is the same as that available for persons under 65 years of age. The benefits payable to those persons 65

1 years of age or older supplement any benefits provided under the federal old age,
2 survivors, and disability insurance program.

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

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

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

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

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

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

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

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

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

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

27 (n) The administrator shall

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

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

1 employees;

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

4 (C) whether the election is irrevocable; and

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

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

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

17 * **Sec. 84.** AS 39.35.610(a) is amended to read:

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

25 * **Sec. 85.** AS 39.35.680(4) is amended to read:

26 (4) "average monthly compensation" means the result obtained by
27 dividing the compensation earned by an employee during a considered period by the
28 number of months, including fractional months, for which compensation was earned;
29 an employee must have at least 115 days of credited service in the last payroll year in
30 order for that year to be used as part of the consecutive payroll years; the considered
31 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. 86.** 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. 87.** 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 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.

1 * **Sec. 88.** AS 39.35.700 is amended to read:

2 **Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of
3 AS 39.35.700 - 39.35.990 apply only to
4 (1) members first hired [ON OR] after June 30, 2006, and before
5 July 1, 2026, who do not participate in a defined benefit retirement plan under
6 AS 14.25.009 - 14.25.220 or AS 39.35.095 - 39.35.680; and

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

14 * **Sec. 89.** AS 39.35.700 is amended by adding a new subsection to read:

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

18 * **Sec. 90.** AS 39.35.720 is amended to read:

19 **Sec. 39.35.720. Membership.** An employee who becomes a member [ON OR]
20 after June 30, 2006, and before July 1, 2026, who does not participate in a defined
21 benefit retirement plan under AS 14.25.009 - 14.25.220 or AS 39.35.095 -
22 39.35.680 [JULY 1, 2006,] shall participate in the plan set out in AS 39.35.700 -
23 39.35.990.

24 * **Sec. 91.** AS 39.35.870(a) is amended to read:

25 (a) In order to obtain medical benefits under AS 39.35.880, an active member
26 must retire [DIRECTLY] from the plan. A member is eligible to retire from the plan if
27 [THE MEMBER HAS BEEN AN ACTIVE MEMBER FOR AT LEAST 12
28 MONTHS BEFORE APPLICATION FOR RETIREMENT AND]

29 (1) the member has at least 20 [25] years of membership service as a
30 peace officer or firefighter or at least 25 [30] years of membership service for all other
31 employees; or

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

* **Sec. 92.** AS 39.35.895(a) is amended to read:

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

* **Sec. 93.** AS 39.35.895(b) is amended to read:

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

* **Sec. 94.** 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. 95. 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. 96.** AS 39.35.940(a) is amended to read:

(a) Subject to (i) of this section, an active member of the defined benefit retirement plan of the public employees' retirement system who was first hired before July 1, 2026, is eligible to participate in the defined contribution retirement plan established under AS 39.35.700 - 39.35.990 if that member has not vested.

1 Participation in the defined contribution retirement plan is in lieu of participation in
2 the defined benefit retirement plan established under AS 39.35.095 - 39.35.680.

3 * **Sec. 97.** AS 14.25.012(c) and 14.25.061 are repealed.

4 * **Sec. 98.** The uncodified law of the State of Alaska is amended by adding a new section to
5 read:

6 TRANSITION: RETIREMENT PLAN ELECTION. (a) A teacher who became a
7 member of the defined contribution retirement plan of the teachers' retirement system after
8 June 30, 2006, and before July 1, 2026, and who, on July 1, 2026, is a member employed by
9 an employer in the defined contribution retirement plan of the teachers' retirement system
10 may, before January 1, 2027, make a one-time election to participate in the defined benefit
11 retirement plan and to transfer all contributions that have been made or should be made to the
12 defined contribution retirement plan for service the member completes before the effective
13 date of the member's participation in the defined benefit retirement plan. The transferred
14 contributions shall be used to purchase credited service in the defined benefit retirement plan
15 on an actuarial equivalent basis determined by the Alaska Retirement Management Board
16 established under AS 37.10.210. The provisions of AS 14.25.044 apply to an election made
17 under this subsection.

18 (b) An employee who became a member of the defined contribution retirement plan
19 of the public employees' retirement system after June 30, 2006, and before July 1, 2026, and
20 who, on July 1, 2026, is a member employed by an employer in the defined contribution
21 retirement plan of the public employees' retirement system may, before January 1, 2027, make
22 a one-time election to participate in the defined benefit retirement plan under AS 39.35.095 -
23 39.35.680 and to transfer all contributions that have been made or should be made to the
24 defined contribution retirement plan for service the member completes before the effective
25 date of the member's participation in the defined benefit retirement plan. The transferred
26 contributions shall be used to purchase credited service in the defined benefit retirement plan
27 on an actuarial equivalent basis determined by the Alaska Retirement Management Board
28 established under AS 37.10.210. The provisions of AS 39.35.159 apply to an election made
29 under this subsection.

30 * **Sec. 99.** The uncodified law of the State of Alaska is amended by adding a new section to
31 read:

1 ADOPTION OF REGULATIONS. (a) The Alaska Retirement Management Board
2 may adopt regulations necessary to implement secs. 39 and 40 of this Act. Regulations
3 adopted by the Alaska Retirement Management Board under this Act relate to the internal
4 management of a state agency and are not subject to AS 44.62 (Administrative Procedure Act)
5 under AS 37.10.240.

6 (b) The commissioner of administration may adopt regulations necessary to
7 implement secs. 1 - 38 and 41 - 98 of this Act. Regulations adopted by the commissioner of
8 administration under this Act relate to the internal management of a state agency and are not
9 subject to AS 44.62 (Administrative Procedure Act) under AS 14.25.005, AS 39.30.098, and
10 AS 39.35.005.

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

13 * **Sec. 100.** Section 99 of this Act takes effect immediately under AS 01.10.070(c).

14 * **Sec. 101.** Except as provided in sec. 100 of this Act, this Act takes effect July 1, 2026.