



LAWS OF ALASKA

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Chapter No.

128

AN ACT

Relating to teachers' and public employees' retirement; and providing for an effective date.

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

* Section 1. AS 14.25.050 is amended by adding a new subsection to read:

(b) Each teacher is entitled to receive credit for unrefunded contributions paid into the retirement fund of 1945.

* Sec. 2. AS 14.25.055 is amended to read:

Sec. 14.25.055. SUPPLEMENTAL CONTRIBUTION BY TEACHERS. If a teacher is married or has a minor child and wishes to make his spouse or minor child eligible for a spouse's pension or a survivor's allowance, he may elect to make a supplemental contribution of an additional one per cent of his base salary within 90 days of his entry into participation in the system, or within 90 days of his marriage, or within 90 days of the birth or adoption of a child dependent upon him, or during any open enrollment period authorized by the Teachers' Retirement System Board.

* Sec. 3. AS 14.25.060 is repealed and re-enacted to read:

Sec. 14.25.060. ARREARAGE INDEBTEDNESS. (a) If a member joined the system before July 1, 1977 and has creditable outside service, or if a member has military service or Alaska Bureau of Indian Affairs (BIA) service, the member is indebted to the retirement fund as follows:

(1) At the time of first becoming a member of the system, the arrearage indebtedness is seven per cent of the base salary multiplied by the total number of years of

creditable outside, military and Alaska BIA service. Compound interest at the rate prescribed by regulation shall be added to the arrearage indebtedness beginning July 1, 1963, or at the time of first becoming employed as a member, whichever is later, to the date of payment or the date of retirement, whichever occurs first.

(2) If a member terminates from the system and is subsequently reemployed as a member, the arrearage indebtedness to the retirement fund for outside, military, or Alaska BIA service accumulated in the interim is seven per cent of the base salary upon reentering membership service, multiplied by the number of years of interim outside, military, and Alaska BIA service. Compound interest at the rate prescribed by regulation shall be added to the arrearage indebtedness beginning July 1, 1963, or the date of re-employment as a member, whichever is later, to the date of payment or the date of retirement, whichever occurs first.

(b) If a member joins the system on or after July 1, 1978 and has creditable outside service, the member may claim this service. If claimed, the member is indebted to the retirement fund as follows:

(1) The arrearage indebtedness is the full actuarial cost of providing benefits for the service being claimed. Compound interest at the rate prescribed by regulation shall be added to the arrearage indebtedness beginning the date the actuarial cost is established to the date of payment or the date of retirement, whichever occurs first.

(2) If a member terminates from the system and is subsequently reemployed as a member, the arrearage indebtedness for outside service during the interim is the full actuarial cost of providing benefits for the interim service being claimed. Compound interest at the rate prescribed by regulation shall be added to the arrearage indebtedness beginning the date the actuarial cost is established to the date of payment or the date of retirement, whichever occurs first.

(c) The total military service claimed may not exceed five years. The combined total of outside and military service may not exceed 10 years, except that, if entry into the armed forces is immediately preceded by membership service and within one year after discharge is continued by membership service, that service will not be counted for purposes of determining the applicability of the 10-year limitation on the combined total of outside and military service. The combined total of outside, military, and Alaska BIA service may not exceed 15 years.

* Sec. 4. AS 14.25 is amended by adding new sections to read:

Sec. 14.25.061. RETROACTIVE INDEBTEDNESS. (a) A member who was not subject to the provisions of this chapter, but who becomes subject to them because of a legislative change, may elect to receive credit for retroactive creditable service by contributing to the retirement fund an amount equal to the contributions he would have made had he been subject to the provisions of this chapter for those

years of creditable service after June 30, 1955. Retroactive contributions are not required for creditable service before July 1, 1955. Compound interest at the rate prescribed by regulation shall be added to the retroactive indebtedness from July 1, 1966 or the time of first becoming eligible under this chapter, whichever is later, to the date of payment or the date of retirement, whichever occurs first.

(b) If retroactive indebtedness contributions have been made for creditable service before July 1, 1955, the member is entitled to a refund of those retroactive indebtedness contributions.

(c) A refund of retroactive indebtedness contributions for retroactive service before July 1, 1955 is not subject to the repayment provision of sec. 62 of this chapter.

Sec. 14.25.062. REINSTATEMENT INDEBTEDNESS. If a teacher who has received a refund of contributions in accordance with sec. 150 of this chapter is reemployed in membership service, he is indebted to the retirement fund in the amount of the total refund. Compound interest at the rate prescribed by regulation shall be added to the reinstatement indebtedness from the date of the refund to the date of repayment or the date of retirement, whichever occurs first.

* Sec. 5. AS 14.25.100 is amended by adding a new subsection to read:

(e) A teacher may not be credited with service in the armed forces under this section if credit for military service was granted under the public employees' retirement system (AS 39.35).

* Sec. 6. AS 14.25.142 is repealed and re-enacted to read:

Sec. 14.25.142. COST-OF-LIVING ALLOWANCE. (a) While residing in the state, a person receiving a benefit under this chapter is entitled to receive a monthly cost-of-living allowance in addition to his basic benefit. The amount of this allowance is 10 per cent of the basic benefit.

(b) A person receiving a cost-of-living allowance under this section shall notify the administrator when he expects to be absent from the state for a continuous period that exceeds 60 days. After that notification, the person is no longer entitled to receive the monthly cost-of-living allowance. Upon his return to the state, and upon notification to the administrator, the person is again entitled to receive the monthly cost-of-living allowance, commencing with the first monthly benefit payment made after notification of the person's return.

(c) For purposes of this section, "residing in the state" means domiciled and physically present in the State of Alaska. Being absent from the state for a continuous period of 60 days or less does not change a person's status as "residing in the state".

* Sec. 7. AS 14.25.143 is amended by adding a new subsection to read:

(d) A person receiving benefits under this chapter shall be granted a 10 per cent increase in his current base benefit if he was receiving benefits on July 1, 1976. The increase shall be effective July 1, 1977.

* Sec. 8. AS 14.25.150 is repealed and re-enacted to read:

Sec. 14.25.150. REFUND UPON TERMINATION. A terminated member is entitled to a refund of the balance of (1) his mandatory contributions and accrued interest, and (2) his indebtedness principal contributions. A member is not entitled to a refund of his supplemental contributions except as provided in sec. 160(a) of this chapter.

* Sec. 9. AS 14.25.162(a) is amended to read:

(a) If a teacher dies while in membership service or while receiving a service or disability retirement salary and leaves a minor child, his surviving spouse is entitled to a survivor's allowance if the teacher has made a supplemental contribution for at least one year before his death, but if a guardian has been appointed for a minor child, the guardian is entitled to the allowance. A minor child who has neither a surviving parent nor a guardian is entitled to the allowance. If a minor child who is at least 19 years old but less than 23 years old is out of school for more than one semester, payments of his benefits terminate permanently. A teacher's child who is totally and permanently disabled before he is 19 years old or, if he is attending school and becomes totally and permanently disabled before he is 23 years old, and who is financially dependent on the teacher at the time of the teacher's death is entitled to the benefits under this section until he dies or is no longer totally and permanently disabled. Application for the survivor's allowance shall be made in writing to the administrator.

* Sec. 10. AS 14.25.162(b) is amended to read:

(b) The amount of the survivor's allowance for each minor child shall be equal to 10 per cent of the teacher's base salary immediately before his death, retirement, or becoming disabled. However, if there are five or more minor children, the total amount paid to those children shall be 40 per cent of the teacher's base salary before his death, retirement, or becoming disabled, paid in equal amounts to each child. In addition, an allowance of 35 per cent of the teacher's base salary shall be paid to his surviving spouse. If there is no surviving spouse, an allowance of 10 per cent of the base salary shall be paid to a court-appointed guardian. The adoption of a minor child by a new spouse of a surviving spouse will not bar the minor child from continuing to receive a survivor's allowance. If more than one guardian is appointed, the allowance, including the 10 per cent additional allowance, shall be paid according to the number of minor children assigned to each guardian.

* Sec. 11. AS 14.25.164(a) is repealed and re-enacted to read:

(a) If the death of a teacher occurs while in membership service or while receiving a disability retirement

salary, a spouse's pension is payable under this section only if supplemental contributions under sec. 55 of this chapter have been made for at least one year before the teacher's death. If the death of a retired teacher or deferred vested member occurs, a spouse's pension is payable under this section only if supplemental contributions under sec. 55 of this chapter have been made for at least five years before the teacher's retirement or termination. Application for the spouse's pension shall be made in writing to the administrator. Benefits are not payable under this section if benefits are being paid under sec. 162 of this chapter.

* Sec. 12. AS 14.25.220(23) is repealed and re-enacted to read:

(23) "normal retirement" means retirement after

(A) completing at least 15 years of creditable service, the last five of which have been membership service, for a member first hired before July 1, 1975 and attaining the age of 55 years;

(B) completing at least eight years of membership service and attaining the age of 55 years;

(C) completing at least 25 years of creditable service, the last five of which are membership service;

(D) completing at least five years of membership service and at least three years Alaska BIA service and attaining the age of 55 years;

(E) completing at least 20 years of membership service; or

(F) completing at least 20 years of combined membership service and Alaska BIA service, the last five of which are membership service;

* Sec. 13. AS 14.25.220(24) is repealed and re-enacted to read:

(24) "early retirement" means retirement after

(A) completing at least 15 years of creditable service, the last five of which have been membership service, and attaining the age of 50 years for a member first hired before July 1, 1975;

(B) completing at least eight years of membership service and attaining the age of 50 years; or

(C) completing at least five years of membership service and at least three years of Alaska BIA service and attaining the age of 50 years;

* Sec. 14. AS 39.35.030(b) is amended to read:

(b) Three board members shall be members of the

personnel board of the Department of Administration. The remaining two board members shall be members of the system and elected by the members of the system.

* Sec. 15. AS 39.35.030(c) is repealed and re-enacted to read:

(c) The elected board members shall be determined by a majority of votes cast by members of the system. Elections shall be conducted by the board. The term of office of an elected member is six years. A vacancy in an unexpired elective term shall be filled by election for a new six year term.

* Sec. 16. AS 39.35.040(4) is amended to read:

(4) to act as an appeals board, hold hearings at the request of an employer, employee, surviving spouse or a beneficiary on decisions made by the administrator, and submit its findings to the administrator;

* Sec. 17. AS 39.35.040(5) is amended to read:

(5) to have prepared, at least biennially, an actuarial valuation of the total obligations under the system of each employer and, on the basis of the valuation and in time for incorporation of the results in the state budget, to certify to the appropriate budgetary authorities of each employer:

(A) an appropriate contribution rate for all employers, in addition to which the state shall pay the appropriate social security contribution; and

(B) an amount appropriate for each employer to liquidate his past service liability; the board shall have an actuarial and financial experience analysis of the system conducted at appropriate intervals, but no less frequently than once every six years; the actuarial valuations and the actuarial and financial experience analysis shall be prepared and certified by a member of the American Academy of Actuaries;

* Sec. 18. AS 39.35.100(b) is amended to read:

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

(1) an individual account shall be maintained for each employee to record the amount of his mandatory contributions collected under sec. 160(a) of this chapter. As of the last day of each calendar year and each fiscal year beginning with June 30, 1969, this account shall be credited with interest, by applying one-half of the prescribed rate of interest to the balance in the account as of that date. Upon retirement, the amount actuarially determined as necessary to fully fund the benefits to be received shall be transferred first from the employee contribution account and, after the employee contribution account has been exhausted, then from the employer contribution account into the retirement reserve account.

(2) An individual account shall be maintained for each employee to record the amount of his voluntary contributions. As of the last day of each calendar year and each fiscal year beginning with June 30, 1969, this account shall be credited with interest, by applying one-half of the prescribed rate of interest to the balance in the account as of that date. Amounts which, before termination of employment, are withdrawn by an employee from his savings account shall be charged to that account. Upon retirement, the amount actuarially determined as necessary to fully fund the benefits to be received shall be transferred first from the employee savings account and, after the employee savings account has been exhausted, then from the employer contribution account into the retirement reserve account.

(3) A separate account for each employer shall be maintained. The account shall be credited with contributions of the employer. This account shall be charged with the employer's actuarial charge for pension, death benefits, and other benefits paid under this system to or on behalf of the employee of the employer. After an allowance for interest credited to employee contribution accounts and employee savings accounts, the investment income of the pension fund shall be allocated to each employer asset share account according to the ratio that the average of the assets in an employer's account as of the beginning and as of the end of the fiscal year bears to the total of the average balance of all employers.

(4) An expense account shall be maintained for the system. This account shall be charged with all disbursements representing administrative expenses incurred by the system. At the end of the year the expense account shall be allocated to each employer in accordance with (b)(3) of this section. Expenditures from this account shall be included in the governor's budget for each fiscal year and are subject to approval by the legislature.

* Sec. 19. AS 39.35.125(b) is amended to read:

(b) After an elected official has elected to be included in the system he and his employer are liable for contributions whenever he is a qualified elected official of an employer.

* Sec. 20. AS 39.35.150 is repealed and re-enacted to read:

Sec. 39.35.150. REEMPLOYMENT OF FORMER EMPLOYEES. If a retired employee subsequently becomes an active member, no benefit payments will be made during the period of reemployment. During the period of reemployment, deductions from the employee's salary will be made in accordance with sec. 160 of this chapter. Upon subsequent retirement, the retired employee is entitled to receive an additional pension based on the credited service and the average monthly compensation earned during the period of reemployment in accordance with sec. 370 of this chapter.

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

Sec. 39.35.155. FORMER MAGISTRATES. A magistrate who terminated his employment before July 1, 1977 may be

included retroactively in the system and receive service credit for time previously served as a magistrate if, before July 1, 1978, he makes retroactive contributions equal to what he would have made if he had been participating in the system.

- * Sec. 22. AS 39.35.200 is amended to read:

Sec. 39.35.200. REFUND UPON TERMINATION OF EMPLOYMENT FOR REASON OTHER THAN DEATH. (a) An inactive employee, not on leave-without-pay status or layoff status, is entitled to receive a refund of the balance of (1) his employee contribution account and (2) his employee savings account.

(b) If, upon termination of employment, an employee has credited service of less than five years and has less than \$1,000 in his employee contribution account, a refund of the employee contribution account and the employee savings account must be made. An employee who is reemployed with an employer and whose contributions have not been refunded before reemployment is not eligible for a refund.

- * Sec. 23. AS 39.35.240 is amended to read:

Sec. 39.35.240. WITHDRAWAL OF VOLUNTARY CONTRIBUTIONS. An active employee may withdraw his savings account only if he receives the consent of the administrator. The administrator may permit a withdrawal before termination of employment only in cases of financial need.

- * Sec. 24. AS 39.35.250 is repealed and re-enacted to read:

Sec. 39.35.250. CALCULATION OF EMPLOYER'S CONTRIBUTION RATE. (a) An employer shall make contributions to the system in amounts determined in accordance with this section. For the purposes of this section, the past service date for each employer is the entry date of the employer or December 31, 1972, whichever is later. After December 31, 1972, if amendments to this chapter are enacted which substantially affect benefits accrued before the effective date of the amendment, the past service date will be changed to December 31 of the year immediately preceding that in which the amendment is enacted. The contribution rate is the sum of the consolidated employer rate and the past service rate.

(b) As used in (a) of this section, "consolidated employer rate" means the percentage of compensation of all active employees in the system which, if paid over the period of their credited service after their past service date and when combined with all employee contributions, is sufficient to provide the benefits earned after such past service dates. This percentage is uniformly determined for all employers and is applicable to each employer.

(c) As used in (a) of this section, "past service rate" means the percentage of compensation of all active employees in the system necessary to provide the annual amount required to amortize the unfunded obligations of the employer for benefits earned before the employer's past service date over a period not to exceed 40 years. The period of amortization begins at the past service date of

each employer. The percentage is separately determined for each employer.

- * Sec. 25. AS 39.35.270 is amended to read:

Sec. 39.35.270. AMOUNT OF EMPLOYER'S CONTRIBUTIONS. The amount of each employer's contributions shall be determined by applying the employer's contribution rate to the total compensation paid to the active employees of the employer for each payroll period. This amount shall be remitted by the employer to the administrator in accordance with sec. 610 of this chapter.

- * Sec. 26. AS 39.35.300 is amended to read:

Sec. 39.35.300. EMPLOYMENT WITH THE STATE. (a) An active employee is entitled to credited service for periods of employment with the state after January 1, 1961, regardless of the office, department, division, or agency of the state in which he was employed.

(b) A permanent part-time employee of the state receives credited service on a pro rata basis to that which would have been earned as a permanent full-time employee.

- * Sec. 27. AS 39.35.310 is repealed and re-enacted to read:

Sec. 39.35.310. EMPLOYMENT WITH OTHER EMPLOYERS. (a) An active employee is entitled to credited service for periods of employment with a political subdivision or a public or quasi-public organization beginning with the effective date of the employer's participation in the system. The employee is also entitled to credited service for periods of employment as designated in the employer's participation agreement.

(b) A permanent part-time employee of a political subdivision or a public or quasi-public organization receives credited service on a basis proportionate to that which would have been earned as a permanent full-time employee.

- * Sec. 28. AS 39.35.330 is amended to read:

Sec. 39.35.330. LEAVE OF ABSENCE. (a) A leave of absence with pay authorized by an employer will not be considered as interrupting employment. If the employee is a permanent part-time employee, credited service will be granted on a basis proportionate to that which would have been earned as a permanent full-time employee.

(b) A leave of absence without pay which exceeds 10 working days in any calendar year or layoff status authorized by an employer will be considered as an interruption of employment and no credited service will be granted.

- * Sec. 29. AS 39.35.340 is amended to read:

Sec. 39.35.340. MILITARY SERVICE. (a) A vested employee is entitled to credited service for active military service in the armed forces of the United States, either by enlistment or induction, if the employee did not receive a

dishonorable discharge. The credited service allowed may not exceed an aggregate period of five years. Benefits are not payable on credited service for military service unless the employee makes retroactive contributions to the system for the period of time that service credit is claimed. However, if the employee was in the employ of an employer on the date of entry into the armed forces and returned to the employ of an employer within 90 days after the date of his discharge from military service, he is not required to make retroactive contributions under this system for the period of credited service.

(b) In order to obtain credited service under this section, an employee shall make an election to do so and shall verify his period of military service before July 1, 1977 or within one year following the date when the employee first becomes vested under this chapter, if later. When eligibility for credited service for military service has been established, an indebtedness shall be determined as follows: (1) the employee's actual compensation, or the calculated annual compensation for those employees working less than 12 months, during the calendar year 1976 or the year in which an employee first becomes vested under this chapter, whichever is later, multiplied by (2) six per cent, this product multiplied by (3) the number of years of military service credited under this section. Interest as prescribed by regulation accrues on this indebtedness commencing on July 1, 1977 or one year following the date a person first becomes vested, whichever is later. Any outstanding indebtedness which exists at the time a person is appointed to retirement will necessitate an actuarial adjustment to the benefits payable based upon that military service.

(c) A retired employee on July 1, 1976 is eligible to receive increased benefits based upon military service as described in (a) of this section. To receive credited service for military service, a retired employee must verify his military service before July 1, 1977. When verified, a retired employee is entitled to receive an increased benefit which shall be actuarially adjusted to reflect his indebtedness for such credit. The indebtedness shall be calculated in the same manner as described in (b) of this section except that it shall be based on the average monthly compensation used in calculating the benefit. The effective date of this increased benefit is the beginning of the month following that in which eligibility has been established.

(d) The credited service granted under this section may not be used to satisfy the credited service requirements for normal retirement.

(e) A deferred vested employee on July 1, 1976 is eligible to claim credited service under (a) of this section. In order to obtain credited service under this section, such an employee must make an election to do so and must verify his period of military service before July 1, 1978. When eligibility for military service has been established, an indebtedness shall be determined as follows: the employee's actual compensation, or the calculated annual compensation for those employees working less than 12 months, during the calendar year the employee terminated,

shall be multiplied by six per cent; this product shall then be multiplied by the number of years of military service credit under this section. Interest as prescribed by regulation accrues on this indebtedness commencing July 1, 1978. Any outstanding indebtedness which exists at the time a person is appointed to retirement will necessitate an actuarial adjustment to the benefits payable based upon that military service.

(f) An employee cannot be credited with active military service in the armed forces of the United States under this section if credit for military service was granted under AS 14.25.

* Sec. 30. AS 39.35.350 is repealed and re-enacted to read:

Sec. 39.35.350. REINSTATEMENT OF CREDITED SERVICE.

(a) An employee who receives a refund of contributions in accordance with sec. 200 of this chapter forfeits corresponding service under this chapter.

(b) An employee may reinstate credited service associated with a refund by repaying the total amount of the refund. Interest will accrue from the date of the refund until repayment of the refund or retirement, whichever occurs first. Payments will apply first to accrued interest and then to principal.

(c) If, on the date of retirement, an employee has not paid in full the amount of his reinstatement indebtedness, he may irrevocably elect either (1) option one - to receive a refund of the principal paid on the reinstatement indebtedness and forfeit the corresponding credited service, or (2) option two - to cancel the outstanding indebtedness due by accepting an actuarial reduction to the retirement benefit for life.

* Sec. 31. AS 39.35.360(a) is amended to read:

(a) An employee who completes three years of service with the state after January 1, 1961, for which he makes contributions required by this chapter is entitled to credited service for employment rendered to the State and former Territory of Alaska before January 1, 1961, regardless of the office, department, division, or agency of the state or territory in which he was employed, including (1) service as a commissioned officer of the United States Public Health Service, (2) service with the United States District court and the United States Commissioner's court serving the Territory and State of Alaska succeeded to by the Alaska court system, (3) persons employed as United States marshals, United States deputy marshals, Civil Aeronautics Administration security guards and United States Corps of Engineers security guards, (4) employees of the Alaska Jail System of the United States Department of Justice, (5) Civil Aeronautics Administration heavy equipment operators, (6) employees of the United States Fish and Wildlife Service, and (7) employees of the Alaska Road Commission and Bureau of Public Roads. The retirement benefits payable to an employee under this section which are attributable to employment rendered to the State and former Territory of Alaska before January 1, 1961, shall be reduced

by the amount of the retirement pension benefits paid to him by the United States government for the same period of service.

- * Sec. 32. AS 39.35.360(b) is amended to read:

(b) An employee who is entitled to credited service for employment before January 1, 1961, is not required to make retroactive contributions under this chapter.

- * Sec. 33. AS 39.35.360(e) is amended to read:

(e) An employee of a detention facility provided by a local government unit to the territorial or state government under AS 33.30.060, who continues in state employment upon transfer of the facility to the state, is entitled to credited service for his prior service with the facility if the employee remains in continuous employment with the state until July 1, 1976. To obtain credited service the employee is required to make retroactive contributions for the period of service between January 1, 1961 and the effective date of the transfer of the facility to the state.

- * Sec. 34. AS 39.35.370 is repealed and re-enacted to read:

Sec. 39.35.370. RETIREMENT BENEFITS. (a) A terminated employee is eligible for a normal retirement benefit (1) at age 55 with at least five years credited service, or (2) with at least 20 years of credited service as a peace officer or fireman, or (3) with at least 30 years of credited service for all other employees.

(b) A terminated employee is eligible for an early retirement benefit at age 50 with at least five years credited service.

(c) The monthly amount of a retirement benefit for a peace officer or fireman is two per cent of the average monthly compensation times the years of credited service up through 10 years, plus two and one-half per cent of the average monthly compensation times the years of service over 10 years. For all other employees it is two per cent of the average monthly compensation times the years of service. An actuarial adjustment must be made for an early retirement benefit.

(d) The monthly amount of a retirement benefit for a deferred vested member shall be determined in accordance with (c) of this section as it was in effect on the date of the employee's termination of employment.

(e) Benefits payable under this section accrue from the first day of the month after which all of the following requirements are met: (1) the member meets the eligibility requirements of this section; (2) he terminates his employment; and (3) he applies for retirement. The benefits are payable the last day of the month. If payment is delayed, a retroactive payment shall be made to cover the period of deferment. The last payment shall be made for the month in which a benefit is payable under this section.

- * Sec. 35. AS 39.35 is amended by adding a new section to read:

Sec. 39.35.395. VOLUNTARY CONTRIBUTION BENEFIT. The balance of the employee's savings account will be paid in one of the following options as elected by the employee: (1) a lump sum payment; or (2) a life annuity on a full cash refund or term-certain basis; or (3) installments over a designated period of time.

* Sec. 36. AS 39.35.400(b) is amended to read:

(b) The nonoccupational disability benefits accrue beginning the first day of the month following termination of employment as a result of the disability and are payable the last day of the month. If a final determination granting the benefit is not made in time to pay the benefit when due, a retroactive payment shall be made to cover the period of deferment. Benefits shall be continued after one year from the date of appointment to nonoccupational disability only if the disabled employee fulfills the requirements set out in (e) of this section. The last payment shall be for (1) the month in which the death of the disabled employee occurs, or (2) the month in which the disabled employee recovers from disability, or (3) the month in which the disabled employee ceases to be eligible for disability benefits under the Social Security Act, or (4) the month in which the disabled employee reaches normal retirement age, whichever occurs first.

* Sec. 37. AS 39.35.400(e) is amended to read:

(e) A disabled employee receiving a nonoccupational disability benefit shall provide the administrator, one year after appointment to disability benefits and once each year thereafter until disability benefits cease, proof of continuing eligibility to receive disability payments under the Social Security Act. If the disabled employee is otherwise ineligible for a social security payment, he shall provide the administrator with sufficient medical evidence once each year to demonstrate that disability payments under the Social Security Act would be payable had the employee been otherwise eligible. If the disabled employee fails to provide the administrator with evidence of continuing eligibility for disability payments under the Social Security Act or other medical evidence required by the administrator within 30 days following each anniversary date, the disability benefits from the system shall cease. If that information is subsequently provided to the administrator, benefit payments will resume beginning for the month following that in which the information is provided. When disability payments under the Social Security Act cease, it is the responsibility of the disabled employee to notify the administrator immediately.

* Sec. 38. AS 39.35.410(b) is amended to read:

(b) The occupational disability benefits accrue beginning the first day of the month following termination of employment as a result of the disability and are payable the last day of the month. If a final determination granting the benefit is not made in time to pay the benefit when due, a retroactive payment shall be made to cover the period of deferment. Benefits shall be continued after one year from date of appointment to occupational disability

only if the disabled employee fulfills the requirements set out in (g) of this section. The last payment shall be for the month in which (1) the death of the disabled employee occurs, or (2) the month in which the disabled employee recovers from disability, or (3) the month in which the disabled employee ceases to be eligible for disability payments under the Social Security Act, or (4) the month the disabled employee reaches normal retirement age, whichever occurs first.

* Sec. 39. AS 39.35.410(g) is amended to read:

(g) A disabled employee receiving an occupational disability benefit shall provide the administrator, one year after appointment to disability benefits and once each year thereafter until disability benefits cease, proof of continuing eligibility to receive disability payments under the Social Security Act. If a disabled employee is otherwise ineligible for a social security payment, he shall provide the administrator with sufficient medical evidence once each year to demonstrate that disability payments under the Social Security Act would be payable had the employee been otherwise eligible. If the disabled employee fails to provide the administrator with evidence of continuing eligibility for disability payments under the Social Security Act or other medical evidence required by the administrator within 30 days following each anniversary date, the disability benefit from the system shall cease. If that information is subsequently provided to the administrator, benefit payments will resume beginning for the month following that in which the information is provided. When disability payments under the Social Security Act cease, it is the responsibility of the disabled employee to notify the administrator immediately.

* Sec. 40. AS 39.35.420 is amended to read:

Sec. 39.35.420. NONOCCUPATIONAL DEATH BENEFITS. (a) If the death of an employee occurs from nonoccupational causes after completing less than one year of credited service, the employee's beneficiary shall be paid the balance of: (1) the employee's contribution account; and (2) the employee's savings account. If the death of an employee occurs from nonoccupational causes after completing at least one year but less than five years of credited service, a lump sum death benefit shall be paid to the beneficiary of the employee. The amount of the lump sum death benefit shall be \$100 times years of credited service plus \$1,000. The lump sum death benefit is in addition to the balance of the employee's contribution account and savings account.

(b) If the death of a vested member or deferred vested member occurs from nonoccupational causes, the surviving spouse may at his or her discretion receive either the benefits described in (a) of this section or a 50 per cent joint and survivor option based upon credited service to the date of the employee's death or termination. Benefits accrue from the first day of the month following the employee's death and are payable the last day of the month.

* Sec. 41. AS 39.35.430(b) is amended to read:

(b) If (1) the death of an employee occurs before his retirement and before his normal retirement date, and (2) the proximate cause of death is a bodily injury sustained or a hazard undergone while in the performance and within the scope of his duties, and (3) the injury or hazard is not the proximate result of wilful negligence of the employee, a monthly survivor's pension equal to 40 per cent of his monthly compensation in the month in which he dies shall be paid to his surviving spouse. If there is no surviving spouse the monthly survivor's pension shall be paid in equal parts to the dependent children of the employee. On the date the normal retirement of the employee would have occurred if he had lived, monthly payments shall equal the monthly amount of the normal retirement benefit to which the employee, had he lived and continued his employment until his normal retirement date, would have been entitled with an average monthly compensation as existed at his death and the credited service to which he would have been entitled.

* Sec. 42. AS 39.35.430(c) is amended to read:

(c) The first payment of the surviving spouse's pension or of a dependent child's pension shall accrue from the first day of the month following the employee's death and is payable the last day of the month. The last payment shall be made for the last month in which there is an eligible surviving spouse or child.

* Sec. 43. AS 39.35.440(b) is amended to read:

(b) Upon the death of a disabled employee who is receiving or is entitled to receive an occupational disability benefit, a surviving spouse's pension equal to 40 per cent of his average monthly compensation shall be paid to his surviving spouse. If there is no surviving spouse, the survivor's pension shall be paid in equal parts to the dependent children of the employee. On the date the normal retirement of the employee would have occurred if he had lived, monthly payments shall equal the monthly amount of the normal retirement benefit to which the employee, had he lived and continued his employment until his normal retirement date, would have been entitled with an average monthly compensation as existed at his death and the credited service to which he would have been entitled.

* Sec. 44. AS 39.35.440(c) is amended to read:

(c) The first payment of the surviving spouse's pension or of a dependent child's pension shall accrue from the first day of the month following the employee's death and is payable the last day of the month. The last payment shall be made for the last month in which there is an eligible surviving spouse or child.

* Sec. 45. AS 39.35.450 is repealed and re-enacted to read:

Sec. 39.35.450. JOINT AND SURVIVOR OPTION. (a) Benefits payable under this section are in place of benefits payable under sec. 370 of this chapter. Upon filing an application with the administrator, an employee may designate his or her spouse or a dependent approved by the administrator as the contingent beneficiary. The benefit

shall be determined in accordance with one of the following options elected:

(1) the employee is entitled to receive a reduced benefit payable for life, and payments in the amount of 75 per cent of the reduced benefit shall, after the employee's death, be continued to the contingent beneficiary for life;

(2) the employee is entitled to receive a reduced benefit payable for life, and payments in the amount of 50 per cent of the reduced benefit shall, after the employee's death, be continued to the contingent beneficiary for life;

(3) the employee is entitled to receive a reduced benefit payable during the joint lifetime of the employee and the contingent beneficiary, and payments in the amount of $66 \frac{2}{3}$ per cent of the reduced benefit shall, after the death of either the employee or the contingent beneficiary, be continued to the survivor for life.

(b) The aggregate of the pension payments expected to be paid to an employee and his contingent beneficiary under the options set out in (a) of this section shall be the actuarial equivalent of the pension which the employee is otherwise entitled to receive upon retirement.

(c) An employee may elect, change, or revoke an option without the approval of the administrator if his election, change, or revocation is filed in writing with the administrator before the effective date of his retirement.

(d) A member, including a deferred vested member, may, regardless of his age, elect a joint and survivor option any time before appointment to receive a retirement benefit.

(e) If either the employee or contingent beneficiary dies before the employee is appointed to retirement, the election becomes inoperative. Once the employee is appointed to retirement, the election is irrevocable. If a retired employee is reemployed and is subsequently reappointed to retirement, those benefits earned during the period of reemployment are subject to the initial election made under this section, unless the contingent beneficiary is deceased. If the contingent beneficiary is deceased, the benefits earned during the period of reemployment are subject to sec. 370 of this chapter or this section if another contingent beneficiary was elected during the period of reemployment. All other benefits earned during prior periods of employment are subject to the election at the time the employee was appointed to retirement. If death occurs from nonoccupational causes during the period of reemployment, those benefits earned while reemployed are subject to sec. 420(b) of this chapter. All other benefits earned during prior periods of employment are subject to the election at the time the employee was appointed to retirement. If death occurs from occupational causes during the period of reemployment, all benefits earned during all periods of employment are subject to sec. 430(b) and (c) of this chapter.

* Sec. 46. AS 39.35.480 is repealed and re-enacted to read:

Sec. 39.35.480. COST-OF-LIVING ALLOWANCE. (a) While residing in the state, a person receiving a benefit under this chapter is entitled to receive a monthly cost-of-living allowance in addition to his basic benefit. The amount of this allowance shall be \$50 or 10 per cent of the basic benefit, whichever is greater.

(b) A person receiving a cost-of-living allowance under this section shall notify the administrator when he expects to be absent from the state for a continuous period that exceeds 60 days. After that notification, the person is no longer entitled to receive the monthly cost-of-living allowance. Upon his return to the state, and upon notification to the administrator, the person is again entitled to receive the monthly cost-of-living allowance, commencing with the first monthly benefit payment made after notification of the person's return.

(c) While residing in the state, a public employee of the Territory of Alaska who participated in the Public Employees' Retirement Act established by ch. 41 SLA 1949, and who retired before the effective date of ch. 102 SLA 1951, is entitled to the cost-of-living allowance equal to 25 per cent of the amount received under ch. 41 SLA 1949.

(d) For purposes of this section, "residing in the state" means domiciled and physically present in the State of Alaska. Being absent from the state for a continuous period of 60 days or less does not change a person's status as "residing in the state."

* Sec. 47. AS 39.35.490(b) is amended to read:

(b) The designation may be changed or revoked by the employee without notice to the beneficiary or beneficiaries at any time. If an employee designates more than one beneficiary, each shall share equally unless the employee specifies a different allocation or preference. The designation of a beneficiary and a change or revocation of a beneficiary shall be made on a form provided by the administrator and is not effective until filed with the administrator.

* Sec. 48. AS 39.35.500 is amended to read:

Sec. 39.35.500. SAFEGUARD OF EMPLOYEE FUNDS HELD BY THE SYSTEM. Employee contributions and other amounts held in the pension fund are exempt from Alaska state and local taxes. Amounts held on behalf of, or payable to, any employee or other person who is or may become eligible for benefits under the system are not subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary, before being received by the person entitled to the amount under the terms of the system. An attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of a right to amounts held under the system is void.

* Sec. 49. AS 39.35.510 is amended to read:

Sec. 39.35.510. VOLUNTARY WAIVER OF BENEFITS. A

retired employee may, in writing, request the administrator to suspend, for any period of time, payment of all or part of the benefits to which he is entitled. The administrator shall grant the request and may not require the retired employee to disclose his reason for desiring the suspension. Amounts which are suspended pursuant to the request are forfeited. The retired employee may subsequently terminate the suspension by filing a written notice with the administrator which states his desire to revoke the suspension. Upon receipt of the notice, the administrator shall authorize resumption of the retired employee's regular pension payments.

- * Sec. 50. AS 39.35.546 is amended to read:

Sec. 39.35.546. TAX EXEMPTION. Benefits of this chapter are exempt from Alaska state and municipal income taxes.

- * Sec. 51. AS 39.35.550 is amended to read:

Sec. 39.35.550. REQUEST BY POLITICAL SUBDIVISION TO PARTICIPATE AND ADOPTION OF RESOLUTION. A municipality or other political subdivision of the state may request to become an employer in this system. The request shall be made after adoption of a resolution by the legislative body of the political subdivision and after approval of the resolution by the person required by law to approve the resolution. A certified copy of the resolution shall be filed with the administrator. If the administrator approves the request for participation, the political subdivision is an employer of the system.

- * Sec. 52. AS 39.35.560 is amended to read:

Sec. 39.35.560. REQUEST BY PUBLIC ORGANIZATION TO PARTICIPATE AND ADOPTION OF RESOLUTION. A public or quasi-public organization created wholly or partly by, or deriving its powers from, the legislature of the state may request to become an employer in this system. The request shall be made after adoption of a resolution by the governing body of the public organization. A certified copy of the resolution shall be filed with the administrator. If the administrator approves the request for participation, the public organization is an employer of the system.

- * Sec. 53. AS 39.35.610 is amended to read:

Sec. 39.35.610. TRANSMITTAL OF CONTRIBUTIONS TO ADMINISTRATOR. The contributions of an employer and the contributions of its employees shall be transmitted to the administrator as soon as practicable after the close of the payroll period for which the contributions are made. If an employer is delinquent in transferring the contributions for more than 15 days, interest shall be assessed on the outstanding contributions at one and one-half times the most recent actuarially determined rate of earnings for the retirement system from the date that the contributions were originally due.

- * Sec. 54. AS 39.35.680 is repealed and re-enacted to read:

Sec. 39.35.680. DEFINITIONS. In this chapter, unless the context otherwise requires,

(1) "active member" means an employee who is employed by an employer, is receiving compensation for seasonal, permanent full-time, or permanent part-time services, and is making contributions to the system;

(2) "actuarial adjustment" means equality in value of the aggregate expected payments under two different forms of pension payments, considering expected mortality and interest earnings on the basis of tables adopted from time to time by the board;

(3) "administrator" means the person appointed by the commissioner of administration under sec. 50 of this chapter;

(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; the considered period consists of the three consecutive calendar years during the period of credited service which yields the highest average, or if the employee does not have three consecutive calendar years, his period of credited service; an employee must have at least 120 days of credited service in the last calendar year in order to be used as part of the three consecutive calendar years;

(5) "beneficiary" means a person designated by an employee to receive benefits that may be due from the system upon the employee's death;

(6) "board" means the Public Employees Retirement Board;

(7) "calendar year" means the period beginning on January 1 and ending on December 31;

(8) "compensation" means the total remuneration earned by an employee for personal services rendered, including cost-of-living differentials, but does not include retirement benefits, welfare benefits, per diem, expense allowances, or medical leave or annual leave not used by the employee;

(9) "credited service" means the number of years, including fractional years, recognized for computing benefits that may be due from the system;

(10) "deferred vested member" means an inactive member who meets the five-year credited service requirement to qualify for a retirement benefit;

(11) "dependent child" means an unmarried child of an employee, including one adopted, who is dependent upon the employee for support and who is either (A) under 19 years old or (B) under 23 years old and registered at and attending on a full-time basis an accredited educational or technical institution recognized by the Department of Education; age restrictions set out in this paragraph do not

apply to a child who is totally and permanently disabled;

(12) "disabled member" means an employee who is terminated, who has not received a refund from the system and is receiving a disability benefit from the system;

(13) "early retirement" means retirement for a member who is at least 50 years old and has a minimum of five years credited service;

(14) "elected official" means a member whose compensation results from personal services rendered as an elected representative and who elects coverage under sec. 125 of this chapter;

(15) "employee contribution account" means the account maintained by the system to record the mandatory contributions of each employee, including interest and adjustments to the account in accordance with sec. 100 of this chapter;

(16) "employee savings account" means the account maintained by the system to record the voluntary contributions of each employee, including interest and adjustments to the account in accordance with sec. 100 of this chapter;

(17) "employer" means the State of Alaska or a political subdivision or public or quasi-public organization of the state which participates in the system;

(18) "fiscal year" means the period beginning on July 1 and ending on June 30 of the following calendar year;

(19) "former member" means an employee who is terminated and who has received a total refund of the balance of his employee contribution account, or who has requested in writing a refund of the balance in his employee contribution account, or who is eligible for a refund under sec. 200(b) of this chapter;

(20) "inactive member" means an employee who is terminated and who has not received a refund from the system or an employee on leave-without-pay status or layoff status;

(21) "member" or "employee"

(A) means a person eligible to participate in the system and who is covered by the system;

(B) includes

- (i) active member;
- (ii) inactive member;
- (iii) vested member;
- (iv) deferred vested member;
- (v) non-vested member;
- (vi) disabled member;

(vii) retired member;

(C) does not include

(i) former members;

(ii) persons compensated on a contractual or fee basis;

(iii) casual, emergency or temporary workers;

(iv) persons covered by the Alaska Teachers' Retirement System;

(v) employees of the division of marine transportation engaged in operating the state ferry system who are covered by a union or group retirement system to which the state makes contributions; and

(vi) justices of the supreme court or judges of the superior or district courts of Alaska;

(22) "military service" means active duty service in the armed forces of the United States;

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

(24) "non-vested member" means an active or inactive member who does not meet the five-year credited service requirement to qualify for a retirement benefit;

(25) "normal retirement" means retirement for a member who is at least 55 years old and has a minimum of five years credited service, or who is any age and has 30 years or more of credited service, or a peace officer or fireman who is any age and has 20 years or more of credited service;

(26) "occupational disability" means a physical or mental condition which, in the judgment of the administrator, presumably permanently prevents an employee from satisfactorily performing his usual duties for his employer; 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 employee's duties and not the proximate result of the wilful negligence of the employee;

(27) "peace officer" or "fireman" means an employee occupying a position as a peace officer, chief of police, correctional officer, correctional superintendent,

qualified employee of the Department of Fish and Game, fireman, or fire chief;

(28) "pension fund" means all assets held in the name of the system;

(29) "permanent full-time" means an employee who is occupying a permanent position which regularly requires working 30 or more hours a week;

(30) "permanent part-time" means an employee who is occupying a permanent position which regularly requires working at least 15 hours but less than 30 hours a week;

(31) "prescribed rate of interest" means the rate of interest used for computing employer contributions, for preparing actuarial tables used by the system and for crediting interest to employee contributions and savings accounts, and for charging interest on employee indebtedness accounts;

(32) "qualified employee of the Department of Fish and Game" means a full-time employee of that department whose duties necessitate a significant amount of field work, travel, or exposure to hazardous working conditions, and who holds a position which is designated as complying with the requirements of this section by regulations adopted by the commissioner of administration after consultation with the commissioner of fish and game, except that other personnel of that department are not excluded by this paragraph from status as an "employee" under (21) of this section;

(33) "retired member" means an employee who is terminated, who has not received a refund from the system and is receiving a benefit other than disability, from the system;

(34) "retirement" means that period of time from the first day of the month following (A) the date of termination and (B) application for retirement, in which a person is appointed to receive a retirement benefit, other than occupational or nonoccupational disability benefit;

(35) "seasonal" refers to an employee who is occupying a position for less than 12 months each year where it is anticipated that the same employee will return to the position when needed;

(36) "surviving spouse" means the spouse of an employee who has been married to the employee for at least one year at the time of the employee's death; the one-year marriage requirement does not apply when the employee's death was an occupational or accidental death;

(37) "system" means the Public Employees' Retirement System of Alaska;

(38) "vested member" is an active member who meets the five-year credited service requirement to qualify for a retirement benefit.

* Sec. 55. The following laws are repealed: AS 14.25.120(i);

14.25.162(e); AS 39.35.130 - 39.35.140; 39.35.190; 39.35.210 - 39.35.220; 39.35.320; 39.35.380 - 39.35.390; 39.35.440(d); and 39.35.485(b).

* Sec. 56. The definition of "early retirement" contained in sec. 54 of this Act (AS 39.35.680(13)) and the definition of "normal retirement" contained in sec. 54 of this Act (AS 39.35.-680(25)) are retroactive to October 14, 1976.

* Sec. 57. This Act takes effect July 1, 1977, except that the definition of "early retirement" contained in sec. 54 of this Act (AS 39.35.680(13)) and the definition of "normal retirement" contained in sec. 54 of this Act (AS 39.35.680(25)) take effect immediately in accordance with AS 01.10.070(c).

Approved by the Governor: June ⁻²³⁻14, 1977
Actual Effective Date: The provisions contained in Sec. 54 amending AS 39.35.680(13) and (25) take effect June 16, 1977 and are retroactive to October 14, 1976