

HOUSE BILL NO. 335

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE HUDSON

Introduced: 2/4/00

Referred: State Affairs, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to information contained in retirement system records; relating
2 to retirement boards; relating to procedures and hearings under state retirement
3 systems; relating to benefits for reemployed retired members of retirement
4 systems; relating to eligibility for normal retirement for members of the
5 teachers' retirement system who have Alaska BIA credited service; relating to
6 disability benefits for members of state retirement systems; relating to deduction
7 of premiums from retirement benefits; relating to protection of, and assignment
8 and transfer of, amounts held in retirement systems; relating to retirement
9 benefits for certain employees earning high salaries; relating to qualified domestic
10 relations orders in state retirement systems; relating to the definition of
11 'retirement fund' in the teachers' retirement system; relating to membership of
12 state employees in the teachers' retirement system; relating to refund of

1 contributions made to the judicial retirement system or to the former elected
 2 public officers retirement system and repayment of refunded contributions in
 3 those systems; relating to self-insurance and excess loss insurance for persons
 4 receiving benefits from a state retirement system; relating to participation of
 5 elected officials in the public employees' retirement system; relating to
 6 reinstatement of credited service in the public employees' retirement system after
 7 a refund because of certain levies; relating to the level income option benefit
 8 under the public employees' retirement system; relating to participation of
 9 employees of political subdivisions and public organizations in the public
 10 employees' retirement system; relating to penalties for attempts to defraud the
 11 public employees' retirement system; relating to the definition of 'pension fund'
 12 in the public employees' retirement system; relating to calculation of years of
 13 service and of benefits under the public employees' retirement system for
 14 noncertificated employees of certain educational employers; and relating to
 15 individual accounts maintained for members of the former elected public officers
 16 retirement system."

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

18 * **Section 1.** AS 09.25 is amended by adding a new section to read:

19 **Sec. 09.25.151. Confidentiality of retirement records.** (a) Except as
 20 provided in (b) and (c) of this section, public records, including electronic services and
 21 products involving public records, containing information about a person and
 22 maintained under AS 14.25, AS 22.25, AS 26.05.222 - 26.05.229, AS 39.35, or former
 23 AS 39.37 shall be kept confidential and are not subject to inspection or copying under
 24 AS 09.25.110 - 09.25.120.

25 (b) Records described in (a) of this section concerning a person who is a

1 member or former member of a state retirement system who is still living may only
2 be released to

3 (1) the person or the person's guardian;

4 (2) the person's employer or former employer;

5 (3) a state agency authorized to obtain confidential information;

6 (4) a retirement organization representing persons receiving benefits
7 under a state retirement system if the retirement organization is affiliated with an
8 organization representing employees of an employer under AS 23.40.070 - 23.40.260
9 (Public Employment Relations Act);

10 (5) another person if the person has

11 (A) written authorization for release from the affected member
12 or former member or the member's or former member's guardian; or

13 (B) a court order or subpoena to obtain the information.

14 (c) Records described in (a) of this section concerning a member or former
15 member of a state retirement system who is deceased or a deceased member's named
16 beneficiary may only be released to

17 (1) the member's named beneficiary or the beneficiary's guardian;

18 (2) the member's or former member's former employer;

19 (3) a state agency authorized to obtain confidential information;

20 (4) the personal representative of the member's or former member's
21 estate;

22 (5) a retirement organization representing persons receiving benefits
23 under a state retirement system if the retirement organization is affiliated with an
24 organization representing employees of the employer under AS 23.40.070 - 23.40.260
25 (Public Employment Relations Act);

26 (6) another person if the person has written authorization for release
27 from the member or former member, the member's named beneficiary, or the personal
28 representative of the member's or former member's estate or a court order or subpoena
29 to secure the information.

30 (d) In this section, "state retirement system" means the teachers' retirement
31 system under AS 14.25, the judicial retirement system under AS 22.25, the retirement

1 system for members of the national guard under AS 26.05.222 - 26.05.229, the public
 2 employees' retirement system under AS 39.35, or the elected public officers retirement
 3 system under former AS 39.37.

4 * **Sec. 2.** AS 14.25.035(a) is amended to read:

5 (a) There is established the Alaska Teachers' Retirement Board as follows:

6 (1) the governor shall appoint five members for overlapping three-year
 7 terms; one member must be a resident who is receiving retirement benefits under this
 8 chapter; statewide teacher organizations may submit to the governor a list of
 9 recommended nominees to serve on the board;

10 (2) the governor shall appoint two physicians authorized to practice
 11 medicine in the state to serve as members of the board **and two physicians**
 12 **authorized to practice medicine in the state to serve as alternate members to the**
 13 **physician members of the board; the physicians are members of the board** only
 14 for the purpose of hearing appeals to determine medical eligibility for disability
 15 benefits under AS 14.25.130; [THE GOVERNOR SHALL APPOINT TWO
 16 PHYSICIANS EACH FROM AT LEAST TWO OF THE STATE'S FOUR JUDICIAL
 17 DISTRICTS;] the Public Employees' Retirement Board and the Teachers' Retirement
 18 Board may submit to the governor a list of recommended physicians to serve on the
 19 board; **if the administrator, after making a reasonable effort to secure the**
 20 **participation of two physicians to serve on a disability appeal, is unable to do so,**
 21 **the board may hear the appeal with the participation of only one physician or**
 22 **alternate, in which case, for purposes of a quorum, the board shall be considered**
 23 **to have only one physician as a member;** [THE TWO PHYSICIAN MEMBERS
 24 FROM THE JUDICIAL DISTRICT IN WHICH A DISABILITY APPEAL HEARING
 25 IS CONDUCTED SHALL SERVE ON THE BOARD DURING THE HEARING; IF
 26 ONE OR MORE OF THE PHYSICIANS IN THE JUDICIAL DISTRICT IN WHICH
 27 A DISABILITY HEARING IS CONDUCTED IS UNABLE TO SERVE AT THE
 28 HEARING, OR IF THERE IS NO PHYSICIAN MEMBER FROM THAT JUDICIAL
 29 DISTRICT, OTHER PHYSICIAN MEMBERS SHALL SERVE AT THE HEARING,
 30 SELECTED FOR SUCH HEARINGS ON A ROTATING BASIS, IN ACCORDANCE
 31 WITH REGULATIONS ADOPTED BY THE BOARD;] physician members **and**

1 alternates serve at the pleasure of the governor.

2 * **Sec. 3.** AS 14.25.035(b) is amended to read:

3 (b) Members of the board appointed under (a)(1) of this section **are entitled**
 4 **to receive** [DO NOT RECEIVE COMPENSATION] for their services on the
 5 **retirement board an honorarium equal to the honorarium provided to trustees of**
 6 **the Alaska State Pension Investment Board under AS 37.10.250.** Physician
 7 members of the board are entitled to hourly compensation for their services at a rate
 8 to be determined by the commissioner of administration. The rate of compensation
 9 shall be consistent with the physicians' normal hourly earnings. All members of the
 10 board are entitled to travel expenses and per diem **authorized for boards and**
 11 **commissions under AS 39.20.180** [WHEN IT IS NECESSARY TO TRAVEL].

12 * **Sec. 4.** AS 14.25.035(f) is amended to read:

13 (f) The board shall meet at the call of the **chair** [CHAIRMAN], any three
 14 members, or at the request of the commissioner of administration. **The board may**
 15 **adopt regulations defining a quorum for the conduct of its business, including**
 16 **appeals and disability appeals.**

17 * **Sec. 5.** AS 14.25 is amended by adding a new section to read:

18 **Sec. 14.25.037. Hearings.** (a) The board shall adopt regulations establishing
 19 procedures for the conduct of hearings and appeals under this chapter.

20 (b) In the conduct of a hearing under this chapter, the board may issue
 21 subpoenas, administer oaths, compel the attendance and testimony of witnesses, compel
 22 the taking of depositions and the submission of affidavits, and compel the production
 23 of documents and records. The board's powers under this subsection do not extend
 24 to prehearing discovery. However, upon good cause shown, the board may permit the
 25 preservation of witness testimony if the board cannot successfully compel the witness
 26 to attend a hearing. The board may authorize hearing officers to conduct hearings
 27 under this chapter and issue decisions; the decision of a hearing officer may be
 28 appealed to the board. The board shall adopt procedures for appeals from a hearing
 29 officer's decision.

30 (c) A majority of a quorum of the board may issue a ruling or modification
 31 of a ruling. If the board's vote on an appeal under this chapter is a tie vote of those

1 members present and voting, the decision being appealed is affirmed. The board, by
 2 regulation, shall establish procedures for the reconsideration of a ruling issued under
 3 this chapter. A request for reconsideration is timely if it is received within 30 days
 4 after the initial ruling was issued.

5 (d) An aggrieved party may appeal a final decision to the superior court.

6 * **Sec. 6.** AS 14.25.043 is amended to read:

7 **Sec. 14.25.043. Reemployment of retired members.** If a retired member
 8 again becomes an active member, benefit payments may not be made during the period
 9 of reemployment. The retirement benefit must be suspended for the entire school year
 10 if the teacher is reemployed as an active teacher for a period equivalent to a year of
 11 service. During the period of reemployment, deductions from the member's salary will
 12 be made in accordance with AS 14.25.050. Upon subsequent retirement, the retired
 13 member is entitled to receive an additional benefit based on the credited service and
 14 the average base salary during the period of reemployment in accordance with
 15 AS 14.25.110. **If the initial benefit payments to which the retired member is**
 16 **eligible have been actuarially reduced because the member retired early under**
 17 **AS 14.25.110(b), the member shall also receive an incremental benefit based on**
 18 **the amount of the actuarial reduction imposed by AS 14.25.110(j) on the first**
 19 **benefit and the length of time that the employee was reemployed and not**
 20 **receiving retirement benefits. The amount of the incremental benefit is equal to**
 21 **the difference between the normal retirement benefit to which the member would**
 22 **have been entitled had the member taken a normal retirement and the early**
 23 **retirement benefit that the member has been receiving based on the member's**
 24 **initial period of employment multiplied by the total number of months that the**
 25 **member did not receive retirement benefits because of reemployment and that**
 26 **amount actuarially adjusted to be paid over the expected lifetime of the member.**

27 * **Sec. 7.** AS 14.25.110(a) is amended to read:

28 (a) Subject to AS 14.25.167, a member is eligible for a normal retirement
 29 benefit if the member

30 (1) was first hired before July 1, 1975, has attained the age of 55 years,
 31 and has at least 15 years of credited service, the last five of which have been

1 membership service or is otherwise vested in the system;

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

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

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

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

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

12 (7) has, for each of 20 school years,

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

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

16 or

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

18 * **Sec. 8.** AS 14.25.130(d) is amended to read:

19 (d) The amount of the disability benefit is equal to 50 percent of the member's
20 base salary immediately before becoming disabled. The disability benefit is increased
21 by 10 percent **of the member's base salary immediately before becoming disabled**
22 for each dependent child, up to a maximum of four dependent children.

23 * **Sec. 9.** AS 14.25.130(e) is amended to read:

24 (e) Benefits payable under this section accrue from the first day of the month
25 after which the following requirements are met: (1) the member meets the eligibility
26 requirements of this section; and (2) the member terminates employment. The benefits
27 are payable the last day of the month. If payment is delayed, a retroactive payment
28 must be made to cover the period of deferment. The last payment for a dependent
29 child shall be for the month in which the child ceases to be a dependent child. The
30 last payment for the disabled member shall be made for the month in which the
31 disabled member recovers from the disability, dies, or is eligible for normal retirement.

1 A member is considered to have recovered from a disability if the member is
 2 employed or self-employed in sustainable employment and earning at least 75
 3 percent of the member's compensation, adjusted for inflation, at the time the
 4 member terminated the member's employment under this section.

5 * **Sec. 10.** AS 14.25.130 is amended by adding a new subsection to read:

6 (f) A member is not entitled to a disability benefit under this section unless
 7 the member files a timely application for the benefit with the administrator. The
 8 application is timely if it is filed by the later of six months after the date that the
 9 member's disability began or 90 days after the termination of the member's
 10 employment. The board may waive a filing deadline under this subsection if there are
 11 extraordinary circumstances that resulted in the inability to meet the filing deadline.
 12 The board may delegate the authority to waive a filing deadline under this subsection
 13 to the administrator.

14 * **Sec. 11.** AS 14.25.143 is amended by adding a new subsection to read:

15 (g) The board may advise the administrator whether or not the administrator
 16 should grant a discretionary post retirement pension adjustment under the former
 17 provisions of this section, and, if so, how much the adjustment should be.

18 * **Sec. 12.** AS 14.25.168(b) is amended to read:

19 (b) After an election of coverage under this section, major medical insurance
 20 coverage takes effect on the same date as retirement benefits begin and stops when the
 21 member or survivor is no longer eligible to receive a monthly benefit. The coverage
 22 for persons age 65 or older is the same as that available for persons under age 65.
 23 The benefits payable to those persons age 65 or older supplement any benefits
 24 provided under the federal old age, survivors and disability insurance program. **The**
 25 **medical premium and optional insurance premiums owed by a member or**
 26 **survivor shall be deducted from the benefit owed to the member or survivor**
 27 **before payment of the benefit.**

28 * **Sec. 13.** AS 14.25.200(a) is amended to read:

29 (a) Except as provided in AS 29.45.030(a)(1) **or in (c) or (d) of this section,**
 30 member contributions and other amounts held in the system on behalf of a member or
 31 other person who is or may become eligible for benefits under the system are exempt

1 from Alaska state and municipal taxes and are not subject to anticipation, alienation,
 2 sale, transfer, assignment, pledge, encumbrance, or charge of any kind, either voluntary
 3 or involuntary, before they are received by the person entitled to the amount under the
 4 terms of the system. Any [, AND ANY] attempt to anticipate, alienate, sell, transfer,
 5 assign, pledge, encumber, charge, or otherwise dispose of any right to amounts accrued
 6 in the system is void. However, a member's right to receive benefits or the member
 7 contribution account may be assigned

8 (1) under a qualified domestic relations order; [OR]

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

11 (3) as provided in (c) or (d) of this section.

12 * **Sec. 14.** AS 14.25.200 is amended by adding new subsections to read:

13 (c) An inactive member may elect to have the taxable portion of the member
 14 contribution account transferred directly to another plan or an individual retirement
 15 arrangement that is qualified under the federal Internal Revenue Code and that accepts
 16 the transfer.

17 (d) A person receiving benefits under this chapter who intends to join or who
 18 belongs to a retirement organization may authorize the administrator to deduct from
 19 the person's benefits the amount of annual dues owed to the organization. The person
 20 shall make the authorization in writing on a form approved by the administrator. The
 21 authorization shall remain in effect until revoked in writing. The revocation is
 22 effective when received by the administrator. The administrator may, by regulation,
 23 assess a reasonable administrative fee to compensate the system for administration of
 24 this subsection. In this subsection, "retirement organization" means an organization
 25 representing persons receiving benefits under this chapter that is affiliated with an
 26 organization representing employees of the employer under AS 23.40.070 - 23.40.260.

27 * **Sec. 15.** AS 14.25.220(6) is amended to read:

28 (6) "base salary"

29 (A) means the total remuneration payable under contract for a
 30 full year of membership service, including addenda to the contract but, for a
 31 member first hired on or after July 1, 1996, does not include remuneration

1 **in excess of the limitations set out in 26 U.S.C. 401(a)(17);**

2 (B) has the same meaning as "compensation" under
3 AS 39.35.680(8) when applied to a state legislator who elects membership
4 under AS 14.25.040(b);

5 * **Sec. 16.** AS 14.25.220(31) is amended to read:

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

8 (A) creates or recognizes the existence of an alternate payee's
9 right to, or assigns to an alternate payee the right to, receive all or a portion of
10 the **member contribution account or** benefits payable with respect to a
11 member;

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

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

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

19 (E) does not require any type or form of benefit or any option
20 not otherwise provided by this chapter;

21 (F) does not require an increase of benefits in excess of the
22 amount provided by this chapter, determined on the basis of actuarial value;
23 and

24 (G) does not require the payment, to an alternate payee, of
25 benefits that are required to be paid to another alternate payee under another
26 order previously determined to be a qualified domestic relations order;

27 * **Sec. 17.** AS 14.25.220(35) is amended to read:

28 (35) "retirement fund" or "fund" means the fund in which the assets of
29 the system, **including income and interest derived from the investment of money,**
30 are deposited and held;

31 * **Sec. 18.** AS 14.25.220(40) is amended to read:

1 (40) "teacher" or "member" means a person eligible to participate in
2 the system and who is covered by the system, limited to

3 (A) a certificated full-time or part-time elementary or secondary
4 teacher, a certificated school nurse, or a certificated person in a position
5 requiring a teaching certificate as a condition of employment in a public school
6 of the state **or in the Department of Education and Early Development;**

7 (B) [THE COMMISSIONER OF EDUCATION AND EARLY
8 DEVELOPMENT AND ALL SUPERVISORY POSITIONS IN THE
9 DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT;

10 (C)] a full-time or part-time teacher of the University of Alaska
11 or a person occupying a full-time administrative position at the University of
12 Alaska that requires academic standing; the approval of the administrator must
13 be obtained before an administrative position qualifies for membership in the
14 system; however, a teacher or administrative person at the university who is
15 participating in the optional university retirement program under AS 14.40.661
16 - 14.40.799 is not a member under this system;

17 (C) [(D)] a state legislator who elects membership under
18 AS 14.25.040(b);

19 * **Sec. 19.** AS 22.25.020 is amended to read:

20 **Sec. 22.25.020. Retirement pay.** A retired justice or judge eligible for
21 retirement pay shall receive from the date of eligibility until death monthly
22 compensation equal to five percent per year of service, to a maximum of 75 percent,
23 of the monthly salary authorized for justices and judges, respectively, at the time each
24 retirement payment is made. **For a justice or judge who was first employed in this**
25 **retirement system on or after July 1, 1996, base annual salary does not include**
26 **remuneration in excess of the limitations set out in 26 U.S.C. 401(a)(17) (Internal**
27 **Revenue Code).**

28 * **Sec. 20.** AS 22.25.041 is amended to read:

29 **Sec. 22.25.041. Refund of contributions.** (a) **Except as provided in (c) of**
30 **this section, a** [A] justice or judge who vacates office for any reason and who has not
31 then accrued five years of creditable service under this chapter is entitled to receive

1 a refund of the total amount of contributions, **including principal and interest**
 2 **payments on indebtedness,** together with interest credited on the amount. **To receive**
 3 **credit for an earlier period of service under AS 22.25.010(f),** [IF] a justice or judge
 4 who has received a refund of contributions **and who** returns to active service [, THE
 5 JUSTICE OR JUDGE] shall repay **in full, before appointment to retirement,**
 6 [WITHIN ONE YEAR] the refunded contributions with interest at the prevailing rate
 7 [TO RECEIVE CREDIT FOR THE EARLIER PERIOD OF SERVICE UNDER
 8 AS 22.25.010(f)].

9 (b) A justice or judge whose contributions have been involuntarily refunded
 10 because of a levy **under AS 09.38.065 or because of a federal tax levy** may repay
 11 the amount levied together with accrued interest whether or not the justice or judge is
 12 on active service. Repayments shall be made under (a) of this section.

13 * **Sec. 21.** AS 22.25.041 is amended by adding new subsections to read:

14 (c) A justice or judge whose rights to a refund are subject to a qualified
 15 domestic relations order is entitled to receive a refund of the total amount of
 16 contributions, together with interest credited on the amount, only if the present spouse
 17 of the justice or judge, if any, and each person entitled under the order consent to the
 18 refund in writing on a form provided by the administrator. The administrator may
 19 waive written consent from the person entitled to benefits under the order if the
 20 administrator determines that the person cannot be located or for other reasons
 21 established by regulation. The administrator may waive written consent from the
 22 spouse if the administrator determines that

23 (1) the justice or judge was not married to the spouse during any period
 24 of the justice's or judge's employment under this chapter;

25 (2) the spouse has no right to benefits under this chapter because of the
 26 terms of a qualified domestic relations order;

27 (3) the spouse cannot be located;

28 (4) the justice or judge and spouse have been married for less than two
 29 years and the justice or judge establishes that they are not cohabiting; or

30 (5) another reason established by regulation exists.

31 (d) Except as provided in this subsection, in (e) of this section, and in

1 AS 29.45.030(a)(1), amounts held in the system on behalf of a justice or judge or other
 2 person who is or may become eligible for benefits under the system are exempt from
 3 Alaska state and municipal taxes and are not subject to anticipation, alienation, sale,
 4 transfer, assignment, pledge, encumbrance, or charge of any kind, either voluntary or
 5 involuntary, before they are received by the person entitled to the amount under the
 6 terms of the system, and any attempt to anticipate, alienate, sell, transfer, assign,
 7 pledge, encumber, charge, or otherwise dispose of any right to amounts accrued in the
 8 system is void. However,

9 (1) the right of a justice or judge to receive benefits or the contributions
 10 and interest may be assigned

11 (A) under a qualified domestic relations order;

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

14 (C) as provided in (e) of this section;

15 (2) a justice or judge may elect to have the taxable portion of the
 16 qualifying distributions transferred directly to another qualified plan or an individual
 17 retirement account that accepts the transfer.

18 (e) A person receiving benefits under this chapter who intends to join or who
 19 belongs to a retirement organization may authorize the administrator to deduct from
 20 the person's benefits the amount of annual dues owed to the organization. The person
 21 shall make the authorization in writing on a form approved by the administrator. The
 22 authorization shall remain in effect until revoked in writing. A revocation is effective
 23 when received by the administrator. The administrator may, by regulation, assess a
 24 reasonable administrative fee to compensate the system for administration of this
 25 subsection. In this subsection, "retirement organization" means an organization
 26 representing persons receiving benefits under this chapter that is affiliated with an
 27 organization representing employees of the employer under AS 23.40.070 - 23.40.260.

28 * **Sec. 22.** AS 22.25.090(b) is amended to read:

29 (b) Except as provided in (d) of this section, major medical insurance coverage
 30 takes effect on the same date as retirement benefits begin [,] and stops when the retired
 31 person or survivor is no longer eligible to receive a monthly benefit. The coverage for

1 persons age 65 or older is the same as that available for persons under 65 **years of**
 2 **age**. The benefits payable to those persons age 65 or older supplement any benefits
 3 provided under the federal old age, survivors, and disability insurance program. **The**
 4 **medical premium and optional insurance premiums owed by a retired person or**
 5 **survivor shall be deducted from the benefit payable to the retired person or**
 6 **survivor before payment of the benefit.**

7 * **Sec. 23.** AS 22.25.900 is amended to read:

8 **Sec. 22.25.900. Definition.** In this chapter, "qualified domestic relations
 9 order" means a divorce or dissolution judgment under AS 25.24, including an order
 10 approving a property settlement, that

11 (1) creates or recognizes the existence of an alternate payee's right to,
 12 or assigns to an alternate payee the right to, receive all or a portion of the **member**
 13 **contributions and interest or** benefits payable with respect to a justice or judge;

14 (2) sets out the name and last known mailing address, if any, of the
 15 justice or judge and of each alternate payee covered by the order;

16 (3) sets out the amount or percentage of the justice's or judge's benefit,
 17 or of any survivor's benefit, to be paid to the alternate payee, or sets out the manner
 18 in which that amount or percentage is to be determined;

19 (4) sets out the number of payments or period to which the order
 20 applies;

21 (5) does not require any type or form of benefit or any option not
 22 otherwise provided by this chapter;

23 (6) does not require an increase of benefits in excess of the amount
 24 provided by this chapter, determined on the basis of actuarial value;

25 (7) does not require the payment, to an alternate payee, of benefits that
 26 are required to be paid to another alternate payee under another order previously
 27 determined to be a qualified domestic relations order.

28 * **Sec. 24.** AS 26.05.224 is amended by adding new subsections to read:

29 (g) Except as provided in this subsection or AS 29.45.030(a)(1), amounts held
 30 in the system on behalf of a member or other person who is or may become eligible
 31 for benefits under the system are exempt from Alaska state and municipal taxes and

1 are not subject to anticipation, alienation, sale, transfer, assignment, pledge,
 2 encumbrance, or charge of any kind, either voluntary or involuntary, before they are
 3 received by the person entitled to the amount under the terms of the system, and any
 4 attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge, or
 5 otherwise dispose of any right to amounts accrued in the system is void. However,

6 (1) a member's right to receive benefits or the member contribution
 7 account may be assigned

8 (A) under a qualified domestic relations order; or

9 (B) to a trust or similar legal device that meets the requirements
 10 for a Medicaid-qualifying trust under AS 47.07.020(f) and 42 U.S.C.
 11 1396p(d)(4);

12 (2) a member may elect to have the taxable portion of the qualifying
 13 distributions transferred directly to another plan or individual retirement arrangement
 14 qualified under the federal Internal Revenue Code.

15 (h) Amounts held in the system and benefits payable under this section are
 16 exempt from garnishment, execution, or levy as provided in AS 09.38 (Alaska
 17 Exemptions Act).

18 * **Sec. 25.** AS 39.30.091 is amended to read:

19 **Sec. 39.30.091. Authorization for self-insurance and excess loss insurance.**

20 Notwithstanding AS 21.86.310 or AS 39.30.090, the Department of Administration
 21 may provide, by means of self-insurance, one or more of the benefits listed in
 22 AS 39.30.090(a)(1) for state employees eligible for the benefits by law or under a
 23 collective bargaining agreement **and for persons receiving benefits under AS 14.25,**
 24 **AS 22.25, AS 39.35, or former AS 39.37, and their dependents.** The department
 25 shall procure any necessary excess loss insurance under AS 39.30.090.

26 * **Sec. 26.** AS 39.35.030(b) is repealed and reenacted to read:

27 (b) Three public members are appointed by the governor to serve at the
 28 pleasure of the governor for six-year staggered terms. One of the public members
 29 must be or have been employed by an employer other than the State of Alaska. The
 30 governor shall fill a vacancy in an unexpired appointive term by appointment for the
 31 remainder of the term.

1 * **Sec. 27.** AS 39.35.030(c) is amended to read:

2 (c) Two members of the board must be members of the system elected by [A
3 MAJORITY OF THE VOTES CAST BY] members of the system. Elections shall be
4 conducted by the board. **The candidate who receives the most votes cast in the**
5 **election is elected to the seat. If two seats are to be filled at the election, the**
6 **candidate who receives the most votes cast and the candidate who receives the**
7 **next most votes cast are elected to the seats.** The term of office of an elected
8 member is six years. A vacancy in an unexpired elective term shall be filled by
9 election for a new six-year term.

10 * **Sec. 28.** AS 39.35.030(d) is amended to read:

11 (d) The governor shall appoint **two** physicians authorized to practice medicine
12 in the state to serve as members of the board **and two physicians authorized to**
13 **practice medicine in the state to serve as alternate members to the physician**
14 **members of the board. The physicians are members of the board** only for the
15 purpose of hearing appeals to determine medical eligibility for disability benefits under
16 AS 39.35.400 and 39.35.410. **If the administrator, after making a reasonable effort**
17 **to secure the participation of two physician members or alternates to serve on a**
18 **disability appeal, is unable to do so, the board may hear the appeal with the**
19 **participation of only one physician member or alternate, in which case, for**
20 **purposes of a quorum, the board shall be considered to have only one physician**
21 **as a member** [THE GOVERNOR SHALL APPOINT TWO PHYSICIANS EACH
22 FROM AT LEAST TWO OF THE STATE'S FOUR JUDICIAL DISTRICTS]. The
23 Public Employees' Retirement Board and the Teachers' Retirement Board may submit
24 to the governor a list of recommended physicians to serve on the board. [THE TWO
25 PHYSICIAN MEMBERS FROM THE JUDICIAL DISTRICT IN WHICH A
26 DISABILITY APPEAL HEARING IS CONDUCTED SHALL SERVE ON THE
27 BOARD DURING THE HEARING. IF ONE OR MORE OF THE PHYSICIANS IN
28 THE JUDICIAL DISTRICT IN WHICH A DISABILITY HEARING IS
29 CONDUCTED IS UNABLE TO SERVE AT THE HEARING, OR IF THERE IS NO
30 PHYSICIAN MEMBER FROM THAT JUDICIAL DISTRICT, OTHER PHYSICIAN
31 MEMBERS SHALL SERVE AT THE HEARING, SELECTED FOR SUCH

1 HEARINGS ON A ROTATING BASIS, IN ACCORDANCE WITH REGULATIONS
 2 ADOPTED BY THE BOARD.] Physician members serve at the pleasure of the
 3 governor.

4 * **Sec. 29.** AS 39.35.030(e) is amended to read:

5 (e) Members of the board **appointed under** [IDENTIFIED IN] (b) of this
 6 section or elected under (c) of this section **are entitled to** [DO NOT] receive
 7 [COMPENSATION] for their services on the **retirement** board **an honorarium equal**
 8 **to the honorarium provided to trustees of the Alaska State Pension Investment**
 9 **Board under AS 37.10.250.** Physician members of the board are entitled to hourly
 10 compensation for their services at a rate to be determined by the commissioner of
 11 administration. The rate of compensation shall be consistent with the physicians'
 12 normal hourly earnings. All members of the board are entitled to travel expenses and
 13 per diem when it is necessary to travel.

14 * **Sec. 30.** AS 39.35.040 is amended to read:

15 **Sec. 39.35.040. Powers and duties of board.** The Public Employees
 16 Retirement Board has the following powers and duties:

17 (1) to hold regular meetings and special meetings considered necessary;
 18 all meetings are open to the public, and the board keeps a full record of all its
 19 proceedings; **the board may, by regulation, define a quorum for the conduct of its**
 20 **business, including appeals and disability appeals;**

21 (2) to adopt, with modifications it considers proper, regulations
 22 recommended by the administrator for carrying out this chapter;

23 (3) to consider and adopt resolutions on matters referred to it by the
 24 administrator in connection with changes in policy and revisions of this chapter;

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

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

- 1 (A) an appropriate contribution rate for all employers; and
- 2 (B) an amount appropriate for each employer to liquidate the
- 3 employee's past service liability; the board shall have an actuarial and financial
- 4 experience analysis of the system conducted at appropriate intervals, but no less
- 5 frequently than once every six years; the actuarial valuations and the actuarial
- 6 and financial experience analysis shall be prepared and certified by a member
- 7 of the American Academy of Actuaries;
- 8 (6) to prescribe the policies for the proper operation of the system and
- 9 carry on other activities that are considered necessary to carry out the intent and
- 10 purpose of the system in accordance with this chapter;
- 11 (7) to prescribe the rate of interest that shall be credited to the
- 12 employee accounts each year;
- 13 (8) to waive the requirements of AS 39.35.520 in accordance with
- 14 AS 39.35.522;
- 15 (9) to exercise the duties set out in AS 39.30.155 with respect to the
- 16 supplemental employee benefit program under AS 39.30.150 - 39.30.180;
- 17 (10) to exercise the duties set out in AS 39.45.025 with respect to the
- 18 deferred compensation program for state employees;
- 19 (11) to adopt regulations for the election of trustees to the Alaska State
- 20 Pension Investment Board and for removal from the investment board of trustees
- 21 elected from the system;
- 22 **(12) to adopt a contribution surcharge under AS 39.35.160(c).**

23 * **Sec. 31.** AS 39.35 is amended by adding a new section to read:

24 **Sec. 39.35.077. Hearings.** (a) The board shall adopt regulations establishing

25 procedures for the conduct of hearings and appeals under this chapter.

26 (b) In the conduct of a hearing under this chapter, the board may issue

27 subpoenas, administer oaths, compel the attendance and testimony of witnesses, compel

28 the taking of depositions and the submission of affidavits, and compel the production

29 of documents and records. The board's powers under this subsection do not extend

30 to prehearing discovery. However, upon good cause shown, the board may permit the

31 preservation of witness testimony if the board cannot successfully compel the witness

1 to attend a hearing. The board may authorize hearing officers to conduct hearings
 2 under this chapter and issue decisions; the decision of a hearing officer may be
 3 appealed to the board. The board shall adopt procedures for appeals from a hearing
 4 officer's decision.

5 (c) A majority of a quorum of the board may issue a ruling or modification
 6 of a ruling. If the board's vote on an appeal under this chapter is a tie vote of those
 7 members present and voting, the decision being appealed is affirmed. The board, by
 8 regulation, shall establish procedures for the reconsideration of a ruling issued under
 9 this chapter. A request for reconsideration is timely if it is received within 30 days
 10 after the initial ruling was issued.

11 (d) An aggrieved party may appeal a final decision to the superior court.

12 * **Sec. 32.** AS 39.35.125(a) is amended to read:

13 (a) An elected official **of the state or of a political subdivision of the state**
 14 **if the political subdivision has elected under AS 39.35.550 - 39.35.650 to designate**
 15 **elected officials in the classifications of employees entitled to participate in the**
 16 **system** is included in the system unless the official files a written waiver of coverage
 17 with the administrator. A waiver under this subsection waives coverage of future
 18 employment as an elected official, regardless of any change of employer. An elected
 19 official may file a waiver under this subsection at any time after election to office,
 20 including the period before taking the oath of office. An elected official may revoke
 21 a waiver under this subsection by filing a written revocation with the administrator.
 22 A revocation under this subsection operates prospectively only, and the elected official
 23 may not receive credited service for service as an elected official while the waiver was
 24 in effect. There is no limit on the number of times an elected official may file a
 25 waiver or revocation under this subsection.

26 * **Sec. 33.** AS 39.35.150 is amended to read:

27 **Sec. 39.35.150. Re-employment of retired employees.** If a retired employee
 28 subsequently becomes an active member, benefit payments may not be made during
 29 the period of re-employment. During the period of re-employment, deductions from
 30 the employee's salary shall be made in accordance with AS 39.35.160. Upon
 31 subsequent retirement, the retired employee is entitled to receive an additional pension

1 based on the credited service and the average monthly compensation earned during the
 2 period of re-employment in accordance with AS 39.35.370. **If the initial benefit**
 3 **payments to which the retired member is eligible have been reduced because the**
 4 **member retired early under AS 39.35.370(b) or increased because the member**
 5 **elected to receive a level income option benefit under former AS 39.35.460, the**
 6 **member shall also receive an incremental benefit based on the amount of the**
 7 **reduction imposed by AS 39.35.370(b) or the increase under former AS 39.35.460**
 8 **on the first benefit and the length of time that the employee was reemployed and**
 9 **not receiving retirement benefits. The amount of the incremental benefit is equal**
 10 **to the difference between the normal retirement benefit to which the member**
 11 **would have been entitled had the member taken a normal retirement and the**
 12 **early retirement benefit or benefit under the level income option that the member**
 13 **has been receiving based on the member's initial period of employment multiplied**
 14 **by the total number of months that the member did not receive retirement**
 15 **benefits because of reemployment and that amount actuarially adjusted to be paid**
 16 **over the expected lifetime of the member. In the case of a member who selected**
 17 **benefits under the level income option, the total number of months may not**
 18 **include any month in which the member was 65 years of age or older.**

19 * **Sec. 34.** AS 39.35.160(c) is amended to read:

20 (c) An employee who has made an [IRREVOCABLE] election under
 21 AS 39.35.300(c) or 39.35.310(c) to have the employee's years of service as a
 22 noncertificated employee of a state boarding school, of a school district or regional
 23 educational attendance area, of the special education service agency, or of the Alaska
 24 Vocational Technical Center determined by reference to AS 14.25.220 shall pay a
 25 contribution surcharge for that service. The amount of the surcharge is the difference
 26 between the amount the employer would have had to contribute under AS 39.35.250 -
 27 39.35.290 for the employee when treating the employee's credited service as service
 28 earned under AS 39.35.300(c) or 39.35.310(c) less the amount the employer would
 29 have had to contribute under AS 39.35.250 - 39.35.290 without treating the employee's
 30 credited service as service earned under AS 39.35.300(c) or 39.35.310(c).

31 * **Sec. 35.** AS 39.35.300(c) is amended to read:

1 (c) A noncertificated employee of the Alaska Vocational Technical Center or
 2 a state boarding school who first becomes a member of the system on or after July 1,
 3 1999, may, within 90 days after the employee first joins the system, make an
 4 [IRREVOCABLE] election under this subsection to have the years of service that the
 5 employee earns as a noncertificated employee determined using the table for service
 6 on or after July 1, 1969, that is set out in the definition of "year of service" in
 7 AS 14.25.220. A noncertificated employee of the Alaska Vocational Technical Center
 8 or a state boarding school who is an active member of the system on July 1, 1999,
 9 may, within 180 days after July 1, 1999, make the [IRREVOCABLE] election. A
 10 member of the system who is an inactive member on July 1, 1999, and who is later
 11 employed as a noncertificated employee of the Alaska Vocational Technical Center or
 12 a state boarding school may, within 90 days after beginning the subsequent
 13 employment, make the [IRREVOCABLE] election. An election under this subsection
 14 **is irrevocable except as provided in (d) of this section and** shall be made in writing
 15 on a form provided by the administrator. The election applies to the employee's
 16 service earned for the school year in which the election is accepted by the
 17 administrator and applies to all subsequent employment as a noncertificated employee
 18 of a state boarding school, a school district or regional educational attendance area, the
 19 special education service agency, or the Alaska Vocational Technical Center. An
 20 employee who makes an election under this subsection shall pay the contribution
 21 surcharge as set out in AS 39.35.160(c).

22 * **Sec. 36.** AS 39.35.300 is amended by adding new subsections to read:

23 (d) A noncertificated employee who has made an election under (c) of this
 24 section and who thereafter changes employment status from working for less than a
 25 full year, whether part-time or full time, to working for a full year, whether part-time
 26 or full-time, may, between July 1 and September 30, revoke the election and cease
 27 payment of the contribution surcharge. A revocation under this subsection is
 28 retroactive to July 1 of the school year, as defined in AS 14.25.220, in which the
 29 revocation is made.

30 (e) A noncertificated employee who has not made an election under (c) of this
 31 section who changes employment status from working for a full year, whether part-

1 time or full-time, to working for less than a full year, whether part-time or full-time,
 2 may, between July 1 and September 30, make the election and begin paying the
 3 contribution surcharge. The election is retroactive to July 1 of the school year, as
 4 defined in AS 14.25.220, in which the election is made.

5 * **Sec. 37.** AS 39.35.310(c) is amended to read:

6 (c) A noncertificated employee of a school district, a regional educational
 7 attendance area, or the special education service agency who first becomes a member
 8 of the system on or after July 1, 1999, may, within 90 days after the employee first
 9 joins the system, make an [IRREVOCABLE] election under this subsection to have
 10 the years of service that the employee earns as a noncertificated employee determined
 11 using the table for service on or after July 1, 1969, that is set out in the definition of
 12 "year of service" in AS 14.25.220. A noncertificated employee of a school district, a
 13 regional educational attendance area, or the special education service agency who is
 14 an active member of the system on July 1, 1999, may, within 180 days after July 1,
 15 1999, make the [IRREVOCABLE] election. A member of the system who is an
 16 inactive member on July 1, 1999, and who later is employed as a noncertificated
 17 employee of a school district, a regional educational attendance area, or the special
 18 education service agency may, within 90 days after beginning the subsequent
 19 employment, make the [IRREVOCABLE] election. An election under this subsection
 20 **is irrevocable except as provided in (d) of this section and** shall be made in writing
 21 on a form provided by the administrator. The election applies to the employee's
 22 service earned for the school year in which the election is accepted by the
 23 administrator and applies to all subsequent employment as a noncertificated employee
 24 of a state boarding school, a school district or regional educational attendance area, the
 25 special education service agency, or the Alaska Vocational Technical Center. An
 26 employee who makes an election under this subsection shall pay the contribution
 27 surcharge as set out in AS 39.35.160(c).

28 * **Sec. 38.** AS 39.35.310 is amended by adding new subsections to read:

29 (d) A noncertificated employee who has made an election under (c) of this
 30 section and who thereafter changes employment status from working for less than a
 31 full year, whether part-time or full-time, to working for a full year, whether part-time

1 or full-time, may, between July 1 and September 30, revoke the election and cease
 2 payment of the contribution surcharge. A revocation under this subsection is
 3 retroactive to the beginning of the school year, as defined in AS 14.25.220, in which
 4 the revocation was made.

5 (e) A noncertificated employee who has not made an election under (c) of this
 6 section who changes employment status from working for a full year, whether part-
 7 time or full-time, to working for less than a full year may, between July 1 and
 8 September 30, make the election and begin paying the contribution surcharge. The
 9 election is retroactive to July 1 of the school year, as defined in AS 14.25.220, in
 10 which the election was made.

11 * **Sec. 39.** AS 39.35.350(b) is amended to read:

12 (b) An employee may reinstate credited service associated with a refund by
 13 repaying the total amount of the refund. A former member who received a total
 14 refund of the former member's contribution account balance because of a levy under
 15 AS 09.38.065 or a federal tax levy may reinstate **the credited** service, **without being**
 16 **reemployed by an employer,** in the same manner as an employee. Interest accrues
 17 from the date of the refund until repayment of the refund or retirement, whichever
 18 occurs first. Payments shall be applied first to accrued interest and then to principal.

19 * **Sec. 40.** AS 39.35.400(a) is amended to read:

20 (a) An employee is eligible for a nonoccupational disability benefit if the
 21 employee's employment is terminated because of a total and apparently permanent
 22 nonoccupational disability, as defined in AS 39.35.680, before the employee's normal
 23 retirement date and after five or more years of credited service. **A member is not**
 24 **entitled to a nonoccupational disability benefit under this section unless the**
 25 **member files an application for the benefit with the administrator within 90 days**
 26 **after the member terminated employment. The board may waive a filing deadline**
 27 **if there are extraordinary circumstances that resulted in the inability to meet the**
 28 **deadline. The board may delegate the authority to waive a filing deadline under**
 29 **this subsection to the administrator.**

30 * **Sec. 41.** AS 39.35.400 is amended by adding a new subsection to read:

31 (g) A member is considered to have recovered from a disability under this

1 section if the member is employed or self-employed in sustainable employment and
 2 earning at least 75 percent of the member's compensation, adjusted for inflation, at the
 3 time the member terminated the member's employment under this section.

4 * **Sec. 42.** AS 39.35.410(f) is amended to read:

5 (f) An employee is not entitled to an occupational disability benefit unless the
 6 employee files an application for it with the administrator [WITHIN SIX MONTHS
 7 AFTER THE DATE OF THE ACCIDENT, IF DISABILITY IS ATTRIBUTABLE TO
 8 AN ACCIDENT, WITHIN SIX MONTHS AFTER THE DATE THE DISABILITY
 9 BEGINS IF THE DISABILITY IS CAUSED BY AN OCCUPATIONAL DISEASE,
 10 OR] within 90 [30] days of the date of terminating employment [, WHICHEVER IS
 11 LATER. IF THE DISABILITY IS ATTRIBUTABLE TO AN ACCIDENT, THE
 12 EMPLOYEE SHALL FILE A NOTICE OF THE ACCIDENT WITH THE
 13 ADMINISTRATOR WITHIN 30 DAYS FOLLOWING THE DATE IT OCCURRED.
 14 THIS 30-DAY FILING PERIOD IS SUSPENDED FOR THE TIME THE
 15 EMPLOYEE'S CONDITION PREVENTS FILING]. If the employee is unable to meet
 16 a filing requirement of this subsection, it may be waived by the Public Employees'
 17 Retirement Board **if there are extraordinary circumstances that resulted in the**
 18 **employee's inability to meet the filing requirement. The board may delegate the**
 19 **authority to waive a filing deadline under this subsection to the administrator**
 20 [FOR CAUSE].

21 * **Sec. 43.** AS 39.35.410 is amended by adding a new subsection to read:

22 (i) A member is considered to have recovered from a disability under this
 23 section if the member is employed or self-employed in sustainable employment and
 24 earning at least 75 percent of the member's compensation, adjusted for inflation, at the
 25 time the member terminated the member's employment under this section.

26 * **Sec. 44.** AS 39.35.450(a) is amended to read:

27 (a) Benefits payable under this section are in place of benefits payable under
 28 AS 39.35.370, 39.35.385, and former AS 39.35.460. Upon filing an application with
 29 the administrator or when a disabled employee first attains eligibility for normal
 30 retirement under AS 39.35.400(f) or 39.35.410(h), the employee shall designate the
 31 person who is the employee's spouse at the time of appointment to retirement as the

1 contingent beneficiary. However, if the designation of the spouse is revoked under (c)
 2 of this section, the employee may designate a dependent approved by the administrator
 3 as the contingent beneficiary or may take normal or early retirement under
 4 AS 39.35.370 or 39.35.385 **or, if the employee was first hired before July 1, 1996,**
 5 **benefit payments under the level income option under former AS 39.35.460.** The
 6 administrator shall pay benefits under the option elected by the employee. The
 7 employee may elect an option that provides that [(1)] the employee is entitled to
 8 receive a reduced benefit payable for life, and, after the employee's death, the
 9 contingent beneficiary is entitled to payments in the amount of

10 (1) 75 percent of the reduced benefit payable for life; **or**

11 (2) [THE EMPLOYEE IS ENTITLED TO RECEIVE A REDUCED
 12 BENEFIT PAYABLE FOR LIFE, AND, AFTER THE EMPLOYEE'S DEATH, THE
 13 CONTINGENT BENEFICIARY IS ENTITLED TO RECEIVE PAYMENTS IN THE
 14 AMOUNT OF] 50 percent of the reduced benefit payable for life.

15 * **Sec. 45.** AS 39.35.475 is amended by adding a new subsection to read:

16 (g) The board may advise the administrator whether or not the administrator
 17 should grant a discretionary post retirement pension adjustment under the former
 18 provisions of this section and, if so, how much the adjustment should be.

19 * **Sec. 46.** AS 39.35.500 is amended to read:

20 **Sec. 39.35.500. Safeguard of employee funds held by the system.** Except
 21 as provided in AS 29.45.030(a)(1) **or in (b) of this section,** employee contributions
 22 and other amounts held in the system are exempt from Alaska state and local taxes.
 23 **Except as provided in this subsection and in (b) or (c) of this section, amounts**
 24 [AMOUNTS] held on behalf of, or payable to, any employee or other person who is
 25 or may become eligible for benefits under the system are not subject to anticipation,
 26 alienation, sale, transfer, assignment, pledge, encumbrance, or charge of any kind,
 27 either voluntary or involuntary, before being received by the person entitled to the
 28 amount under the terms of the system. An attempt to anticipate, alienate, sell, transfer,
 29 assign, pledge, encumber, charge, or otherwise dispose of a right to amounts held
 30 under the system is void. However, an employee's right to receive benefits **or the**
 31 **member's employee contribution account** may be assigned

- 1 (1) under a qualified domestic relations order; or
 2 (2) to a trust or similar legal device that meets the requirements for a
 3 Medicaid-qualifying trust under AS 47.07.020(f) and 42 U.S.C. 1396p(d)(4).

4 * **Sec. 47.** AS 39.35.500 is amended by adding new subsections to read:

5 (b) An inactive member may elect to have the taxable portion of an inactive
 6 employee contribution account transferred directly to another plan or an individual
 7 retirement arrangement qualified under the federal Internal Revenue Code that accepts
 8 the transfer.

9 (c) A person receiving benefits under this chapter who intends to join or who
 10 belongs to a retirement organization may authorize the administrator to deduct from
 11 the person's benefits the amount of annual dues owed to the organization. The person
 12 shall make the authorization in writing on a form approved by the administrator. The
 13 authorization shall remain in effect until revoked in writing. A revocation is effective
 14 when received by the administrator. The administrator may, by regulation, assess a
 15 reasonable administrative fee to compensate the system for administration of this
 16 subsection. In this subsection, "retirement organization" means an organization
 17 representing persons receiving benefits under this chapter that is affiliated with an
 18 organization representing employees of the employer under AS 23.40.070 - 23.40.260.

19 * **Sec. 48.** AS 39.35.522(b) is amended to read:

20 (b) In order to obtain consideration of a waiver under this section, the affected
 21 member or beneficiary must appeal to the board in writing within 30 days after receipt
 22 of notice that the records have been adjusted. [THE BOARD SHALL RULE ON THE
 23 APPEAL IN WRITING WITHIN 120 DAYS AFTER ITS RECEIPT.]

24 * **Sec. 49.** AS 39.35.522(c) is amended to read:

25 (c) The board may [, AT ITS DISCRETION,] conduct a hearing on an appeal
 26 under this section. [IN REACHING A DECISION ON AN APPEAL, THE BOARD
 27 MAY ISSUE SUBPOENAS, ADMINISTER OATHS, COMPEL THE ATTENDANCE
 28 AND TESTIMONY OF WITNESSES, COMPEL THE TAKING OF DEPOSITIONS
 29 AND THE SUBMISSION OF AFFIDAVITS, AND COMPEL THE PRODUCTION
 30 OF DOCUMENTS AND RECORDS.]

31 * **Sec. 50.** AS 39.35.522(e) is amended to read:

1 (e) The board may reconsider a ruling under this section **under**
 2 **AS 39.35.077(c)** [UPON REQUEST OF THE MEMBER OR BENEFICIARY OR THE
 3 ADMINISTRATOR IF THE REQUEST IS RECEIVED WITHIN 30 DAYS AFTER
 4 THE INITIAL RULING.] Any modification of the initial ruling must be made within
 5 30 days after receipt of a request for reconsideration.

6 * **Sec. 51.** AS 39.35.535(b) is amended to read:

7 (b) Except as provided in (d) of this section, after an election of coverage
 8 under this section, major medical insurance coverage takes effect on the same date that
 9 benefits begin, and stops when the member or survivor is no longer eligible to receive
 10 a monthly benefit. The coverage for persons age 65 or older is the same coverage
 11 available for a person under 65 **years of age**. The benefits payable to persons age 65
 12 or older supplement any benefits provided under the federal old age, survivors and
 13 disability insurance program. **The medical premium and optional insurance**
 14 **premiums owed by a member or survivor shall be deducted from the benefit owed**
 15 **to the member or survivor before payment of the benefit.**

16 * **Sec. 52.** AS 39.35.615(a) is amended to read:

17 (a) A political subdivision or public organization may request that its
 18 participation agreement be amended. The request may be made only after adoption
 19 of a resolution by the legislative body of the political subdivision and approval of the
 20 resolution by the person required by law to approve the resolution, or, in the case of
 21 a public organization, after adoption of a resolution by the governing body of that
 22 public organization. A certified copy of the resolution shall be filed with the
 23 administrator. If a political subdivision or public organization amends its participation
 24 agreement so as to terminate coverage of a department, group, or other classification
 25 of employees, each employee whose coverage is so terminated, regardless of the
 26 employee's employment status at the date of termination, shall be considered fully
 27 vested in actuarially adjusted accrued retirement benefits as of the date of termination,
 28 unless

29 **(1) the employee's contributions have been refunded; or**

30 **(2) the political subdivision or public organization amended its**
 31 **participation agreement to exclude coverage for the affected department, group,**

1 or other classification of employees at the written request of a majority of the
 2 employees employed in that department, group, or other classification at the time
 3 the request was made.

4 * **Sec. 53.** AS 39.35.670 is amended to read:

5 **Sec. 39.35.670. Fraud.** A person who knowingly makes a false statement, or
 6 falsifies or permits to be falsified a record of this system, in an attempt to defraud the
 7 system [,] is guilty of a **class A** misdemeanor [, AND UPON CONVICTION IS
 8 PUNISHABLE BY A FINE OF NOT MORE THAN \$500, OR BY IMPRISONMENT
 9 FOR NOT MORE THAN TWELVE MONTHS, OR BY BOTH].

10 * **Sec. 54.** AS 39.35.680(4) is amended to read:

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

17 (A) for employees first hired before July 1, 1996, the three
 18 consecutive payroll years during the period of credited service that **yield**
 19 **[YIELDS]** the highest average; [,] and

20 (B) for employees first hired on or after July 1, 1996, the five
 21 consecutive payroll years during the period of credited service that yield the
 22 highest average;

23 (C) [, OR] if the employee does not have the [REQUIRED]
 24 number of consecutive payroll years **required by (A) or (B) of this**
 25 **paragraph**, the **actual number of months, including fractional months, that**
 26 **the employee worked** [EMPLOYEE'S PERIOD OF CREDITED SERVICE];

27 (D) **for an employee who has made an election under**
 28 **AS 39.35.300(c) or 39.35.310(c), the actual number of months, including**
 29 **fractional months, that the employee worked** [AN EMPLOYEE MUST
 30 HAVE AT LEAST 115 DAYS OF CREDITED SERVICE IN THE LAST
 31 PAYROLL YEAR IN ORDER FOR THAT YEAR TO BE USED AS PART

1 OF THE CONSECUTIVE PAYROLL YEARS];

2 * **Sec. 55.** AS 39.35.680(8) is amended to read:

3 (8) "compensation" means the [TOTAL] remuneration earned by an
 4 employee for personal services rendered to an employer, including employee
 5 contributions under AS 39.35.160, cost-of-living differentials only as provided in
 6 AS 39.35.675, payments for leave that is actually used by the employee, the amount
 7 by which the employee's wages are reduced under AS 39.30.150(c), and any amount
 8 deferred under an employer-sponsored deferred compensation plan, but does not
 9 include retirement benefits, severance pay or other separation bonuses, welfare
 10 benefits, per diem, expense allowances, workers' compensation payments, or payments
 11 for leave not used by the employee whether those leave payments are scheduled
 12 payments, lump-sum payments, donations, or cash-ins; **for a member first hired on**
 13 **or after July 1, 1996, compensation does not include remuneration in excess of the**
 14 **limitations set out in 26 U.S.C. 401(a)(17) (Internal Revenue Code);**

15 * **Sec. 56.** AS 39.35.680(29) is amended to read:

16 (29) "pension fund" or "fund" means the fund in which the assets of
 17 the system, **including income and interest derived from the investment of money,**
 18 are deposited and held;

19 * **Sec. 57.** AS 39.35.680(34) is amended to read:

20 (34) "qualified domestic relations order" means a divorce or dissolution
 21 judgment under AS 25.24, including an order approving a property settlement, that

22 (A) creates or recognizes the existence of an alternate payee's
 23 right to, or assigns to an alternate payee the right to, receive all or a portion of
 24 **employee contribution account or** the benefits payable with respect to an
 25 employee;

26 (B) sets out the name and last known mailing address, if any,
 27 of the employee and of each alternate payee covered by the order;

28 (C) sets out the amount or percentage of the employee's benefit,
 29 or of any survivor's benefit, to be paid to the alternate payee, or sets out the
 30 manner in which that amount or percentage is to be determined;

31 (D) sets out the number of payments or period to which the

1 order applies;

2 (E) does not require any type or form of benefit or any option
3 not otherwise provided by this chapter;

4 (F) does not require an increase of benefits in excess of the
5 amount provided by this chapter, determined on the basis of actuarial value;
6 and

7 (G) does not require the payment to an alternate payee of
8 benefits that are required to be paid to another alternate payee under another
9 order previously determined to be a qualified domestic relations order; [.]

10 * **Sec. 58.** AS 39.50.200(a)(8) is amended to read:

11 (8) "public official" means

12 (A) a judicial officer;

13 (B) the governor or the lieutenant governor;

14 (C) a person hired or appointed in a department in the executive
15 branch as

16 (i) the head or deputy head of the department;

17 (ii) the director or deputy director of a division;

18 (iii) a special assistant to the head of the department;

19 (iv) a person serving as the legislative liaison for the
20 department;

21 (D) an assistant to the governor or the lieutenant governor;

22 (E) the chair or a member of a state commission or board **other**
23 **than physician members or alternates of the Alaska Teachers' Retirement**
24 **Board appointed under AS 14.25.035(a)(2) or of the Public Employees'**
25 **Retirement Board appointed under AS 39.35.030(d);**

26 (F) state investment officers and the state comptroller in the
27 Department of Revenue;

28 (G) the executive director of the Alaska Tourism Marketing
29 Council;

30 (H) the chief procurement officer appointed under
31 AS 36.30.010;

1 (I) the executive director of the Alaska Human Resource
2 Investment Council; and

3 (J) each appointed or elected municipal officer;

4 * **Sec. 59.** AS 39.35.522(f) and 39.35.522(g) are repealed.

5 * **Sec. 60.** The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 ELECTED PUBLIC OFFICERS RETIREMENT SYSTEM PROVISIONS. (a) The
8 individual account maintained for an elected public officer under former AS 39.37.120(b) shall
9 include principal and interest payments on a member's indebtedness credited as of the date
10 of payment.

11 (b) Notwithstanding former AS 39.37.140, an elected public officer who was a
12 member of the elected public officers retirement system under former AS 39.37, who has
13 withdrawn the balance of the officer's individual account, who returns to service as the
14 governor, lieutenant governor, or as a member of the legislature, and who repays the refunded
15 contributions and interest in full before appointment to retirement may reinstate membership
16 in former AS 39.37 and, if otherwise eligible, be appointed to retirement under the provisions
17 of that former chapter.

18 * **Sec. 61.** The uncodified law of the State of Alaska is amended by adding a new section
19 to read:

20 ELECTED PUBLIC OFFICERS RETIREMENT SYSTEM QUALIFIED DOMESTIC
21 RELATIONS ORDER PROVISIONS. (a) Notwithstanding former AS 39.37.060, a former
22 spouse who was married for at least one year to an elected public officer who is a member
23 of the retirement system under former AS 39.37 shall be treated as a spouse or surviving
24 spouse to the extent required by a qualified domestic relations order. Rights under the order
25 do not take effect until the order is filed with the administrator.

26 (b) Notwithstanding former AS 39.37.130, an elected public officer who is a member
27 of the retirement system under former AS 39.37 and whose rights to a refund are subject to
28 a qualified domestic relations order is entitled to receive a refund of the total amount of
29 contributions together with interest credited on the amount only if the elected public officer's
30 present spouse, if any, and each person entitled under the order consent to the refund in
31 writing on a form provided by the administrator. The administrator may waive written

1 consent from the person entitled to benefits under the order if the administrator determines that
 2 the person cannot be located or for other reasons established by regulation. The administrator
 3 may waive written consent from the spouse if the administrator determines that

4 (1) the elected public officer was not married to the spouse during any period
 5 of the public officer's membership in the system;

6 (2) the spouse has no right to benefits under former AS 39.37 because of the
 7 terms of a qualified domestic relations order;

8 (3) the spouse cannot be located;

9 (4) the elected public officer and spouse have been married for less than two
 10 years and the elected public officer establishes that they are not cohabiting; or

11 (5) another reason established by regulation exists.

12 (c) Except as provided in this subsection, amounts held in the retirement system under
 13 former AS 39.37 on behalf of an elected public officer or other person who is or may become
 14 eligible for benefits under the system are exempt from Alaska state and municipal taxes and
 15 are not subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or
 16 charge of any kind, either voluntary or involuntary, before they are received by the person
 17 entitled to the amount under the terms of the system, and any attempt to anticipate, alienate,
 18 sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of any right to amounts
 19 accrued in the system is void. Amounts held in the system and benefits payable under former
 20 AS 39.37 are exempt from garnishment, execution, or levy as provided in AS 09.38 (Alaska
 21 Exemptions Act). However,

22 (1) the right of an elected public officer who is a member of the retirement
 23 system under former AS 39.37 to receive benefits or the contributions and interest may be
 24 assigned

25 (A) under a qualified domestic relations order; or

26 (B) to a trust or similar legal device that meets the requirements for a
 27 Medicaid-qualifying trust under AS 47.07.020(f) and 42 U.S.C. 1396p(d)(4) (Title
 28 XIX, Social Security Act);

29 (2) an elected public officer who is a member of the retirement system under
 30 former AS 39.37 may elect to have the taxable portion of the qualifying distributions
 31 transferred directly to another qualified plan or an individual retirement account that accepts

1 the transfer.

2 (d) Notwithstanding former AS 39.37.145, receipt under a qualified domestic relations
3 order of a monthly benefit under former AS 39.37 (elected public officer retirement system)
4 does not entitle a person or the person's spouse or child to insurance coverage. However, an
5 elected public officer's former spouse who receives a monthly benefit from the former elected
6 public officer retirement system under a qualified domestic relations order is entitled to
7 receive major medical insurance coverage if the former spouse

8 (1) elects the coverage within 60 days after the first monthly benefit paid under
9 the order is mailed first class or otherwise delivered; and

10 (2) pays the premium established by the administrator for the coverage.

11 (e) In this section, "qualified domestic relations order" has the same meaning given
12 in AS 39.35.680.

13 * **Sec. 62.** The uncodified law of the State of Alaska is amended by adding a new section
14 to read:

15 INITIAL APPOINTMENT OF PUBLIC MEMBERS OF THE PUBLIC EMPLOYEES'
16 RETIREMENT BOARD. Notwithstanding AS 39.35.030(b), as repealed and reenacted by
17 sec. 26 of this Act, persons serving on the Public Employees' Retirement Board under
18 AS 39.35.030(b) on the day before the effective date of this Act shall continue to serve on the
19 board until the expiration of their current terms on the board. When a vacancy on the board
20 occurs, it shall be filled as provided in AS 39.35.030(b), as repealed and reenacted by sec. 26
21 of this Act.