

CS FOR SENATE BILL NO. 232(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Offered: 2/11/04

Referred: Finance

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to federal tax requirements for and other provisions of the teachers'
2 retirement system, the public employees' retirement system, and the judicial retirement
3 system; removing village public safety officers from the public employees' retirement
4 system; requiring the public employees' retirement system to refund contributions
5 under \$1,000 to inactive employees; limiting service credit for village public safety
6 officer service in the public employees' retirement system to five years; and providing
7 for an effective date."

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

9 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
10 to read:

11 PURPOSE. The purpose of this Act is to

12 (1) ensure that the teachers' retirement system, the public employees'
13 retirement system, and the judicial retirement system continue to meet governmental plan

1 qualifications set by the Internal Revenue Service so that those plans may qualify for
2 favorable federal tax treatment; and

3 (2) implement changes in those retirement systems so that members can take
4 advantage of changes in federal tax laws and better plan their retirement.

5 * **Sec. 2.** AS 14.25.010(b) is amended by adding a new subsection to read:

6 (c) An amendment to this chapter does not provide a person with a vested
7 right to a benefit if the Internal Revenue Service determines that the amendment will
8 result in disqualification of the plan under the Internal Revenue Code.

9 * **Sec. 3.** AS 14.25.050(a) is amended to read:

10 (a) Except as provided in (c) of this section, beginning January 1, 1991, each
11 **member** [TEACHER] shall contribute to the system an amount equal to 8.65 percent
12 of the **member's** [TEACHER'S] base salary accrued from July 1 to the following
13 June 30. The employer shall deduct the contribution from the **member's**
14 [TEACHER'S] salary at the end of each payroll period, **and the contribution shall be**
15 **credited by the system to the member contribution account.** The contributions
16 shall be deducted from employee compensation before the computation of applicable
17 federal taxes and shall be treated as employer contributions under 26 U.S.C. 414(h)(2).
18 A member may not have the option of making the payroll deduction directly in cash
19 instead of having the contribution picked up by the employer.

20 * **Sec. 4.** AS 14.25.060(a) is amended to read:

21 (a) If a member first joined the **system** [SERVICE] before July 1, 1990, and
22 has military service or Alaska Bureau of Indian Affairs (BIA) service, or if a member
23 joined the system before July 1, 1978, and has creditable outside service, **the member**
24 **may claim this service. If the member claims the service,** the member is indebted
25 to the system as follows:

26 (1) **at** [AT] the time of first becoming a member of the system, the
27 arrearage indebtedness is seven percent of the base salary multiplied by the total
28 number of years of creditable outside, military, and Alaska BIA service; **the** [. THE]
29 administrator shall add compound interest at the rate prescribed by regulation to the
30 arrearage indebtedness beginning July 1, 1963, or at the time the member first
31 becomes eligible to claim the service, whichever is later, to the date of payment or the

1 date of retirement, whichever occurs first; [.]

2 (2) **if** [IF] a member terminates from the system and is subsequently
 3 reemployed as a member, the arrearage indebtedness to the system for outside,
 4 military, or Alaska BIA service accumulated in the interim is seven percent of the base
 5 salary upon reentering membership service, multiplied by the number of years of
 6 interim outside, military, and Alaska BIA service; **compound** [. COMPOUND]
 7 interest at the rate prescribed by regulation shall be added to the arrearage
 8 indebtedness beginning July 1, 1963, or the date of reemployment as a member,
 9 whichever is later, to the date of payment or the date of retirement, whichever occurs
 10 first.

11 * **Sec. 5.** AS 14.25.062 is amended to read:

12 **Sec. 14.25.062. Reinstatement indebtedness.** A **member** [TEACHER] who
 13 has received a refund of contributions in accordance with AS 14.25.150 **forfeits**
 14 **corresponding credited service under this chapter. A member may elect to**
 15 **reinstate credited service associated with the refund by repaying the total amount**
 16 **of the refund. If an election is made under this section, an indebtedness** [IS
 17 INDEBTED] to the system in the amount of the total refund **shall be established.**
 18 Compound interest at the rate prescribed by regulation shall be added to the
 19 reinstatement indebtedness from the date of the refund to the date of repayment or the
 20 date of retirement, whichever occurs first.

21 * **Sec. 6.** AS 14.25.070 is amended to read:

22 **Sec. 14.25.070. Contributions by employer.** An employer shall contribute to
 23 the system an amount equal to the percentage, as certified by the administrator, of the
 24 sum total of the base salaries of all **members** [TEACHERS] that is required in
 25 addition to **member** [TEACHER] contributions to provide the benefits of this chapter
 26 times the sum total of the base salaries paid to **members** [TEACHERS], including any
 27 adjustments to contributions required by AS 14.25.173(a), by the employer.

28 * **Sec. 7.** AS 14.25.075(a) is amended to read:

29 (a) **A person** [AN EMPLOYEE] who is eligible to purchase credited service
 30 under **AS 14.20.345,** AS 14.25.047, [OR] 14.25.048, **14.25.050, 14.25.060** [A
 31 MEMBER WHO IS ELIGIBLE TO PURCHASE CREDITED SERVICE UNDER

1 AS 14.25.060], 14.25.061, 14.25.062, [OR] 14.25.100, [OR A TEACHER WHO IS
 2 ELIGIBLE TO PURCHASE CREDITED SERVICE UNDER AS 14.20.345,
 3 AS 14.25.050, OR] 14.25.105, or 14.25.107 is a member for purposes of this section.
 4 A member, in lieu of making payments directly to the system, may elect to have the
 5 member's employer make payments as provided in this section.

6 * **Sec. 8.** AS 14.25.075(b) is amended to read:

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

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

14 (2) the member shall make an **irrevocable** election under this
 15 **subsection** [SECTION] to purchase credited service as permitted in AS 14.20.345,
 16 AS 14.25.047, 14.25.048, 14.25.050, 14.25.060, 14.25.061, AS 14.25.062, 14.25.100,
 17 [OR] 14.25.105, or 14.25.107 before the member's termination of employment; the
 18 **irrevocable** election must specify the number of payroll periods that deductions will
 19 be made from the member's compensation and the dollar amount of deductions for
 20 each payroll period during the specified number of payroll periods; **the deductions**
 21 **made under this paragraph cease upon the member's termination of employment**
 22 **with the employer**;

23 (3) [A MEMBER WHO MAKES AN ELECTION UNDER THIS
 24 SECTION TO HAVE THE EMPLOYER MAKE PAYMENTS FOR LESS THAN
 25 ALL OF THE AMOUNTS PAYABLE FOR THE MEMBER'S PURCHASE OF
 26 CREDITED SERVICE MAY SUBSEQUENTLY ELECT TO HAVE THE
 27 EMPLOYER MAKE PAYMENTS FOR ALL OR ANY PORTION OF THE
 28 REMAINING AMOUNTS PAYABLE FOR THE MEMBER'S PURCHASE OF
 29 CREDITED SERVICE];

30 (4) amounts paid by an employer under this section shall be treated as
 31 employer contributions for the purpose of determining tax treatment under 26 U.S.C.

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

4 * **Sec. 9.** AS 14.25.075(f) is amended to read:

5 (f) **The** [TO THE EXTENT THAT A PAYMENT UNDER THIS SECTION
 6 DOES NOT ALTER, AMEND, OR REVOKE ANY ONE OR MORE CURRENTLY
 7 EFFECTIVE ELECTIONS MADE BY THE EMPLOYEE, THE] board may accept
 8 **rollover** [EMPLOYEE] contributions **from a member, and direct transfers as**
 9 **described in the subsection, for the purchase, in whole or in part, of credited**
 10 **service under this section for the reinstatement, in whole or in part, of service**
 11 **under AS 14.25.062. Contributions made under this subsection may not be**
 12 **applied to purchase service being paid under (b) of this section. A rollover**
 13 **contribution or transfer as described in this subsection** [, WHICH] shall [ALSO]
 14 be treated as employer contributions for the purpose of determining tax treatment
 15 under the Internal Revenue Code **and may be made** [, FOR THE PAYMENT FOR
 16 CREDITED SERVICE PURCHASES MADE UNDER THIS SECTION IN WHOLE
 17 OR IN PART,] by any one or a combination of the following methods:

18 (1) subject to the limitations prescribed in [26 U.S.C. 401(a)(3) AND]
 19 26 U.S.C. 402(c), accepting eligible rollover distributions directly from one or more
 20 retirement programs of another employer that are qualified under 26 U.S.C. 401(a) or
 21 accepting rollovers directly from **a member** [AN EMPLOYEE];

22 (2) subject to the limitations prescribed in 26 U.S.C. 408(d)(3)(A)(ii),
 23 accepting from **a member** [AN EMPLOYEE] conduit rollover contributions that are
 24 received by the **member** [EMPLOYEE] from one or more conduit rollover individual
 25 retirement accounts previously established by the **member** [EMPLOYEE];

26 (3) subject to the limitations prescribed in 26 U.S.C. 403(b)(13),
 27 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
 28 **member** [EMPLOYEE], on **or** [AND] after January 1, 2002, from a tax sheltered
 29 annuity described in 26 U.S.C. 403(b);

30 (4) subject to the limitations prescribed in 26 U.S.C. 457(e)(17),
 31 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the

1 **member** [EMPLOYEE], on **or** [AND] after January 1, 2002, from an eligible deferred
 2 compensation plan of a tax-exempt organization or a state or local government
 3 described in 26 U.S.C. 457(b);

4 (5) accepting direct trustee-to-trustee transfer from an account
 5 established for the benefit of the member in AS 39.30.150 - 39.30.180 (Alaska
 6 Supplemental Annuity Plan).

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

8 (i) On satisfaction of the eligibility requirements of AS 14.20.345,
 9 AS 14.25.047, 14.25.048, 14.25.050, 14.25.060, 14.25.061, **14.25.062**, 14.25.100,
 10 [OR] 14.25.105, **or 14.25.107**, the requirements of this section, and the administrative
 11 filing requirements specified by the board, the system shall adjust the member's
 12 credited service history and add any additional service credits acquired.

13 * **Sec. 11.** AS 14.25.110(k) is amended to read:

14 (k) **For system fiscal years beginning after December 31, 1975, and**
 15 **notwithstanding** [NOTWITHSTANDING] any other provision of this chapter, the
 16 projected annual benefit provided by this chapter and the benefit from all other defined
 17 benefit plans required to be aggregated with the benefits from this system under the
 18 provisions of 26 U.S.C. 415 may not increase to an amount in excess of the amount
 19 permitted under 26 U.S.C. 415 at any time. In the event that any projected annual
 20 benefit of a member exceeds the limitation of 26 U.S.C. 415 for a limitation year, the
 21 system shall take any necessary remedial action to correct an excess accrued **annual**
 22 benefit. The provisions of 26 U.S.C. 415, and the regulations adopted under that
 23 statute, as applied to qualified defined benefit plans of governmental employers are
 24 incorporated as part of the terms and conditions of the system. This subsection applies
 25 to any member of this system.

26 * **Sec. 12.** AS 14.25.165(h) is amended to read:

27 (h) Unless otherwise specified, the provisions of this section apply to calendar
 28 years beginning on or after January 1, **1983** [1989].

29 * **Sec. 13.** AS 14.25.220(2) is amended to read:

30 (2) "actuarial adjustment" means the adjustment necessary to obtain
 31 equality in value of the aggregate expected payments under two different forms of

1 pension payments, considering expected mortality and interest earnings on the basis of
 2 **assumptions, factors, and methods that clearly preclude employer discretion in**
 3 **the determination of the amount of any member's benefit** [TABLES REFERRED
 4 TO IN THE INFORMATION HANDBOOK PUBLISHED UNDER
 5 AS 14.25.030(5)];

6 * **Sec. 14.** AS 22.25.011 is amended to read:

7 **Sec. 22.25.011. Contributions of judges and justices.** Each justice and
 8 judge appointed after July 1, 1978, **is a member under the judicial retirement**
 9 **system as of the date of the justice's or judge's appointment and** shall contribute
 10 seven percent of the base annual salary received by the justice or judge to the judicial
 11 retirement system. Contributions shall be made for all creditable service under this
 12 chapter up to a maximum of 15 years. This contribution is made in the form of a
 13 deduction from compensation, at the end of each payroll period, and is made even if
 14 the compensation paid in cash to the justice or judge is reduced below the minimum
 15 prescribed by law. The contributions shall be deducted from the justice's or judge's
 16 compensation before the computation of applicable federal taxes and shall be treated
 17 as employer contributions under 26 U.S.C. 414(h)(2). A member may not have the
 18 option of making the payroll deduction directly in cash instead of having the
 19 contribution picked up by the employer. Each justice and judge is considered to
 20 consent to the deduction from compensation. Payment of compensation less the
 21 deduction constitutes a full discharge of all claims and demands for the services
 22 rendered by the justice or judge during the period covered by the payment, except as
 23 to the benefits provided for under this chapter. The contributions shall be credited to
 24 the judicial retirement fund established in accordance with AS 22.25.048.

25 * **Sec. 15.** AS 22.25.012(a) is amended to read:

26 (a) An administrative director of the Alaska court system appointed under art.
 27 IV, sec. 16 of the state constitution is **a member under the judicial retirement**
 28 **system as of the date of the administrative director's appointment and is** entitled
 29 to retirement benefits under this chapter on the terms and conditions applicable to a
 30 superior court judge appointed after July 1, 1978, except that an administrative
 31 director may receive retirement benefits only with service as administrative director

1 for 10 or more years.

2 * **Sec. 16.** AS 22.25.025 is amended by adding a new subsection to read:

3 (b) An amendment to this chapter does not provide a person with a vested
4 right to a benefit if the Internal Revenue Service determines that the amendment will
5 result in disqualification of the plan under the Internal Revenue Code.

6 * **Sec. 17.** AS 22.25.048(i) is amended to read:

7 (i) **If the judicial retirement system is terminated,**

8 **(1) a member whose contributions have not been refunded,**
9 **regardless of the member's employment status at the date of the termination of**
10 **the system, shall be considered fully vested in the member's adjusted accrued**
11 **retirement benefits as of the date of the termination of the system; and**

12 **(2) if** [IF, UPON TERMINATION OF THE SYSTEM,] all liabilities
13 are satisfied, any excess assets arising from erroneous actuarial computation shall
14 revert to the employer.

15 * **Sec. 18.** AS 22.25.900(1) is amended to read:

16 (1) "actuarial equivalent" means **the adjustment necessary to obtain**
17 equality in value of the aggregate expected payments under two different forms of
18 pension payments, considering expected mortality and interest earnings on the basis of
19 **assumptions, factors and methods that clearly preclude employer discretion in**
20 **the determination of the amount of any justice's, judge's, or member's benefit**
21 [TABLES REFERRED TO IN THE INFORMATION HANDBOOK PUBLISHED
22 UNDER AS 22.25.025];

23 * **Sec. 19.** AS 39.35.010 is amended by adding a new subsection to read:

24 (d) An amendment to this chapter does not provide a person with a vested
25 right to a benefit if the Internal Revenue Service determines that the amendment will
26 result in disqualification of the plan under the Internal Revenue Code.

27 * **Sec. 20.** AS 39.35.120 is amended to read:

28 **Sec. 39.35.120. Commencement of participation.** (a) An employee of the
29 state shall be included in this system upon commencement of employment with the
30 state, or on January 1, 1961, whichever is later. Unless an employee has elected to
31 participate in the optional university retirement program under AS 14.40.661 -

1 14.40.799, an employee of a political subdivision or public organization that becomes
 2 an employer shall be included in the system on the effective date of the employer's
 3 participation or the date of the employee's commencement of employment with the
 4 employer, whichever is later. [UNLESS THE VILLAGE PUBLIC SAFETY
 5 OFFICER WAIVES COVERAGE UNDER AS 39.35.127, A VILLAGE PUBLIC
 6 SAFETY OFFICER EMPLOYED UNDER THE VILLAGE PUBLIC SAFETY
 7 OFFICER PROGRAM ESTABLISHED IN AS 18.65.670 IS INCLUDED IN THIS
 8 SYSTEM ON THE EFFECTIVE DATE OF THIS BILL SECTION OR UPON THE
 9 OFFICER'S COMMENCEMENT OF EMPLOYMENT WITH THE EMPLOYER,
 10 WHICHEVER IS LATER.]

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

13 (1) an elected official;

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

15 (3) an employee of the university who has elected to participate in the
 16 optional university retirement program under AS 14.40.661 - 14.40.799 [; AND

17 (4) A VILLAGE PUBLIC SAFETY OFFICER EMPLOYED BY A
 18 NONPROFIT REGIONAL CORPORATION AS SET OUT IN AS 39.35.127].

19 * **Sec. 21.** AS 39.35.165(b) is amended to read:

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

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

27 (2) the employee shall make an **irrevocable** election under this section
 28 to purchase credited service as permitted in AS 39.35.310, 39.35.330, 39.35.340,
 29 39.35.342, 39.35.345, 39.35.350, 39.35.360, 39.35.370, 39.35.375, or 39.35.381 and
 30 before the employee's termination of employment; the **irrevocable** election must
 31 specify the number of payroll periods that deductions will be made from the

1 employee's compensation and the dollar amount of deductions for each payroll period
 2 during the specified number of payroll periods; **the deductions made under this**
 3 **paragraph cease upon the member's termination of employment with the**
 4 **employer;**

5 (3) [AN EMPLOYEE WHO MAKES AN ELECTION UNDER THIS
 6 SECTION TO HAVE THE EMPLOYER MAKE PAYMENTS FOR LESS THAN
 7 ALL OF THE AMOUNTS PAYABLE FOR THE EMPLOYEE'S PURCHASE OF
 8 CREDITED SERVICE MAY SUBSEQUENTLY ELECT TO HAVE THE
 9 EMPLOYER MAKE PAYMENTS FOR ALL OR ANY PORTION OF THE
 10 REMAINING AMOUNTS PAYABLE FOR THE EMPLOYEE'S PURCHASE OF
 11 CREDITED SERVICE;

12 (4)] amounts paid by an employer under this section shall be treated as
 13 employer contributions for the purpose of determining tax treatment under the Internal
 14 Revenue Code; the amounts paid by the employer under this section may not be
 15 included in the member's gross income for income tax purposes until those amounts
 16 are distributed by refund or retirement benefit payments.

17 * **Sec. 22.** AS 39.35.165(f) is amended to read:

18 (f) **The** [TO THE EXTENT THAT A PAYMENT UNDER THIS SECTION
 19 DOES NOT ALTER, AMEND, OR REVOKE ANY ONE OR MORE CURRENTLY
 20 EFFECTIVE ELECTIONS MADE BY THE EMPLOYEE, THE] board may accept
 21 **rollover** [EMPLOYEE] contributions **from a member and direct transfers, as**
 22 **described in this subsection, for the purchase, in whole or in part, of credited**
 23 **service for the reinstatement, in whole or in part, of service under AS 39.35.350.**
 24 **Contributions made under this subsection may not be applied to purchase service**
 25 **being paid under (b) of this section. A rollover contribution or transfer as**
 26 **described in this subsection** [, WHICH] shall also be treated as employer
 27 contributions for the purpose of determining tax treatment under the Internal Revenue
 28 Code **and may be made** [, FOR THE PAYMENT FOR CREDITED SERVICE
 29 PURCHASES MADE UNDER THIS SECTION IN WHOLE OR IN PART,] by any
 30 one or a combination of the following methods:

31 (1) subject to the limitations prescribed in 26 U.S.C. 401(a)(3) and 26

1 U.S.C. 402(c), accepting eligible rollover distributions directly from one or more
 2 retirement programs of another employer that are qualified under 26 U.S.C. 401(a) or
 3 accepting rollovers directly from **a member** [AN EMPLOYEE];

4 (2) subject to the limitations prescribed in 26 U.S.C. 408(d)(3)(A)(ii),
 5 accepting from **a member** [AN EMPLOYEE] conduit rollover contributions that are
 6 received by the employee from one or more conduit rollover individual retirement
 7 accounts previously established by the **member** [EMPLOYEE];

8 (3) subject to the limitations prescribed in 26 U.S.C. 403(b)(13),
 9 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
 10 **member** [EMPLOYEE], on **or** [AND] after January 1, 2002, from a tax sheltered
 11 annuity described in 26 U.S.C. 403(b);

12 (4) subject to the limitations prescribed in 26 U.S.C. 457(e)(17),
 13 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
 14 **member** [EMPLOYEE], on **or** [AND] after January 1, 2002, from an eligible deferred
 15 compensation plan of a tax-exempt organization or a state or local government
 16 described in 26 U.S.C. 457(b);

17 (5) accepting direct trustee-to-trustee transfer from an account
 18 established for the benefit of the member in AS 39.30.150 - 39.30.180 (Alaska
 19 Supplemental Annuity Plan).

20 * **Sec. 23.** AS 39.35.200(b) is amended to read:

21 (b) [IF, UPON TERMINATION OF EMPLOYMENT, AN EMPLOYEE
 22 HAS CREDITED SERVICE OF LESS THAN FIVE YEARS AND HAS LESS
 23 THAN \$1,000 IN THE EMPLOYEE CONTRIBUTION ACCOUNT, A REFUND OF
 24 THE EMPLOYEE CONTRIBUTION ACCOUNT MUST BE MADE UNLESS THE
 25 EMPLOYEE INDICATES IN WRITING THAT FUTURE RETIREMENT IS
 26 INTENDED AND CONTRIBUTIONS SHOULD NOT BE REFUNDED.] An
 27 employee who is reemployed with an employer and whose contributions have not
 28 been refunded before reemployment is not eligible for a refund.

29 * **Sec. 24.** AS 39.35.342(a) is amended to read:

30 (a) **A** [EXCEPT FOR EMPLOYMENT FOR WHICH THE EMPLOYEE
 31 WAIVED COVERAGE UNDER AS 39.35.127, A] vested employee is entitled to

1 credited service for employment as a village public safety officer under the program
 2 established under AS 18.65.670 for which the employee has not otherwise received
 3 credited service under this system. An employee is not entitled to credited service for
 4 employment as a village public safety officer unless the employee was employed as a
 5 village public safety officer for at least one year. **The credited service claimed**
 6 **under this section may not exceed five years.** Benefits are not payable on credited
 7 service for village public safety officer service under this section unless the employee
 8 makes retroactive contributions to the system for the period of time that service credit
 9 is claimed.

10 * **Sec. 25.** AS 39.35.370(i) is amended to read:

11 (i) **For system fiscal years beginning after December 31, 1975, and**
 12 **notwithstanding** [NOTWITHSTANDING] any other provision of this chapter, the
 13 projected annual benefit provided by this chapter and the benefit from all other defined
 14 benefit plans required to be aggregated with the benefits from this system under the
 15 provisions of 26 U.S.C. 415 may not increase to an amount in excess of the amount
 16 permitted under 26 U.S.C. 415 at any time. In the event that any projected annual
 17 benefit of a member exceeds the limitation of 26 U.S.C. 415(g) for a limitation year,
 18 the system shall take any necessary remedial action to correct an excess accrued
 19 **annual** benefit. The provisions of 26 U.S.C. 415, and the regulations adopted under
 20 that statute, as applied to qualified defined benefit plans of governmental employers
 21 are incorporated as part of the terms and conditions of the system. This subsection
 22 applies to any member of this system.

23 * **Sec. 26.** AS 39.35.371(h) is amended to read:

24 (h) Unless otherwise specified, the provisions of this section apply to calendar
 25 years beginning on or after January 1, **1983** [1989].

26 * **Sec. 27.** AS 39.35.680(2) is amended to read:

27 (2) "actuarial adjustment" means the adjustment necessary to obtain
 28 equality in value of the aggregate expected payments under two different forms of
 29 pension payments, considering expected mortality and interest earnings on the basis of
 30 **assumptions, factors and methods that clearly preclude employer discretion in**
 31 **the determination of the amount of any member's benefit** [TABLES REFERRED

1 TO IN THE INFORMATION HANDBOOK PUBLISHED UNDER
2 AS 39.35.060(8)];

3 * **Sec. 28.** AS 39.35.680(17) is amended to read:

4 (17) "employer" means

5 (A) the State of Alaska; **or**

6 (B) [A NONPROFIT REGIONAL CORPORATION, BUT
7 ONLY WITH RESPECT TO VILLAGE PUBLIC SAFETY OFFICERS
8 EMPLOYED BY THE CORPORATION UNDER AS 18.65.670 WHO HAVE
9 NOT TERMINATED PARTICIPATION IN THE SYSTEM UNDER
10 AS 39.35.127; OR

11 (C)] a political subdivision or public organization of the state
12 that participates in the system;

13 * **Sec. 29.** AS 18.65.670(d); AS 39.35.127, and 39.35.285 are repealed.

14 * **Sec. 30.** The uncodified law of the State of Alaska enacted in sec. 49, ch. 59, SLA 2002,
15 is amended by adding a new subsection to read:

16 (f) Notwithstanding AS 14.25.177 and AS 39.35.547, the following provisions of this
17 Act are retroactive to January 1, 1993:

18 (1) AS 14.25.163, enacted by sec. 9 of this Act;

19 (2) AS 22.25.022, enacted by sec. 19 of this Act;

20 (3) AS 39.35.195, enacted by sec. 32 of this Act.

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

23 REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the
24 catchline for

25 (1) AS 14.25.050 from "Contributions by teachers" to "Contributions of
26 members";

27 (2) AS 39.35.546 from "Tax exemption" to "State and federal taxation of
28 benefits."

29 * **Sec. 32.** The uncodified law of the State of Alaska is amended by adding a new section to
30 read:

31 INTERNAL REVENUE SERVICE RULINGS ON PURCHASE OF CREDITED

1 SERVICE UNDER TEACHERS' RETIREMENT SYSTEMS. The commissioner of
2 administration shall promptly notify the revisor of statutes of the effective date of the
3 favorable ruling from the Internal Revenue Service that, under 26 U.S.C. 414(h)(2), the
4 amounts paid by the employer under AS 14.25.075(b)(3) as reimbursed by sec. 8 of this Act
5 will not be included in the member's gross income for income tax purposes until those
6 amounts are distributed by refund or retirement benefit payment.

7 * **Sec. 33.** The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 INTERNAL REVENUE SERVICE RULINGS ON PURCHASE OF CREDITED
10 SERVICE UNDER PUBLIC EMPLOYEES' RETIREMENT SYSTEMS. The commissioner
11 of administration shall promptly notify the revisor of statutes of the effective date of the
12 favorable ruling from the Internal Revenue Service that, under 26 U.S.C. 414(h)(2), the
13 amounts paid by the employer under AS 39.35.165(b)(3) as reimbursed by sec. 21 of this Act
14 will not be included in the member's gross income for income tax purposes until those
15 amounts are distributed by refund or retirement benefit payment.

16 * **Sec. 34.** Section 8 of this Act takes effect on the date contained in the notification to the
17 revisor of statutes by the commissioner of administration under sec. 32 of this Act.

18 * **Sec. 35.** Section 21 of this Act takes effect on the date contained in the notification to the
19 revisor of statutes by the commissioner of administration under sec. 33 of this Act.

20 * **Sec. 36.** Sections 1 - 7, 9 - 20, and 22 - 33 of this Act take effect immediately under
21 AS 01.10.070(c).