

CS FOR HOUSE BILL NO. 242(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 4/24/01

Referred: Rules

Sponsor(s): REPRESENTATIVES KOTT, Stevens, Hayes, Dyson, Cissna, Crawford, Guess

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to reemployment of and medical benefits for retired members of the**
2 **teachers' retirement system and public employees' retirement system; relating to the**
3 **inclusion of cost-of-living differentials on compensation and benefits under the public**
4 **employees' retirement system; and providing for an effective date."**

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

6 * **Section 1.** AS 14.25.040(a) is amended to read:

7 (a) Unless a teacher or member has elected to participate in the optional
8 university retirement program under AS 14.40.661 - 14.40.799 **or has filed an**
9 **election under AS 14.25.043(b)**, a teacher or member contracting for service with a
10 participating employer is subject to this chapter.

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

12 (a) Unless a teacher or member has elected to participate in the optional
13 university retirement program under AS 14.40.661 - 14.40.799 [OR HAS FILED AN
14 ELECTION UNDER AS 14.25.043(b)], a teacher or member contracting for service

1 with a participating employer is subject to this chapter.

2 * **Sec. 3.** AS 14.25.043 is amended to read:

3 **Sec. 14.25.043. Reemployment of retired members.** **(a)** If a retired member
4 again becomes an active member, benefit payments may not be made during the
5 period of reemployment **unless the teacher makes an election under (b) of this**
6 **section.** The retirement benefit must be suspended for the entire school year if the
7 teacher is reemployed as an active teacher for a period equivalent to a year of service.
8 During the period of reemployment, deductions from the member's salary will be
9 made in accordance with AS 14.25.050. Upon subsequent retirement, the retired
10 member is entitled to receive an additional benefit based on the credited service and
11 the average base salary during the period of reemployment in accordance with
12 AS 14.25.110.

13 **(b) A member who retired under AS 14.25.110(a) and subsequently**
14 **becomes an active member may, within 30 days of the date of reemployment,**
15 **elect to continue receiving benefit payments during the period of reemployment**
16 **by filing a waiver of coverage with the administrator on a form provided by the**
17 **administrator. An election under this subsection waives coverage for the period**
18 **of reemployment and is irrevocable during the period of reemployment.**
19 **Deductions from the member's salary may not be made under AS 14.25.050**
20 **during the period of reemployment, and the member may not receive credited**
21 **service for the period of reemployment. A member who participated in a**
22 **retirement incentive program under ch. 26, SLA 1986; ch. 89, SLA 1989; ch. 65,**
23 **SLA 1996; ch. 4, FSSLA 1996; or ch. 92, FSSLA 1997, is not eligible to make an**
24 **election under this subsection.**

25 **(c) A member who has not made an election under (b) of this section is**
26 **subject to AS 14.25.050.**

27 **(d)** If the initial benefit payments to which the retired member is eligible have
28 been actuarially reduced because the member retired early under AS 14.25.110(b), the
29 member shall also receive an incremental benefit based on the amount of the actuarial
30 reduction imposed by AS 14.25.110(j) on the first benefit and the length of time that
31 the employee was reemployed and not receiving retirement benefits. The amount of

1 the incremental benefit is equal to the difference between the normal retirement
 2 benefit to which the member would have been entitled had the member taken a normal
 3 retirement and the early retirement benefit that the member has been receiving based
 4 on the member's initial period of employment multiplied by the total number of
 5 months that the member did not receive retirement benefits because of reemployment
 6 and that amount actuarially adjusted to be paid over the expected lifetime of the
 7 member.

8 * **Sec. 4.** AS 14.25.043(a) is amended to read:

9 (a) If a retired member again becomes an active member, benefit payments
 10 may not be made during the period of reemployment [UNLESS THE TEACHER
 11 MAKES AN ELECTION UNDER (b) OF THIS SECTION]. The retirement benefit
 12 must be suspended for the entire school year if the teacher is reemployed as an active
 13 teacher for a period equivalent to a year of service. During the period of
 14 reemployment, deductions from the member's salary will be made in accordance with
 15 AS 14.25.050. Upon subsequent retirement, the retired member is entitled to receive
 16 an additional benefit based on the credited service and the average base salary during
 17 the period of reemployment in accordance with AS 14.25.110.

18 * **Sec. 5.** AS 14.25.168(d) is amended to read:

19 (d) A benefit recipient may elect major medical insurance coverage in
 20 accordance with regulations and under the following conditions:

21 (1) a person who **has less than 25 years of membership service and**
 22 **who** is younger than 60 years of age must pay an amount equal to the full monthly
 23 group premium for retiree major medical insurance coverage;

24 (2) [A PERSON WHO IS AT LEAST 60 YEARS OF AGE BUT IS
 25 YOUNGER THAN 65 YEARS OF AGE MUST PAY AN AMOUNT EQUAL TO
 26 ONE-HALF OF THE FULL MONTHLY GROUP PREMIUM FOR RETIREE
 27 MAJOR MEDICAL INSURANCE COVERAGE;

28 (3) a disabled member, **a disabled member who is appointed to**
 29 **normal retirement,** [OR] a person **60** [65] years of age or older, **or a person who has**
 30 **at least 25 years of membership service** is not required to make premium payments.

31 * **Sec. 6.** AS 39.35.120(b) is amended to read:

1 (b) Inclusion in the system is a condition of employment for an employee
2 except as otherwise provided for an

3 **(1) elected official;**

4 **(2) employee making an election under AS 39.35.150(b);** and

5 **(3) [FOR AN] employee of the university who has elected to**
6 **participate in the optional university retirement program under AS 14.40.661 -**
7 **14.40.799.**

8 * **Sec. 7.** AS 39.35.150 is amended to read:

9 **Sec. 39.35.150. Re-employment of retired employees.** **(a)** If a retired
10 employee subsequently becomes an active member, benefit payments may not be
11 made during the period of re-employment **unless the member makes an election**
12 **under (b) of this section.** During the period of re-employment, deductions from the
13 employee's salary shall be made in accordance with AS 39.35.160. Upon subsequent
14 retirement, the retired employee is entitled to receive an additional pension based on
15 the credited service and the average monthly compensation earned during the period
16 of re-employment in accordance with AS 39.35.370.

17 **(b) A member who retired under AS 39.35.370(a) and subsequently**
18 **becomes an active member may, within 30 days of the date of reemployment,**
19 **elect to continue receiving benefit payments during the period of reemployment**
20 **by filing an election with the administrator on a form provided by the**
21 **administrator. An election under this subsection waives coverage for the period**
22 **of reemployment and is irrevocable during the period of reemployment. During**
23 **the period of reemployment, deductions from the member's salary may not be**
24 **made under AS 39.35.160 and the member may not receive credited service. A**
25 **member who participated in a retirement incentive program under ch. 26, SLA**
26 **1986; ch. 89, SLA 1989; ch. 65, SLA 1996; ch. 4, FSSLA 1996; or ch. 92, SLA**
27 **1997, is not eligible to make an election under this subsection.**

28 **(c) A member who has not made an election under (b) of this section is**
29 **subject to AS 39.35.120 and 39.35.160.**

30 **(d)** If the initial benefit payments to which the retired member is eligible have
31 been reduced because the member retired early under AS 39.35.370(b) or increased

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

15 * **Sec. 8.** AS 39.35.150(a) is amended to read:

16 (a) If a retired employee subsequently becomes an active member, benefit
 17 payments may not be made during the period of re-employment [UNLESS THE
 18 MEMBER MAKES AN ELECTION UNDER (b) OF THIS SECTION]. During the
 19 period of re-employment, deductions from the employee's salary shall be made in
 20 accordance with AS 39.35.160. Upon subsequent retirement, the retired employee is
 21 entitled to receive an additional pension based on the credited service and the average
 22 monthly compensation earned during the period of re-employment in accordance with
 23 AS 39.35.370.

24 * **Sec. 9.** AS 39.35.535(c) is repealed and reenacted to read:

25 (c) A benefit recipient may elect major medical insurance coverage in
 26 accordance with regulations and under the following conditions:

27 (1) a person, other than a disabled member or a disabled member who
 28 is appointed to normal retirement, must pay an amount equal to the full monthly group
 29 premium for retiree major medical insurance coverage if the person is

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

31 (i) 25 years of credited service as a peace officer under

1 AS 39.35.360 and 39.35.370; or

2 (ii) 30 years of credited service under AS 39.35.360 and
3 39.35.370 that is not service as a peace officer; or

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

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

7 (A) is a disabled member;

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

10 (C) has at least

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

13 (ii) 30 years of credited service under AS 39.35.360 and
14 39.35.370 not as a peace officer.

15 * **Sec. 10.** AS 39.35.675(b) is amended to read:

16 (b) The amount of a cost-of-living differential may not be included in the
17 employee's compensation for purposes of calculating benefits paid under this chapter
18 unless the employee has received a cost-of-living differential [IN A COMPARABLE
19 AMOUNT OR OF AT LEAST THAT MANY STEPS] for at least 50 percent of the
20 employee's credited service.

21 * **Sec. 11.** AS 14.25.043(b), 14.25.043(c); AS 39.35.120(b)(2), 39.35.150(b), and
22 39.35.150(c) are repealed.

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

25 TRANSITION: REGULATIONS. (a) Notwithstanding sec. 15 of this Act, the
26 Alaska Teachers' Retirement Board may immediately proceed to adopt regulations necessary
27 to implement changes made by secs. 1, 3, and 5 of this Act. The regulations take effect under
28 AS 14.25.022, but not before July 1, 2001.

29 (b) Notwithstanding sec. 15 of this Act, the Public Employees' Retirement Board may
30 immediately proceed to adopt regulations necessary to implement changes made by secs. 6, 7,
31 9, and 10 of this Act. The regulations take effect under AS 39.35.042, but not before July 1,

1 2001.

2 * **Sec. 13.** Sections 2, 4, 8, and 11 of this Act take effect July 1, 2006.

3 * **Sec. 14.** Section 12 of this Act takes effect immediately under AS 01.10.070(c).

4 * **Sec. 15.** Except as provided in secs. 13 and 14 of this Act, this Act takes effect July 1,

5 2001.