

SENATE BILL NO. 88

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - FIRST SESSION

BY SENATOR GIESSEL

Introduced: 3/1/23

Referred: Labor & Commerce, Finance

A BILL

FOR AN ACT ENTITLED

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

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

7 * **Section 1.** AS 14.25.009 is repealed and reenacted to read:

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

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

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

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

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

(2) became a member after June 30, 2006, and before July 1, 2024, and does not, before November 1, 2024, elect to participate in the defined benefit retirement plan under AS 14.25.009 - 14.25.220; or

(3) has elected under former AS 14.25.540 to participate in the plan established in AS 14.25.310 - 14.25.590 [A TEACHER OR MEMBER CONTRACTING FOR SERVICE WITH A PARTICIPATING EMPLOYER IS SUBJECT TO AS 14.25.009 - 14.25.220].

* **Sec. 3.** AS 14.25.048(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 credit under this subsection if the employee received credited service under AS 39.35 for the employment.

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

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

* **Sec. 5.** AS 14.25.050(a) is amended to read:

(a) Except as provided in (c) **and (e)** of this section, beginning January 1, 1991, each member shall contribute to the plan an amount equal to 8.65 percent of the member's base salary accrued from July 1 to the following June 30. [THE

1 EMPLOYER SHALL DEDUCT THE CONTRIBUTION FROM THE MEMBER'S
 2 SALARY AT THE END OF EACH PAYROLL PERIOD, AND THE
 3 CONTRIBUTION SHALL BE CREDITED BY THE PLAN TO THE MEMBER
 4 CONTRIBUTION ACCOUNT. THE CONTRIBUTIONS SHALL BE DEDUCTED
 5 FROM EMPLOYEE COMPENSATION BEFORE THE COMPUTATION OF
 6 APPLICABLE FEDERAL TAXES AND SHALL BE TREATED AS EMPLOYER
 7 CONTRIBUTIONS UNDER 26 U.S.C. 414(h)(2). A MEMBER MAY NOT HAVE
 8 THE OPTION OF MAKING THE PAYROLL DEDUCTION DIRECTLY IN CASH
 9 INSTEAD OF HAVING THE CONTRIBUTION PICKED UP BY THE
 10 EMPLOYER.]

11 * **Sec. 6.** AS 14.25.050 is amended by adding new subsections to read:

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

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

18 (2) if increased, is not more than 10 percent of the member's base
 19 salary.

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

27 * **Sec. 7.** AS 14.25.070(a) is amended to read:

28 (a) **Except as provided in (i) of this section, each** [EACH] employer shall
 29 contribute to the system every payroll period an amount calculated by applying a rate
 30 of 12.56 percent to the total of all base salaries paid by the employer, **including any**
 31 **adjustments to contributions required by AS 14.25.173(a),** to

(1) active members of the system who first became members of the plan before July 1, 2006; and

(2) [TO] members who first became members of the plan before July 1, 2006, and who are retired from the plan and reemployed under AS 14.20.136 [, INCLUDING ANY ADJUSTMENTS TO CONTRIBUTIONS REQUIRED BY AS 14.25.173(a)].

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

(d) Notwithstanding (a) and (i) of this section, the annual employer contribution rate may not be less than the rate sufficient to allow payment of the employer normal cost and the employer contributions required under AS 14.25.350 and AS 39.30.370.

* **Sec. 9.** AS 14.25.070 is amended by adding new subsections to read:

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

(1) a per capita amount calculated by applying a rate, determined by the board, of not less than 12 percent of the total monthly base salaries the employer pays to all members who first became members of the plan after June 30, 2006; or

(2) a per capita amount, determined by the board, that is equal to the amount calculated under (a) of this section expressed on a per capita basis.

(j) The board may, from time to time, increase the percentage rate determined under (i)(1) of this section; however, the increase must be based on a concurrent increase, if any, in the member contribution rate under AS 14.25.050(e).

* **Sec. 10.** AS 14.25.075(a) is amended to read:

(a) An employee who is eligible to purchase credited service under AS 14.25.047 or 14.25.048, a member who is eligible to purchase credited service under former AS 14.25.061 or under AS 14.25.048, 14.25.050, 14.25.060, [14.25.061,] 14.25.100, or 14.25.107, or a teacher who is eligible to purchase credited service under AS 14.20.345, AS 14.25.050, or 14.25.105, in lieu of making payments directly to the plan, may elect to have the member's employer make payments as provided in this section.

1 * **Sec. 11.** AS 14.25.075(b) is amended to read:

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

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

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

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

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

28 (i) On satisfaction of the eligibility requirements of **former AS 14.25.061 or**
29 **of** AS 14.20.345, AS 14.25.047, 14.25.048, 14.25.050, 14.25.060, [14.25.061,]
30 14.25.100, 14.25.105, or 14.25.107, the requirements of this section, and the
31 administrative filing requirements specified by the administrator, the plan shall adjust

the member's credited service history and add any additional service credits acquired.

* **Sec. 13.** AS 14.25.087 is amended to read:

Sec. 14.25.087. Contributions for medical benefits. Contributions made by an employer under AS 14.25.070 and 14.25.085 must [SHALL] be separately computed for benefits provided by AS 14.25.168 and 14.25.171. The contributions computed for benefits provided by AS 14.25.168 must [AND SHALL] be deposited in the Alaska retiree health care trust established under AS 39.30.097(a), and the contributions computed for benefits provided by AS 14.25.171 must be deposited in the teachers' and public employees' retiree health reimbursement arrangement plan trust fund established under AS 39.30.340.

* **Sec. 14.** AS 14.25.110(a) is amended to read:

(a) Subject to AS 14.25.167, a member who first became a member of the plan before July 1, 2006, is eligible for a normal retirement benefit if the member

(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;

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

(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;

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

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

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

(7) has, for each of 20 school years,
(A) at least one-half year of membership service as a part-time teacher;

(B) one full year of membership service as a full-time teacher;

or

(C) any combination of service qualified under this paragraph.

* **Sec. 15.** AS 14.25.110(d) is amended to read:

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

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

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

* **Sec. 16.** AS 14.25.110 is amended by adding new subsections to read:

(n) Subject to AS 14.25.167, a member who first became a member of the plan after June 30, 2006, is eligible for a normal retirement benefit if the member

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

(2) has at least 30 years of membership service.

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

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

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

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

* **Sec. 17.** AS 14.25.130(a) is amended to read:

(a) A member who first became a member of the plan before July 1, 2006, and who has five or more years of membership service is eligible for a disability pension if, after July 1, 1966, and before the member's normal retirement date, the

1 member's employment is terminated because of a permanent disability as defined in
2 AS 14.25.220.

3 * **Sec. 18.** AS 14.25 is amended by adding new sections to read:

4 **Sec. 14.25.131. Nonoccupational disability benefits.** (a) A member who first
5 became a member of the plan after June 30, 2006, is eligible for a nonoccupational
6 disability benefit if the member's employment is terminated because of a total and
7 apparently permanent nonoccupational disability, as defined in AS 14.25.220, before
8 the member's normal retirement date and after five or more years of membership
9 service. A member is not entitled to a nonoccupational disability benefit under this
10 section unless the member files an application for the benefit with the administrator
11 within 90 days after the member terminated employment. The board may waive a
12 filing deadline if there are extraordinary circumstances that resulted in the inability to
13 meet the deadline. The board may delegate the authority to waive a filing deadline
14 under this subsection to the administrator.

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

21 (1) dies;

22 (2) recovers from disability;

23 (3) fails to meet the requirements under (e) of this section or under
24 AS 14.25.133; or

25 (4) reaches normal retirement age.

26 (c) If the disabled member becomes ineligible to receive nonoccupational
27 disability benefits, the member is entitled to receive a normal or early retirement
28 benefit if the member would have been eligible for the benefit had employment
29 continued during the period of disability. However, the period of disability does not
30 constitute membership service.

31 (d) The monthly amount of the nonoccupational disability benefit shall be

1 determined in accordance with AS 14.25.110(o), considering the member's
2 membership service and base salary before termination of employment.

3 (e) A disabled member receiving a nonoccupational disability benefit shall
4 provide the administrator, one year after appointment to disability benefits and once
5 each year thereafter until disability benefits cease, proof of continuing eligibility to
6 receive disability payments under the Social Security Act. If the disabled member is
7 otherwise ineligible for a social security payment, the member shall provide the
8 administrator with sufficient medical evidence once each year to demonstrate that
9 disability payments under the Social Security Act would be payable had the member
10 been otherwise eligible. If the disabled member fails to provide the administrator with
11 evidence of continuing eligibility for disability payments under the Social Security Act
12 or other medical evidence required by the administrator within 30 days following each
13 anniversary date, the disability benefits from the plan shall cease. If that information is
14 subsequently provided to the administrator, benefit payments shall resume beginning
15 for the month following that in which the information is provided. When disability
16 payments under the Social Security Act cease, it is the responsibility of the disabled
17 member to notify the administrator immediately.

18 (f) A disabled member's nonoccupational disability benefit terminates when
19 the member first attains eligibility for normal retirement. At that time, the member's
20 retirement benefit shall be calculated under AS 14.25.110(o).

21 **Sec. 14.25.132. Occupational disability benefits.** (a) A member who first
22 became a member of the plan after June 30, 2006, is eligible for an occupational
23 disability benefit if employment is terminated because of a total and apparently
24 permanent occupational disability, as defined in AS 14.25.220, before the member's
25 normal retirement date.

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

- 1 (1) dies;
- 2 (2) recovers from disability;
- 3 (3) fails to meet the requirements under (f) of this section or under
- 4 AS 14.25.133; or
- 5 (4) reaches normal retirement age.

6 (c) If the disabled member becomes ineligible to receive occupational
 7 disability benefits before the normal retirement date, the disabled member shall then
 8 be entitled to receive an early retirement benefit if the member would have been
 9 eligible for the benefit had employment continued during the period of disability. The
 10 period of disability constitutes membership service.

11 (d) The monthly amount of an occupational disability benefit is 40 percent of
 12 the disabled member's base salary at the time of termination due to disability, divided
 13 by 12.

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

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

26 (g) A disabled member's occupational disability benefit terminates when the
 27 disabled member first attains eligibility for normal retirement. At that time, the
 28 member's retirement benefit shall be calculated under AS 14.25.110(o).

29 **Sec. 14.25.133. Reemployment of disabled members.** A member who first
 30 became a member of the plan after June 30, 2006, appointed to disability benefits
 31 under AS 14.25.131 or 14.25.132 shall apply to the division of vocational

1 rehabilitation within 30 days of the date disability benefits commence. The member
 2 shall be enrolled in a rehabilitation program if the member meets the eligibility
 3 requirements of the division of vocational rehabilitation. Unless the member
 4 demonstrates cause, benefits shall terminate at the end of the first month in which a
 5 disabled member

- 6 (1) fails to report to the division of vocational rehabilitation;
- 7 (2) is certified by the division of vocational rehabilitation as failing to
 8 cooperate in a vocational rehabilitation program;
- 9 (3) fails to interview for a job; or
- 10 (4) fails to accept a position offered.

11 **Sec. 14.25.134. Death after occupational disability.** (a) Upon the death of a
 12 disabled member who is receiving or is entitled to receive an occupational disability
 13 benefit, the administrator shall pay the surviving spouse a surviving spouse's pension,
 14 equal to 40 percent of the member's base salary at the termination of employment
 15 because of occupational disability, divided by 12. If there is no surviving spouse, the
 16 administrator shall pay the survivor's pension in equal parts to the dependent children
 17 of the member. On the date the normal retirement of the member would have occurred
 18 if the member had lived, the administrator shall adjust the monthly payments to equal
 19 the monthly amount of the normal retirement benefit to which the member, had the
 20 member lived and continued employment until the member's normal retirement date,
 21 would have been entitled with an average base salary as existed at death and the
 22 membership service to which the member would have been entitled. If the death of a
 23 member occurs from occupational causes but no surviving spouse or dependent
 24 children exist at the time of the death, or if the member designates as beneficiary
 25 under AS 14.25.166 someone other than the surviving spouse or dependent children,
 26 the administrator shall pay the member's designated beneficiary those benefits
 27 available to a beneficiary under AS 14.25.156(c) and may not pay an occupational
 28 death benefit to the surviving spouse or dependent children.

29 (b) The first payment of the surviving spouse's pension or of a dependent
 30 child's pension shall accrue from the first day of the month following the member's
 31 death and is payable the last day of the month. The last payment shall be made for the

1 last month in which there is an eligible surviving spouse or child.

2 * **Sec. 19.** AS 14.25.142(a) is amended to read:

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

10 * **Sec. 20.** AS 14.25.143(a) is amended to read:

11 (a) Once each year, the administrator shall increase benefit payments to
 12 eligible disabled members, to persons age 60 or older receiving benefits under this
 13 plan in the preceding calendar year, and to persons who have received benefits under
 14 this plan for at least **five** [EIGHT] years who are not otherwise eligible for an increase
 15 under this section.

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

17 (b) **Subject to (g) of this section, the** [THE] increase in benefit payments
 18 applies to total benefit payments except for the cost-of-living allowance under
 19 AS 14.25.142. The amount of the increase is a percentage of the current benefit equal
 20 to

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

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

28 * **Sec. 22.** AS 14.25.143(e) is amended to read:

29 (e) When computing a death benefit under **AS 14.25.155 - 14.25.160**
 30 [AS 14.25.155, 14.25.157, OR 14.25.160] or a survivor's benefit under AS 14.25.162,
 31 14.25.164, or 14.25.167, adjustments granted to the deceased member or survivor

under this section shall be included in the computation.

* **Sec. 23.** AS 14.25.143 is amended by adding a new subsection to read:

(g) If the board determines that the portion of unfunded liability of the plan that is attributable to all members who first became members of the plan after June 30, 2006, is greater than 10 percent, the board may reduce the amount of the increase under (b) of this section that is payable to a 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 14.25.155 is amended to read:

Sec. 14.25.155. Nonoccupational death benefits; members first hired before July 1, 2006. (a) If the death of a member who first became a member of the plan before July 1, 2006, occurs after completing less than one year of membership service and the proximate cause of death is not a bodily injury sustained or hazard undergone while in the performance and within the scope of the member's duties of employment, the member's designated beneficiary shall be paid the balance of the member contribution account.

(b) If the death of a member who first became a member of the plan before July 1, 2006, occurs after completing at least one year of membership service but before becoming a vested member, and the proximate cause of death is not a bodily injury sustained or hazard undergone while in the performance and within the scope of the member's duties of employment, the lump-sum death benefit described in AS 14.25.160(b) and (c) shall be paid to the designated beneficiary of the member.

(c) If the death of a vested member or deferred vested member, who first became a member of the plan before July 1, 2006, occurs and the proximate cause of death is not a bodily injury sustained or hazard undergone while in the performance and within the scope of the member's duties of employment, the surviving spouse may elect to receive either the benefits described in (b) of this section or a 50 percent joint and survivor option as provided under AS 14.25.167(a)(2) based on credited service to the date of the member's termination. If no spouse survives a vested or deferred vested member, or if a person other than the spouse is designated as beneficiary in accordance with AS 14.25.166, the administrator shall pay the designated beneficiary

the benefits described in AS 14.25.160(b) and (c). Benefits accrue from the first day of the month following the member's death and are payable the last day of the month.

(d) Benefits are not payable under this section if benefits are payable under AS 14.25.156 - 14.25.162 [AS 14.25.157, 14.25.160, 14.25.162], 14.25.164, or 14.25.167.

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

Sec. 14.25.156. Nonoccupational death benefits; members first hired after June 30, 2006. (a) If the death of a member who first became a member of the plan after June 30, 2006, occurs from nonoccupational causes after completing less than one year of membership service, the member's designated beneficiary shall be paid the balance of the member contribution account. If the death of a member occurs from nonoccupational causes after completing at least one year but less than five years of membership service, a death benefit shall be paid to the member's designated beneficiary. The amount of the death benefit shall be the amount set out in (c) of this section.

(b) If the death of a vested member or deferred vested member, who first became a member of the plan after June 30, 2006, occurs from nonoccupational causes and the member designated no person other than the surviving spouse as beneficiary to receive nonoccupational death benefits, the surviving spouse may elect to receive either the amounts set out in (c) of this section or a 50 percent joint and survivor option based on credited service to the date of the member's death or termination. Benefits accrue from the first day of the month following the member's death and are payable the last day of the month.

(c) If, under AS 14.25.166, a vested or deferred vested member, who first became a member of the plan after June 30, 2006, designates as beneficiary to receive nonoccupational benefits someone other than the surviving spouse to whom the member has been married for at least one year, the administrator shall pay the designated beneficiary

(1) the balance of the deceased member's member contribution account; and

(2) a lump-sum death benefit; the amount of the lump-sum death

benefit is \$100 times the years of membership service of the deceased member plus \$1,000.

* **Sec. 26.** AS 14.25.157(a) is amended to read:

(a) If (1) the death of a member who first became a member of the plan before July 1, 2006, occurs before the member first attains eligibility for normal retirement, and (2) the proximate cause of death is a bodily injury sustained or hazard undergone while in the performance and within the scope of the member's duties of employment, and (3) the injury or hazard is not the proximate result of wilful negligence on the part of the member, the administrator shall pay a monthly survivor's pension equal to 40 percent of the member's base salary at the time of termination of employment, divided by 12, to the member's surviving spouse. If there is no surviving spouse, the administrator shall pay the monthly survivor's pension in equal parts to the dependent children of the member. On the date the normal retirement of the member would have occurred if the member had lived, monthly payments must equal the monthly amount of the normal retirement benefit to which the member, had the member lived and continued employment until the member's normal retirement date, would have been entitled with an average base salary as existed at the member's death and the credited service to which the member would have been entitled. If the member does not have a spouse or dependent children at the time of death or if the member designates as beneficiary under AS 14.25.166 someone other than the surviving spouse or dependent children, the administrator shall pay the member's designated beneficiary those benefits available to a beneficiary under AS 14.25.160(b) and (c) and may not pay a benefit to the surviving spouse or dependent children.

* **Sec. 27.** AS 14.25.157(c) is amended to read:

(c) Benefits are not payable under this section if benefits are payable under AS 14.25.155, 14.25.156, 14.25.158 - 14.25.162 [14.25.160, 14.25.162], 14.25.164, or 14.25.167.

* **Sec. 28.** AS 14.25.157(d) is amended to read:

(d) If the [A MEMBER'S] death of a member who first became a member of the plan before July 1, 2006, is caused by an act of assault, assassination, or terrorism directly related to the person's status as a member, whether the act occurs on

or off the member's job site, the death shall be considered to have occurred in the performance of and within the scope of the member's duties for purposes of (a)(2) of this section. If the expressed or apparent motive and intent of the perpetrator of the harm inflicted on [UPON] the member was due to the performance of the member's job duties or employment as a member, the death shall be considered to be directly related to the member's status as a member. A member's job duties are those performed within the course and scope of the member's employment with an employer.

* **Sec. 29.** AS 14.25 is amended by adding a new section to read:

Sec. 14.25.158. Occupational death benefit; members first hired after June 30, 2006. (a) If the death of a member who first became a member of the plan after June 30, 2006, occurs before the member's retirement and before the member's normal retirement date, the proximate cause of death is a bodily injury sustained or a hazard undergone while in the performance and within the scope of the member's duties, and the injury or hazard is not the proximate result of wilful negligence of the member, a monthly survivor's pension shall be paid to the surviving spouse. If there is no surviving spouse or if the spouse later dies, the monthly survivor's pension shall be paid in equal parts to the dependent children of the member. On the date the normal retirement of the member would have occurred if the member had lived, monthly payments shall equal the monthly amount of the normal retirement benefit to which the member, had the member lived and continued employment until the member's normal retirement date, would have been entitled with an average base salary as existed at death and the credited service to which the member would have been entitled.

(b) The first payment of the surviving spouse's pension or of a dependent child's pension shall be made for the month following the month in which the member dies and payment shall cease to be made beginning with the month in which there is no surviving spouse or no dependent child.

(c) If the death of a member occurs from occupational causes but no surviving spouse or dependent children exist at the time of the death or if the member designates as beneficiary under AS 14.25.166 someone other than the surviving spouse or

1 dependent children, the member's designated beneficiary is entitled to receive those
 2 benefits available to a beneficiary under AS 14.25.156(c) and an occupational death
 3 benefit may not be paid to the surviving spouse or dependent children.

4 (d) The monthly survivor's pension in (a) of this section for survivors of
 5 members is 40 percent of the member's base salary when the member dies.

6 (e) If a member's death is caused by an act of assault, assassination, or
 7 terrorism directly related to the person's status as a member, whether the act occurs on
 8 or off the member's job site, the death shall be considered to have occurred in the
 9 performance of and within the scope of the member's duties for purposes of (a) of this
 10 section. If the expressed or apparent motive and intent of the perpetrator of the harm
 11 inflicted on the member was due to the performance of the member's job duties or
 12 employment, the death shall be considered to be directly related to the member's status
 13 as a member. A member's job duties are those performed within the course and scope
 14 of the person's employment with an employer.

15 * **Sec. 30.** AS 14.25.162(b) is amended to read:

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

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

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

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

(4) benefits are not payable under this section if benefits are payable under AS 14.25.155 - 14.25.158 [AS 14.25.155, 14.25.157], 14.25.164, or 14.25.167.

* **Sec. 31.** AS 14.25.164(b) is amended to read:

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

(1) a spouse's pension is equal to 50 percent of the retirement benefit that the deceased member was receiving; if the member was not receiving a retirement benefit, the spouse's pension is equal to 50 percent of the amount the member would have received, based on the member's average base salary and credited service to the date of the member's death and assuming that the member would have been eligible for a normal retirement benefit as of that date;

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

(3) benefits are not payable under this section if benefits are payable under AS 14.25.155 - 14.25.158 [AS 14.25.155, 14.25.157], 14.25.162, or 14.25.167.

* **Sec. 32.** AS 14.25.167(a) is amended to read:

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

1 member may elect an option that provides that

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

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

8 (3) the member is entitled to receive a reduced benefit payable during
9 the joint lifetime of the member and the contingent beneficiary, and, after the death of
10 either the member or the contingent beneficiary, the survivor is entitled to receive
11 payments in the amount of 66-2/3 percent of the reduced benefit for life.

12 * **Sec. 33.** AS 14.25.167(e) is amended to read:

13 (e) If either the member or contingent beneficiary dies before the member is
14 appointed to retirement, the election becomes inoperative. Once the member is
15 appointed to retirement, the election is irrevocable, even if the retired member is
16 reemployed. Any additional retirement benefit to which the reemployed member may
17 become entitled shall [WILL] be paid in accordance with the initial election made
18 under this section, unless the contingent beneficiary is deceased. If the contingent
19 beneficiary is deceased, the benefits earned during the period of reemployment are
20 subject to AS 14.25.110, or this section if another contingent beneficiary was
21 designated during the period of reemployment. All other benefits earned during
22 previous periods of employment are subject to the election at the time the member was
23 appointed to retirement. If death occurs during the period of reemployment and the
24 proximate cause of death is not a bodily injury sustained or hazard undergone while in
25 the performance and within the scope of the member's duties of employment, those
26 benefits earned while reemployed are subject to AS 14.25.155(c) or 14.25.156. All
27 other benefits earned during previous periods of employment are subject to the
28 election at the time the member was appointed to retirement. If death occurs during the
29 period of reemployment and the proximate cause of death is a bodily injury sustained
30 or hazard undergone while in the performance and within the scope of the member's
31 duties of employment and the injury or hazard is not the proximate result of wilful

negligence on the part of the member, all benefits earned during all periods of employment are subject to AS 14.25.157 or 14.25.158.

* **Sec. 34.** 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) for teachers first hired before July 1, 1990,

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

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

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

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

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

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

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

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

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

(E) the dependent children of a deceased teacher 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. 35.** AS 14.25.169 is amended to read:

Sec. 14.25.169. Duplicate benefits. If payments from this retirement plan are due to a teacher or to the teacher's spouse under more than one provision of this plan, the teacher or spouse shall elect under which provision and which benefit the teacher or spouse wishes to receive and no payments may be made under any other provision.

1 However, benefits under AS 14.25.155 - 14.25.162 [AS 14.25.155, 14.25.157,
 2 14.25.160, 14.25.162], 14.25.164, and 14.25.167 shall be paid in addition to those
 3 benefits or that service credit a person is entitled to receive because of the person's
 4 own membership in the retirement plan. A teacher may not receive (1) duplicate credit
 5 under this plan for the same period of service, (2) more than one year of service credit
 6 in the course of a school year, or (3) a benefit while accruing service credit under this
 7 plan, except as provided in this section.

8 * **Sec. 36.** AS 14.25 is amended by adding a new section to read:

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

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

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

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

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

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

31 (g) A person eligible for medical benefits under this section is not required to

1 participate in the health reimbursement arrangement plan in order to participate in the
2 retiree major medical insurance plan.

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

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

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

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

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

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

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

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

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

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

31 (D) 15 percent if the member had 25 or more, but less than 30,

1 years of service;

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

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

7 (n) The administrator shall

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

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

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

15 (C) whether the election is irrevocable; and

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

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

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

28 * **Sec. 37.** AS 14.25.220(5) is amended to read:

29 (5) "average base salary" means,

30 **(A) for a teacher who first became a member before July 1,**
31 **2006,** the result obtained by dividing the sum of the member's three highest

years' base salary by three, or if a member does not have three years base salary, then by dividing the sum of all base salaries by the number of years of base salary; the base salary for a year in which credit is granted for disability totaling more than one-third of a year may not be used in the computation of the average base salary; the base salary in a school year for which the member receives compensation for less than two-thirds of a year may not be used in the computation of the average base salary; if compensation is received for more than two-thirds of a year, the full base salary for that school year shall be used in the computation of the average base salary;

(B) for a teacher who first became a member after June 30, 2006, the result obtained by dividing the sum of the member's five highest consecutive years' base salary by five, or if a member does not have five years' base salary, then by dividing the sum of all base salaries by the number of years of base salary; the base salary for a year in which credit is granted for disability totaling more than one-third of a year may not be used in the computation of the average base salary; the base salary in a school year for which the member receives compensation for less than two-thirds of a year may not be used in the computation of the average base salary; if compensation is received for more than two-thirds of a year, the full base salary for that school year shall be used in the computation of the average base salary;

* Sec. 38. AS 14.25.220(46) is amended to read:

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

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

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

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

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

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

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

* **Sec. 39.** AS 14.25.220 is amended by adding new paragraphs to read:

(48) "nonoccupational disability" means a physical or mental condition that, in the judgment of the administrator, presumably permanently prevents a member from satisfactorily performing the member's usual duties for an employer or the duties of another position or job that an employer makes available and for which the member is qualified by training or education, not including a condition resulting from a cause that the board, in its regulations, has excluded;

(49) "occupational disability" means a physical or mental condition that, in the judgment of the administrator, presumably permanently prevents a member from satisfactorily performing the member's usual duties for an employer or the duties of another comparable position or job that an employer makes available and for which the member is qualified by training or education; however, the proximate cause of the condition must be a bodily injury sustained, or a hazard undergone, while in the performance and within the scope of the member's duties and not the proximate result of the wilful negligence of the member.

* **Sec. 40.** 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, 2024, and who do not, before November 1, 2024, 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]

1 who **transferred** [TRANSFER] into the defined contribution retirement plan under
 2 **former** AS 14.25.540.

3 * **Sec. 41.** AS 14.25.310 is amended by adding a new subsection to read:

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

6 * **Sec. 42.** AS 14.25.330(a) is amended to read:

7 (a) A teacher who first becomes a member [ON OR] after **June 30, 2006, and**
 8 **before July 1, 2024, and who does not, before November 1, 2024, elect to**
 9 **participate in a defined benefit retirement plan under AS 14.25.009 - 14.25.220 or**
 10 **AS 39.35.095 - 39.35.680** [JULY 1, 2006,] shall participate in the plan as a member of
 11 the defined contribution retirement plan.

12 * **Sec. 43.** AS 14.25.350 is amended by adding a new subsection to read:

13 (f) This section does not apply to contributions made under AS 14.25.070(i)
 14 and does not require an employer that makes a contribution for a member under
 15 AS 14.25.070(i) to make another contribution for that member.

16 * **Sec. 44.** AS 14.25.490(a) is amended to read:

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

21 * **Sec. 45.** AS 14.25.490(b) is amended to read:

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

28 * **Sec. 46.** AS 14.25.490(c) is amended to read:

29 (c) **Subject to art. XII, sec. 7, Constitution of the State of Alaska, and the**
 30 **Internal Revenue Code, the** [THE] state may [, IN ITS DISCRETION,] terminate the
 31 plan in whole or part [AT ANY TIME] without liability for the termination. If the plan

1 is terminated, all investments at the time of termination remain in force until all
 2 individual accounts have been completely distributed under the plan. After [, AND,
 3 AFTER] all plan liabilities are satisfied, excess assets of the plan revert to the
 4 employer.

5 * **Sec. 47.** AS 14.25.490(d) is repealed and reenacted to read:

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

9 * **Sec. 48.** AS 37.10.220(a) is amended to read:

10 (a) The board shall

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

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

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

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

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

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

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

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

31 (D) AS 39.45.010 - 39.45.060 (public employees' deferred

1 compensation program);

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

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

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

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

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

21 **(C) an appropriate monthly employer contribution rate**
22 **under AS 14.25.070(i) and AS 39.35.255(j); and**

23 **(D) appropriate adjustments, if any, under AS 14.25.050(e)**
24 **and AS 39.35.160(e) and (f);**

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

31 (10) contract for an independent audit of the state's actuary not less

1 than once every four years;

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (17) determine the amount of the monthly employer contributions
26 under AS 14.25.070(i) and AS 39.35.255(j).

27 * **Sec. 49.** AS 37.10.220(b) is amended to read:

28 (b) The board may

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

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

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

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

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

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

* **Sec. 50.** AS 39.30.090(a) is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 * **Sec. 51.** AS 39.30.097(a) is amended to read:

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

1 * **Sec. 52.** AS 39.30.097(b) is amended to read:

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

8 * **Sec. 53.** AS 39.30.300 is amended to read:

9 **Sec. 39.30.300. State of Alaska Teachers' and Public Employees' Retiree**
10 **Health Reimbursement Arrangement Plan established.** The State of Alaska
11 Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan is
12 established for teachers who first become members of the [DEFINED
13 CONTRIBUTION PLAN OF THE] teachers' retirement system under AS 14.25.009 -
14 14.25.590 [AS 14.25.310 - 14.25.590 ON OR] after June 30 [JULY 1], 2006, and
15 employees of the state, political subdivisions of the state, and public organizations of
16 the state who first become members [OF THE DEFINED CONTRIBUTION PLAN]
17 of the Public Employees' Retirement System of Alaska (AS 39.35) [PUBLIC
18 EMPLOYEES' RETIREMENT SYSTEM UNDER AS 39.35.700 - 39.35.990 ON
19 OR] after June 30 [JULY 1], 2006.

20 * **Sec. 54.** AS 39.30.380 is amended to read:

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

1 * **Sec. 55.** AS 39.30.390 is amended to read:

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

9 * **Sec. 56.** AS 39.30.400(a) is amended to read:

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

14 * **Sec. 57.** AS 39.30.420(a) is amended to read:

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

19 * **Sec. 58.** AS 39.30.420(b) is amended to read:

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

26 * **Sec. 59.** AS 39.30.420(c) is amended to read:

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

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

3 * **Sec. 60.** AS 39.30.420(d) is repealed and reenacted to read:

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

7 * **Sec. 61.** AS 39.30.495(5) is amended to read:

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

11 * **Sec. 62.** AS 39.35.095 is amended to read:

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

15 (1) before July 1, 2006;

16 (2) after June 30, 2006, and before July 1, 2024, who are former
17 members of the defined contribution retirement plan under AS 39.35.700 -
18 39.35.990; or

19 (3) on or after July 1, 2024 [: AS 39.35.095 - 39.35.680].

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

21 (a) Subject to (e) and (f) of this section, beginning [BEGINNING]
22 January 1, 1987, each peace officer or firefighter shall contribute to the plan an
23 amount equal to seven and one-half percent of the peace officer's or firefighter's
24 compensation, and, except [. EXCEPT] as provided in (d) - (f) [(d)] of this section,
25 beginning January 1, 1987, each other employee shall contribute to the plan an amount
26 equal to six and three-quarters percent of the employee's compensation. [THE
27 CONTRIBUTIONS SHALL BE DEDUCTED BY THE EMPLOYER AT THE END
28 OF EACH PAYROLL PERIOD. THE CONTRIBUTIONS SHALL BE DEDUCTED
29 FROM EMPLOYEE COMPENSATION BEFORE COMPUTATION OF
30 APPLICABLE FEDERAL TAXES, AND THE CONTRIBUTIONS SHALL BE
31 TREATED AS EMPLOYER CONTRIBUTIONS UNDER 26 U.S.C. 414(h)(2). A

1 MEMBER MAY NOT HAVE THE OPTION OF MAKING THE PAYROLL
 2 DEDUCTION DIRECTLY INSTEAD OF HAVING THE CONTRIBUTION
 3 PICKED UP BY THE EMPLOYER.]

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

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

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

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

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

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

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

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

27 * **Sec. 65.** AS 39.35.255(a) is amended to read:

28 (a) Each employer, except as provided in (h) and (i) of this section, shall
 29 contribute to the system every payroll period an amount calculated by applying a rate
 30 of 22 percent of the greater of the total of all base salaries

31 (1) paid by the employer to employees who first became members of

1 **the plan before July 1, 2006, and** who are active members of the system, including
 2 any adjustments to contributions required by AS 39.35.520; or

3 (2) paid by the employer to employees **who first became members of**
 4 **the plan before July 1, 2006, and** who were active members of the system during the
 5 corresponding payroll period for the fiscal year ending

6 (A) June 30, 2008; or

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

11 * **Sec. 66.** AS 39.35.255(d) is amended to read:

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

16 * **Sec. 67.** AS 39.35.255(e) is amended to read:

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

20 * **Sec. 68.** AS 39.35.255 is amended by adding new subsections to read:

21 (j) An employer that employs an employee who first participates in the plan
 22 after June 30, 2006, shall contribute to the system every payroll period an amount
 23 equal to the greater of

24 (1) a per capita amount calculated by applying a rate, determined by
 25 the board, of not less than 12 percent of the total monthly compensation the employer
 26 pays to all members who first became members of the plan after June 30, 2006; or

27 (2) a per capita amount, determined by the board, that is equal to the
 28 amount calculated under (a) of this section expressed on a per capita basis.

29 (k) The board may, from time to time, increase the percentage rate determined
 30 under (j)(1) of this section; however, the increase must be based on a concurrent
 31 increase, if any, in the member contribution rate under AS 39.35.160(e) or (f).

1 * **Sec. 69.** AS 39.35.282 is amended to read:

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

10 * **Sec. 70.** AS 39.35.370(a) is amended to read:

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

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

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

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

18 * **Sec. 71.** AS 39.35.370 is amended by adding a new subsection to read:

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

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

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

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

26 (4) with at least 30 years of credited service.

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

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

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

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

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

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

13 * **Sec. 74.** AS 39.35.475 is amended by adding a new subsection to read:

14 (g) If the board determines that the portion of unfunded liability of the plan
15 that is attributable to all members who first became members of the plan after June 30,
16 2006, is greater than 10 percent, the board may reduce the amount of the increase
17 under (b) of this section that is payable to a member who first became a member after
18 June 30, 2006. At any time, the board may terminate a reduction made under this
19 subsection.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 (ii) 30 years of credited service under AS 39.35.360 and

39.35.370 that is not service as a peace officer; or

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

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

(A) is a disabled member;

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

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

(D) has at least

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

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

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

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

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

Sec. 39.35.537. Medical benefit; eligibility of employees first hired after June 30, 2006; surviving spouses and dependents. (a) An employee who became a member of the plan after June 30, 2006, receives a monthly benefit 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.

(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

1 that an eligible person may not be denied insurance coverage except for failure to pay
2 the required premium.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 (n) The administrator shall

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

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

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

26 (C) whether the election is irrevocable; and

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

30 (o) The monthly group premiums for retiree major medical insurance coverage
31 under this section are established by the administrator in accordance with

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

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

* **Sec. 80.** AS 39.35.680(4) is amended to read:

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

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

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

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

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

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

* **Sec. 81.** AS 39.35.680(26) is amended to read:

(26) "normal retirement" means retirement for a member who is

1 eligible to receive benefits under AS 39.35.370(a) or (I) or [UNDER] 39.35.385(a) or
2 (f);

3 * **Sec. 82.** AS 39.35.700 is amended to read:

4 **Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of
5 AS 39.35.700 - 39.35.990 apply only to

6 (1) members first hired [ON OR] after **June 30, 2006, and before**
7 **July 1, 2024, who do not, before November 1, 2024, elect to participate in a**
8 **defined benefit retirement plan under AS 14.25.009 - 14.25.220 or AS 39.35.095 -**
9 **39.35.680; and**

10 (2) [JULY 1, 2006, TO] members [WHO ARE EMPLOYED BY
11 EMPLOYERS THAT DO NOT PARTICIPATE IN THE DEFINED BENEFIT
12 RETIREMENT PLAN ESTABLISHED UNDER AS 39.35.095 - 39.35.680, TO
13 FORMER MEMBERS AS DEFINED IN AS 39.35.680, OR TO MEMBERS] who
14 **transferred** [TRANSFER] into the defined contribution retirement plan under **former**
15 AS 39.35.940.

16 * **Sec. 83.** AS 39.35.700 is amended by adding a new subsection to read:

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

20 * **Sec. 84.** AS 39.35.720 is amended to read:

21 **Sec. 39.35.720. Membership.** An employee who becomes a member [ON OR]
22 after **June 30, 2006, and before July 1, 2024, who does not, before November 1,**
23 **2024, elect to participate in a defined benefit retirement plan under AS 14.25.009**
24 **- 14.25.220 or AS 39.35.095 - 39.35.680** [JULY 1, 2006,] shall participate in the plan
25 set out in AS 39.35.700 - 39.35.990.

26 * **Sec. 85.** AS 39.35.750 is amended by adding a new subsection to read:

27 (f) This section does not apply to contributions made under AS 39.35.255(j)
28 and does not require an employer that makes a contribution for an employee under
29 AS 39.35.255(j) to make another contribution for that employee.

30 * **Sec. 86.** AS 39.35.895(a) is amended to read:

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

1 [THE] state may [HAS THE RIGHT TO] amend the plan at any time and from time to
 2 time, in whole or in part, including the right to make retroactive amendments referred
 3 to in 26 U.S.C. 401(b).

4 * **Sec. 87.** AS 39.35.895(b) is amended to read:

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

11 * **Sec. 88.** AS 39.35.895(c) is amended to read:

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

19 * **Sec. 89.** AS 39.35.895(d) is repealed and reenacted to read:

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

23 * **Sec. 90.** AS 14.25.012(c), 14.25.061, 14.25.540; and AS 39.35.940 are repealed.

24 * **Sec. 91.** The uncoded law of the State of Alaska is amended by adding a new section to
 25 read:

26 RETIREMENT PLAN ELECTION. (a) A teacher who was first hired after June 30,
 27 2006, and before the effective date of this section, and who is a member of the defined
 28 contribution retirement plan of the teachers' retirement system under AS 14.25.310 -
 29 14.25.590 may, before November 1, 2024, make a one-time election to participate in the
 30 defined benefit retirement plan under AS 14.25.009 - 14.25.220 and to transfer all
 31 contributions that have been made or should be made to the defined contribution retirement

1 plan for service the member completes before the effective date of the member's participation
 2 in the defined benefit retirement plan. The transferred contributions shall be used to purchase
 3 credited service in the defined benefit retirement plan on an actuarial equivalent basis
 4 determined by the Alaska Retirement Management Board established under AS 37.10.210.

5 (b) An employee who was first hired after June 30, 2006, and before the effective date
 6 of this section, and who is a member of the defined contribution retirement plan of the public
 7 employees' retirement system under AS 39.35.700 - 39.35.990, may, before November 1,
 8 2024, make a one-time election to participate in the defined benefit retirement plan under
 9 AS 39.35.095 - 39.35.680 and to transfer all contributions that have been made or should be
 10 made to the defined contribution retirement plan for service the member completes before the
 11 effective date of the member's participation in the defined benefit retirement plan. The
 12 transferred contributions shall be used to purchase credited service in the defined benefit
 13 retirement plan on an actuarial equivalent basis determined by the Alaska Retirement
 14 Management Board established under AS 37.10.210.

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

17 RETIREMENT PLAN ELECTION PROCEDURE. (a) An election made under sec.
 18 91 of this Act to participate in a defined benefit retirement plan must be made in writing on
 19 one or more forms and in the manner prescribed by the administrator. Before accepting an
 20 election to participate in a defined benefit retirement plan, the administrator shall provide the
 21 employee who plans on making an election to participate in a defined benefit retirement plan
 22 with information, including calculations to illustrate the effect of moving the employee's
 23 retirement plan from a defined contribution retirement plan to a defined benefit retirement
 24 plan as well as other information that informs the employee of potential consequences of the
 25 employee's election.

26 (b) An election made under sec. 91 of this Act to participate in a defined benefit
 27 retirement plan is irrevocable. On the effective date of the election, an eligible employee who
 28 makes the election shall be enrolled as a member of a defined benefit retirement plan, and the
 29 employee's participation in the plan shall be governed by the applicable provisions of the
 30 defined benefit retirement plan. The employee's enrollment in a defined benefit retirement
 31 plan is retroactive to the date of hire. An election made by an eligible employee who is

1 married is not effective unless the election is signed by the employee's spouse.

2 (c) When an eligible employee makes a one-time election under sec. 91 of this Act,
3 the administrator shall cause the total amount of the employee's employee and employer
4 contributions, with investment earnings and losses through the day of the employee's election
5 to participate as a member in a defined benefit retirement plan, to be actuarially calculated
6 and, subject to (e) of this section, transferred to the pension fund in the corresponding defined
7 benefit retirement plan. On the effective date of the employee's participation in a defined
8 benefit retirement plan, the employee shall be credited with service in the defined benefit
9 retirement plan that may be purchased under an actuarial equivalent purchase formula as
10 determined by the board. The board shall establish transfer procedures by regulation, but the
11 actual transfer may not occur later than 60 days after the date the administrator receives the
12 employee's completed forms under (a) of this section, unless the major financial markets for
13 securities available for a transfer are seriously disrupted by an unforeseen event that also
14 causes the suspension of trading on any national securities exchange in the country where the
15 securities were issued. In that event, the 60-day period may be extended by a resolution of the
16 board. A transfer is not commissionable or subject to other fees and may be in the form of
17 cash or a security as determined by the board. A security shall be valued on the date of receipt
18 in the employee's account. In this subsection, "board" means the Alaska Retirement
19 Management Board established under AS 37.10.210.

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

22 (1) decrease in the accrued actuarial liability of the death and disability trust in
23 the defined contribution retirement plan resulting from the transfer as of the date of transfer,
24 based on the most recent actuarial valuation of the death and disability trust, to be transferred
25 from the death and disability trust in the defined contribution retirement plan to the pension
26 fund in the defined benefit retirement plan; and

27 (2) increase in the accrued actuarial liability of the health care trust in the
28 defined benefit retirement plan resulting from the transfer as of the date of transfer, based on
29 the actuarial assumptions set out in (g) of this section, to be transferred from the trust
30 established under AS 39.30.097(b) for the prefunding of medical benefits provided by
31 AS 14.25.480 and AS 39.35.880 to the trust established under AS 39.30.097(a) for the

1 prefunding of medical benefits provided by AS 14.25.171 and AS 39.35.537.

2 (e) If the value actuarially calculated under (c) of this section is insufficient to pay for
3 service credit equal to the employee's actual service, the administrator shall allow the
4 employee the option of purchasing any indebtedness up to the amount needed to eliminate the
5 insufficiency; however, if that value exceeds the amount needed to pay for a service credit
6 equal to the employee's actual service, the administrator shall cause the excess to remain in
7 the employee's retirement plan established under AS 14.25.310 - 14.25.590 or AS 39.35.700 -
8 39.35.990. An excess under this subsection may not be used to purchase service credit in a
9 retirement plan administered under AS 14.25 or AS 39.35.

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

14 (g) Actuarial assumptions about either the teachers' retirement system or the Public
15 Employees' Retirement System of Alaska must be based on the most recent actuarial
16 valuation of the corresponding defined benefit retirement plan, except that the retirement rates
17 are computed at 25 percent of the retirement rates used in the most recent actuarial valuation
18 of the pension trust for that plan plus 75 percent of the retirement rates used in the most recent
19 actuarial valuation of the corresponding defined contribution retirement plan.

20 (h) The provisions of this section are subject to the requirements of the Internal
21 Revenue Code and the limitations under AS 14.25.010, 14.25.181, 14.25.320(c) and (d),
22 14.25.490, AS 39.35.115, 39.35.678, 39.35.710(c) and (d), and 39.35.895. In this subsection,
23 "Internal Revenue Code" has the meaning given in AS 39.35.990.

24 (i) In this section,

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

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

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

1 * **Sec. 93.** The uncoded law of the State of Alaska is amended by adding a new section to
2 read:

3 ADOPTION OF REGULATIONS. (a) The Alaska Retirement Management Board
4 may adopt regulations necessary to implement secs. 48 and 49 of this Act. Regulations
5 adopted by the Alaska Retirement Management Board under this Act relate to the internal
6 management of a state agency and are not subject to AS 44.62 (Administrative Procedure Act)
7 under AS 37.10.240.

8 (b) The commissioner of administration may adopt regulations necessary to
9 implement secs. 1 - 47 and 50 - 92 of this Act. Regulations adopted by the commissioner of
10 administration under this Act relate to the internal management of a state agency and are not
11 subject to AS 44.62 (Administrative Procedure Act) under AS 14.25.005, AS 39.30.098, and
12 AS 39.35.005.

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

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

16 * **Sec. 95.** Except as provided in sec. 94 of this Act, this Act takes effect July 1, 2024.