

SENATE BILL NO. 141

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Introduced: 3/14/05
Referred: Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the teachers' and public employees' retirement systems and creating**
2 **defined contribution and health reimbursement plans for members of the teachers'**
3 **retirement system and the public employees' retirement system who are first hired after**
4 **July 1, 2005; establishing the Alaska Retirement Management Board to replace the**
5 **Alaska State Pension Investment Board, the Alaska Teachers' Retirement Board, and**
6 **the Public Employees' Retirement Board; adding appeals of the decisions of the**
7 **administrator of the teachers' and public employees' retirement systems to the**
8 **jurisdiction of the office of administrative hearings; and providing for an effective**
9 **date."**

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

11 *** Section 1.** AS 14.25 is amended by adding new sections to read:

12 **Article 1. Administration of the Teachers' Retirement System.**

1 **Sec. 14.25.001. Purpose.** The purpose of this chapter is to encourage
 2 qualified teachers to enter and remain in service with participating employers by
 3 establishing plans for the payment of retirement benefits to or on behalf of the
 4 members.

5 **Sec. 14.25.002. Attorney general.** The attorney general of the state is the
 6 legal counsel for the system and shall advise the administrator and represent the
 7 system in a legal proceeding.

8 **Sec. 14.25.003. Administrator.** (a) The commissioner of administration or
 9 the commissioner's designee is the administrator of the system.

10 (b) The commissioner of administration shall adopt regulations to govern the
 11 operation of the system.

12 **Sec. 14.25.004. Powers and duties of the administrator.** (a) The
 13 administrator shall

- 14 (1) establish and maintain an adequate system of accounts;
 15 (2) transmit the funds deposited in the system to the retirement fund
 16 established and maintained by the Alaska Retirement Management Board;
 17 (3) approve or disapprove claims for retirement benefits;
 18 (4) make payments for the various purposes specified;
 19 (5) submit periodic reports or statements of account that are needed;
 20 (6) issue a statement of account to an employee not less than once each
 21 year showing the amount of the employee's contributions to the applicable plan in the
 22 system;
 23 (7) formulate and recommend to the commissioner of administration
 24 regulations to govern the operation of the system;
 25 (8) as soon as possible after the close of each fiscal year, and not later
 26 than six months after the close of each fiscal year, send to the governor and the
 27 legislature an annual statement on the operations of each of the plans in the system
 28 containing
- 29 (A) a balance sheet;
 30 (B) a statement of income and expenditures for the previous
 31 fiscal year;

1 (C) a report on valuation of trust fund assets;

2 (D) a summary of assets held in the trust fund listed by the
3 categories of investment, as provided by the Alaska Retirement Management
4 Board;

5 (E) other statistical financial data that are necessary for proper
6 understanding of the financial condition of the system as a whole and each plan
7 in the system and the result of its operations;

8 (9) engage an independent certified public accountant to conduct an
9 annual audit of each plan's accounts and the annual report of the system's financial
10 condition and activity;

11 (10) report to the Legislative Budget and Audit Committee concerning
12 the condition and administration of each plan and distribute the report to the members
13 of each plan in the system;

14 (11) publish an information handbook for each plan in the system at
15 intervals that the administrator considers appropriate;

16 (12) meet at least annually with the board to review the condition and
17 management of the retirement systems and to review significant changes to policies,
18 regulations, or benefits; and

19 (13) do whatever else may be necessary to carry out the purposes of
20 each plan in the system.

21 (b) The administrator is authorized to charge fees necessary to members'
22 accounts to cover the ongoing cost of operating each plan in the system.

23 (c) The administrator is authorized to contract with public and private entities
24 to provide record keeping, benefits payments, and other functions necessary for the
25 administration of each plan in the system.

26 **Sec. 14.25.005. Regulations.** (a) Regulations adopted by the administrator
27 under this chapter relate to the internal management of a state agency, and the
28 adoption of the regulations is not subject to AS 44.62 (Administrative Procedure Act).

29 (b) Notwithstanding (a) of this section, a regulation adopted under this chapter
30 shall be published in the Alaska Administrative Register and Code for informational
31 purposes.

1 (c) Each regulation adopted under this chapter must conform to the style and
 2 format requirements of the drafting manual for administrative regulations that is
 3 published under AS 44.62.050.

4 (d) At least 30 days before the adoption, amendment, or repeal of a regulation
 5 under this chapter, the board shall provide notice of the action that is being considered.
 6 The notice shall be

7 (1) posted in public buildings throughout the state;

8 (2) published in one or more newspapers of general circulation in each
 9 judicial district of the state;

10 (3) mailed to each person or group that has filed a request for notice of
 11 proposed action with the board; and

12 (4) furnished to each member of the legislature and to the Legislative
 13 Affairs Agency.

14 (e) Failure to mail notice to a person as required under (d)(3) of this section
 15 does not invalidate an action taken by the board.

16 (f) The board may hold a hearing on a proposed regulation.

17 (g) A regulation adopted under this chapter takes effect 30 days after adoption
 18 by the board.

19 (h) Notwithstanding the other provisions of this section, a regulation may be
 20 adopted, amended, or repealed, effective immediately, as an emergency regulation by
 21 the unanimous vote of a quorum of the board. For an emergency regulation to be
 22 effective the board must find that the adoption, amendment, or repeal of the regulation
 23 is necessary for the immediate preservation of the orderly operation of the system or
 24 the business of the board. The board shall, within 10 days after adoption of an
 25 emergency regulation, give notice of the adoption under (d) of this section. An
 26 emergency regulation adopted under this subsection may not remain in effect past the
 27 date of the next regular meeting of the board unless the board complies with the
 28 procedures set out in this section and adopts the regulation as a permanent regulation.

29 (i) In this section, "regulation" has the meaning given in AS 44.62.640(a).

30 **Sec. 14.25.006. Appeals.** An employer, member, annuitant, or beneficiary
 31 may appeal a decision made by the administrator to the office of administrative

1 hearings established under AS 44.64. An aggrieved party may appeal a final decision
2 to the superior court.

3 **Sec. 14.25.007. Investment management of retirement system funds.** The
4 Alaska Retirement Management Board established under AS 37.10.210 is the
5 fiduciary of the system funds.

6 **Sec. 14.25.008. Definitions.** In AS 14.25.001 - 14.24.008,

7 (1) "plan" means the retirement plan established in AS 14.25.009 -
8 14.25.200 or the retirement plan established in AS 14.25.310 - 14.25.590;

9 (2) "system" means all retirement plans established under the teachers'
10 retirement system.

11 **Article 2. Teachers First Hired before July 1, 2005.**

12 **Sec. 14.25.009. Applicability of AS 14.25.009 - 14.25.220.** The provisions of
13 AS 14.25.009 - 14.25.220 apply only to members first hired before July 1, 2005.

14 * **Sec. 2.** AS 14.25.010 is amended to read:

15 **Sec. 14.25.010. Retirement plan [SYSTEM] established; federal**
16 **qualification requirements.** (a) A joint-contributory retirement plan [SYSTEM] for
17 teachers of the state is created.

18 (b) The retirement plan [SYSTEM] established by AS 14.25.009 - 14.25.220
19 [THIS CHAPTER] is intended to qualify under 26 U.S.C. 401(a) and 414(d) (Internal
20 Revenue Code) as a qualified retirement plan established and maintained by the state
21 for its employees, for the employees of school districts and regional educational
22 attendance areas in the state, and for the employees of other employers whose
23 participation is authorized by AS 14.25.009 - 14.25.220 [THIS CHAPTER] and who
24 participate in this plan [SYSTEM].

25 (c) An amendment to AS 14.25.009 - 14.25.220 [THIS CHAPTER] does not
26 provide a person with a vested right to a benefit if the Internal Revenue Service
27 determines that the amendment will result in disqualification of the plan under the
28 Internal Revenue Code.

29 * **Sec. 3.** AS 14.25.012(b) is amended to read:

30 (b) The plan [SYSTEM] created in AS 14.25.009 - 14.25.220 became
31 effective as of July 1, 1955, at which time contributions by the participating employers

1 and members began.

2 * **Sec. 4.** AS 14.25.012 is amended by adding a new subsection to read:

3 (c) Employees first hired after June 30, 2005, are not eligible to participate in
4 the plan established in AS 14.25.009 - 14.25.220.

5 * **Sec. 5.** AS 14.25.040(a) is amended to read:

6 (a) Unless a teacher or member has elected to participate in the optional
7 university retirement program under AS 14.40.661 - 14.40.799, [OR] has filed an
8 election under AS 14.25.043(b), **or has elected to participate in the plan established**
9 **in AS 14.25.310 - 14.25.590**, a teacher or member contracting for service with a
10 participating employer is subject to **AS 14.25.009 - 14.25.220** [THIS CHAPTER].

11 * **Sec. 6.** AS 14.25.040(d) is amended to read:

12 (d) A person who is employed at least half-time in the **plan** [SYSTEM] during
13 the same period that the person is employed at least half-time in a position in the
14 public employees' retirement **plan** [SYSTEM] under **AS 39.35.010 - 39.35.680**
15 [AS 39.35] shall receive credited service under each **plan** [SYSTEM] for half-time
16 employment. However, the amount of credited service a person receives under the
17 public employees' retirement **plan** [SYSTEM] during a school year may not exceed
18 the amount necessary, when added to the amount of credited service earned during the
19 school year under the **plan** [SYSTEM], to equal one year of credited service. A
20 person who was employed at least half-time in a position in the public employees'
21 retirement **plan** [SYSTEM] under **AS 39.35.010 - 39.35.680** [AS 39.35] in the same
22 period that the person was employed at least half-time in a position in this **plan**
23 [SYSTEM] may claim credited service in both **plans** [SYSTEMS] for employment
24 before May 31, 1989. To obtain this credited service, the person shall claim the
25 service and verify the period of half-time employment. When eligibility for half-time
26 service credit has been established, an indebtedness shall be determined to the
27 retirement **plan** [SYSTEM] in which the person did not participate. The amount of
28 the indebtedness is the full actuarial cost of providing benefits for the credited service
29 claimed. Interest as prescribed by regulation accrues on that indebtedness beginning
30 on the later of July 1, 1989, or the date on which the member is first eligible to claim
31 the service. Any outstanding indebtedness existing at the time the person retires will

1 require an actuarial adjustment to the benefits payable based on that service.

2 * **Sec. 7.** AS 14.25.050(a) is amended to read:

3 (a) Except as provided in (c) of this section, beginning **July 1, 2005**
 4 [JANUARY 1, 1991], each member shall contribute to the **plan a percentage**
 5 [SYSTEM AN AMOUNT EQUAL TO 8.65 PERCENT] of the member's base salary
 6 accrued from July 1 to the following June 30, **as determined under AS 14.25.052.**
 7 The employer shall deduct the contribution from the member's salary at the end of
 8 each payroll period, and the contribution shall be credited by the **plan** [SYSTEM] to
 9 the member contribution account. The contributions shall be deducted from employee
 10 compensation before the computation of applicable federal taxes and shall be treated
 11 as employer contributions under 26 U.S.C. 414(h)(2). A member may not have the
 12 option of making the payroll deduction directly in cash instead of having the
 13 contribution picked up by the employer.

14 * **Sec. 8.** AS 14.25 is amended by adding new sections to read:

15 **Sec. 14.25.052. Calculation of member contribution rate.** (a) Each active
 16 member shall contribute a percentage of the member's base salary to be determined
 17 annually in advance by the administrator. The employee contribution rate is the
 18 greater of

19 (1) 8.65 percent; or

20 (2) one-half of the normal cost rate actuarially calculated to fund the
 21 benefits expected to be earned by active members during the fiscal year.

22 (b) The maximum increase in the contribution rate for a member from one
 23 year to the next may not be more than five percentage points, as actuarially calculated.

24 * **Sec. 9.** AS 14.25.070 is amended to read:

25 **Sec. 14.25.070. Contributions by employer.** An employer shall contribute to
 26 the **plan** [SYSTEM] an amount equal to the percentage, as certified by the **board**
 27 [ADMINISTRATOR], of the sum total of the base salaries of all members that is
 28 required in addition to member contributions to provide the benefits of **AS 14.25.009 -**
 29 **14.25.220** [THIS CHAPTER] times the sum total of the base salaries paid to members,
 30 including any adjustments to contributions required by AS 14.25.173(a), by the
 31 employer.

1 * **Sec. 10.** AS 14.25.070 is amended by adding a new subsection to read:

2 (b) When added to the member contribution rate calculated under
3 AS 14.25.052, the employer contribution may not be less than the amount required to
4 fully fund the future liabilities of active members as determined by the board.

5 * **Sec. 11.** AS 14.25.075(a) is amended to read:

6 (a) An employee who is eligible to purchase credited service under
7 AS 14.25.047 or 14.25.048, a member who is eligible to purchase credited service
8 under AS 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, or
9 14.25.107, or a teacher who is eligible to purchase credited service under
10 AS 14.20.345, AS 14.25.050, [14.25.062,] or 14.25.105, in lieu of making payments
11 directly to the plan, may elect to have the member's employer make payments as
12 provided in this section.

13 * **Sec. 12.** AS 14.25.075(b) is amended to read:

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

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

21 (2) the member shall make an irrevocable election under this
22 subsection to purchase credited service as permitted in AS 14.20.345, AS 14.25.047,
23 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, 14.25.105, or
24 14.25.107 before the member's termination of employment; the irrevocable election
25 must specify the number of payroll periods that deductions will be made from the
26 member's compensation and the dollar amount of deductions for each payroll period
27 during the specified number of payroll periods; the deductions made under this
28 paragraph cease upon the earlier of the member's termination of employment with the
29 employer or the member's death; amounts paid by an employer under (f) of this
30 section may not be applied toward the payment of the dollar amount of the deductions
31 representing the portion of the credited service that is being purchased by the member

1 through payroll deduction in accordance with the member's irrevocable election under
2 this paragraph;

3 (3) amounts paid by an employer under this subsection shall be treated
4 as employer contributions for the purpose of determining tax treatment under 26
5 U.S.C. (Internal Revenue Code); the amounts paid by the employer under this section
6 may not be included in the member's gross income for income tax purposes until those
7 amounts are distributed by refund or retirement benefit payments.

8 * **Sec. 13.** AS 14.25.075(e) is amended to read:

9 (e) Contributions to the **plan** [SYSTEM] to purchase credited service under
10 this section do not qualify for treatment under this section if recognition of that service
11 would cause a member to receive a retirement benefit for the same service from the
12 **plan** [SYSTEM] and from one or more other retirement plans or systems of the state.

13 * **Sec. 14.** AS 14.25.075(f) is amended to read:

14 (f) The administrator may accept rollover contributions from a member [,
15 AND DIRECT TRANSFERS AS DESCRIBED IN THIS SUBSECTION, FOR THE
16 PURCHASE, IN WHOLE OR IN PART, OF FORFEITED CREDITED SERVICE
17 UNDER THIS SECTION FOR THE REINSTATEMENT, IN WHOLE OR IN PART,
18 OF FORFEITED CREDITED SERVICE UNDER AS 14.25.062]. Contributions
19 made under this subsection may not be applied to purchase service being paid under
20 (b) of this section. A rollover contribution [OR TRANSFER] as described in this
21 subsection shall be treated as employer contributions for the purpose of determining
22 tax treatment under the Internal Revenue Code and may be made by any one or a
23 combination of the following methods:

24 (1) subject to the limitations prescribed in 26 U.S.C. 402(c), accepting
25 eligible rollover distributions directly from one or more retirement programs of
26 another employer that are qualified under 26 U.S.C. 401(a) or accepting rollovers
27 directly from a member;

28 (2) subject to the limitations prescribed in 26 U.S.C. 408(d)(3)(A)(ii),
29 accepting from a member conduit rollover contributions that are received by the
30 member from one or more conduit rollover individual retirement accounts previously
31 established by the member;

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

5 (4) subject to the limitations prescribed in 26 U.S.C. 457(e)(17),
 6 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
 7 member, on or after January 1, 2002, from an eligible deferred compensation plan of a
 8 tax-exempt organization or a state or local government described in 26 U.S.C. 457(b);

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

12 * **Sec. 15.** AS 14.25.075(i) is amended to read:

13 (i) On satisfaction of the eligibility requirements of AS 14.20.345,
 14 AS 14.25.047, 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100,
 15 14.25.105, or 14.25.107, the requirements of this section, and the administrative filing
 16 requirements specified by the administrator, the plan shall adjust the member's
 17 credited service history and add any additional service credits acquired.

18 * **Sec. 16.** AS 14.25.145 is amended to read:

19 **Sec. 14.25.145. Interest on individual accounts.** Interest shall be credited to
 20 each teacher's account at the end of each school year at the rate prescribed by the
 21 board [REGULATION] for that year.

22 * **Sec. 17.** AS 14.25.150 is amended by adding a new subsection to read:

23 (c) A member who has received a refund of contributions in accordance with
 24 this section forfeits corresponding credited service under AS 14.25.009 - 14.25.220.

25 * **Sec. 18.** AS 14.25.173(c) is amended to read:

26 (c) At least quarterly, [AT EACH REGULARLY SCHEDULED MEETING
 27 OF THE TEACHERS' RETIREMENT BOARD,] the administrator shall report to the
 28 commissioner of administration [BOARD] on all situations since the administrator's
 29 last report in which an adjustment has been prohibited under (b) of this section. If the
 30 commissioner of administration [BOARD] finds that there is reason to believe that
 31 one or more of the conditions set out in (b) of this section have not been met, the

1 administrator shall notify the member or beneficiary that an adjustment will be made
 2 to recover the overpayment. A member or beneficiary who receives notice of
 3 adjustment under this subsection may **file a request with the commissioner of**
 4 **administration** [APPEAL TO THE BOARD] for a waiver of the adjustment under
 5 AS 14.25.175. An adjustment that requires the repayment of benefits may not be
 6 required while the **waiver request** [APPEAL] is pending.

7 * **Sec. 19.** AS 14.25.175(a) is amended to read:

8 (a) Upon **request** [APPEAL] by an affected member or beneficiary under (b)
 9 of this section, the **commissioner of administration** [BOARD] may waive an
 10 adjustment or a portion of an adjustment made under AS 14.25.173 if, in the opinion
 11 of the **commissioner of administration** [BOARD],

12 (1) the adjustment or portion of the adjustment will cause undue
 13 hardship to the member or beneficiary;

14 (2) the adjustment was not the result of erroneous information supplied
 15 by the member or beneficiary;

16 (3) before the adjustment was made, the member or beneficiary
 17 received confirmation from the administrator that the member's or beneficiary's
 18 records were correct; and

19 (4) the member or beneficiary had no reasonable grounds to believe
 20 the records were incorrect before the adjustment was made.

21 * **Sec. 20.** AS 14.25.175(b) is amended to read:

22 (b) In order to obtain consideration of a waiver under this section, the affected
 23 member or beneficiary **shall file a request with** [MUST APPEAL TO] the
 24 **commissioner of administration** [BOARD] in writing within 30 days after receipt of
 25 notice that the records have been adjusted. The ruling of the **commissioner of**
 26 **administration** [BOARD] shall be in writing.

27 * **Sec. 21.** AS 14.25.175(c) is repealed and reenacted to read:

28 (c) A ruling of the commissioner of administration to deny a waiver under (b)
 29 of this section may be appealed to the office of administrative hearings.

30 * **Sec. 22.** AS 14.25.175(d) is amended to read:

31 (d) The **office of administrative hearings** [BOARD] may **reverse the**

1 **commissioner of administration's decision to deny a waiver and may** impose
 2 conditions on granting a waiver that it considers equitable. These conditions may
 3 include requiring the member or beneficiary to make additional contributions to the
 4 **plan** [SYSTEM].

5 * **Sec. 23.** AS 14.25.220(2) is amended to read:

6 (2) "actuarial adjustment" means the adjustment necessary to obtain
 7 equality in value of the aggregate expected payments under two different forms of
 8 pension payments, considering expected mortality and interest earnings on the basis of
 9 assumptions, factors, and methods specified in regulations issued under the **plan**
 10 [SYSTEM] that are formally adopted [UNDER AS 14.25.022] by the board and that
 11 clearly preclude employer discretion in the determination of the amount of any
 12 member's benefit;

13 * **Sec. 24.** AS 14.25.220(3) is amended to read:

14 (3) "administrator" means the [PERSON APPOINTED BY THE]
 15 commissioner of administration **or the commissioner's designee** under **AS 14.25.003**
 16 [AS 14.25.015];

17 * **Sec. 25.** AS 14.25.220(9) is amended to read:

18 (9) "board" means the **Alaska Retirement Management** [ALASKA
 19 TEACHERS' RETIREMENT] Board established under **AS 37.10.210** [AS 14.25.035];

20 * **Sec. 26.** AS 14.25.220(40) is amended to read:

21 (40) "supplemental contribution account" means the account
 22 maintained by the **plan** [SYSTEM] to record the supplemental contributions of each
 23 member, including interest and adjustments to the account [IN ACCORDANCE
 24 WITH AS 14.25.170];

25 * **Sec. 27.** AS 14.25.220 is amended by adding a new paragraph to read:

26 (46) "plan" means the retirement benefit plan established under
 27 AS 14.25.009 - 14.25.220.

28 * **Sec. 28.** AS 14.25 is amended by adding new sections to read:

29 **Article 3. Teachers First Hired on or after July 1, 2005.**

30 **Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590.** The provisions of
 31 AS 14.25.310 - 14.25.590 apply only to teachers who first become members on or

1 after July 1, 2005.

2 **Sec. 14.25.320. Defined contribution retirement plan established.** (a) A
3 defined contribution retirement plan for teachers of the state is created.

4 (b) The defined contribution retirement plan includes a plan in which savings
5 are accumulated in an individual retirement account for the exclusive benefit of the
6 member or beneficiaries. The plan is established effective July 1, 2005, at which time
7 contributions by employers and employees begin.

8 (c) The defined contribution retirement plan is intended to qualify under 26
9 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified retirement plan
10 established and maintained by the state for its employees and for the employees of
11 school districts and regional educational attendance areas in the state.

12 (d) An amendment to the defined contribution retirement plan does not
13 provide a person with a vested right to a benefit if the Internal Revenue Service
14 determines that the amendment will result in disqualification of the plan under the
15 Internal Revenue Code.

16 **Sec. 14.25.330. Membership.** (a) A teacher first hired after July 1, 2005,
17 shall participate in the plan as a member of the defined contribution retirement plan.

18 (b) A teacher who has elected to participate in the optional university
19 retirement program under AS 14.40.661 - 14.40.799 may not participate as a member
20 of the defined contribution retirement plan.

21 **Sec. 14.25.340. Contributions by members.** (a) Each member shall
22 contribute to the member's individual account an amount equal to eight percent of the
23 member's compensation from July 1 to the following June 30.

24 (b) Subject to the limitations on contributions under AS 14.25.380, a member
25 may elect to make additional contributions to the member's individual account.

26 (c) The employer shall deduct the contribution from the member's
27 compensation at the end of each payroll period, and the contribution shall be credited
28 by the administrator to the member's individual account. The contributions shall be
29 deducted from member's compensation before the computation of applicable federal
30 taxes and shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A
31 member may not have the option of making the payroll deduction directly in cash

1 instead of having the contribution picked up by the employer.

2 **Sec. 14.25.348. Teachers of Alaska Native language and culture.** An
3 employee employed by a participating employer shall participate in the plan if the
4 employee

5 (1) teaches Alaska Native language or culture in a permanent full-time
6 or permanent part-time position;

7 (2) learned about the subject to be taught by living in the culture or
8 using the language in daily life; and

9 (3) is qualified to teach the subject to elementary or secondary students
10 as required by regulations adopted by the Department of Education and Early
11 Development.

12 **Sec. 14.25.350. Contributions by employers.** (a) An employer shall
13 contribute to the member's individual account an amount equal to 3.5 percent of each
14 member's compensation from July 1 to the following June 30.

15 (b) An employer shall also contribute an amount equal to 3.75 percent of each
16 member's compensation from July 1 to the following June 30 to pay for retiree major
17 medical insurance. This contribution shall be paid into the group health and life
18 benefits fund established by the commissioner of administration under AS 39.30.095
19 and shall be accounted for in accordance with regulations established by the
20 commissioner.

21 (c) An employer shall also make contributions to the health reimbursement
22 arrangement plan under AS 39.30.300.

23 **Sec. 14.25.360. Rollover contributions and distributions.** (a) A teacher
24 entering the plan may elect, at the time and in the manner prescribed by the
25 administrator, to have all or part of a direct rollover distribution from an eligible
26 retirement plan owned by the member paid directly into the member's individual
27 account.

28 (b) Rollover contributions do not count as a purchase of membership service
29 for the purpose of determining years of service.

30 (c) A distributee may elect, at the time and in the manner prescribed by the
31 administrator, to have all or part of a direct rollover distribution paid directly to an

1 eligible retirement plan specified by the distributee in the direct rollover.

2 (d) In this section,

3 (1) "direct rollover" means the payment of an eligible rollover
4 distribution by the system to an eligible retirement plan specified by a distributee who
5 is eligible to elect a direct rollover;

6 (2) "distributee" means a member, or a beneficiary who is the
7 surviving spouse of the member, or an alternate payee;

8 (3) "eligible retirement plan" means

9 (A) a conduit individual retirement account described in 26
10 U.S.C. 408(d)(3)(A);

11 (B) an annuity plan described in 26 U.S.C. 403(a);

12 (C) a qualified trust described in 26 U.S.C. 401(a);

13 (D) an annuity plan described in 26 U.S.C. 403(b); or

14 (E) a governmental plan described in 26 U.S.C. 457(b);

15 (4) "eligible rollover distribution" means a distribution of all or part of
16 a total account to a distributee, except for

17 (A) a distribution that is one of a series of substantially equal
18 installments payable not less frequently than annually over the life expectancy
19 of the distributee or the joint and last survivor life expectancy of the distributee
20 and the distributee's designated beneficiary, as defined in 26 U.S.C. 401(a)(9);

21 (B) a distribution that is one of a series of substantially equal
22 installments payable not less frequently than annually over a specified period
23 of 10 years or more;

24 (C) a distribution that is required under 26 U.S.C. 401(a)(9);

25 (D) the portion of any distribution that is not includable in
26 gross income;

27 (E) a distribution that is on account of hardship; and

28 (F) other distributions that are reasonably expected to total less
29 than \$200 during a year.

30 **Sec. 14.25.370. Transmittal of contributions.** All contributions deducted in
31 accordance with AS 14.25.310 - 14.25.590 shall be transmitted to the plan for deposit

1 in the trust fund as soon as administratively feasible, but in no event later than 15 days
2 following the close of the payroll period.

3 **Sec. 14.25.380. Limitations on contributions.** Notwithstanding any other
4 provisions of this plan, the annual additions to each member's individual account
5 under this plan and under all defined contribution plans of the employer required to be
6 aggregated with the contributions from this plan under the provisions of 26 U.S.C. 415
7 may not exceed, for any limitation year, the amount permitted under 26 U.S.C. 415 at
8 any time. If the amount of a contribution to a member's account exceeds the limitation
9 of 26 U.S.C. 415(c) for any limitation year, the administrator shall take any necessary
10 remedial action to correct an excess contribution. The provisions of 26 U.S.C. 415,
11 and the regulations adopted under that statute, as applied to qualified defined
12 contribution plans of governmental employees are incorporated as part of the terms
13 and conditions of the plan.

14 **Sec. 14.25.390. Vesting.** (a) A participating member is immediately and
15 fully vested in that member's contributions and related earnings.

16 (b) A member is fully vested in the employer contributions made on that
17 member's behalf, and related earnings, after five years of service. A member is
18 partially vested in the employer contributions made on that member's behalf, and the
19 related earnings, in the ratio of

- 20 (1) 25 percent with two years of service;
21 (2) 50 percent with three years of service; and
22 (3) 75 percent with four years of service.

23 **Sec. 14.25.400. Investment of individual accounts.** (a) The board shall
24 provide a range of investment options and permit a participant to exercise investment
25 control over the participant's assets in the member's individual account as provided in
26 this section. If a participant exercises control over the assets in the individual account,
27 the participant is not considered a fiduciary for any reason on the basis of exercising
28 that control.

29 (b) A participant may direct investment of plan funds held in an account
30 among available investment funds in accordance with rules established by the board.

31 (c) A participant may elect to change or transfer all or a portion of the

1 participant's existing account balance among available investment funds not more
 2 often than once each day in accordance with the rules established by the administrator.
 3 Only the last election received by the administrator before the transmittal of
 4 contributions to the trust fund for allocation to the individual account will be used to
 5 direct the investment of the contributions received.

6 (d) Except to the extent clearly set out in the terms of the investment plans
 7 offered by the employer to the employee, the employer is not liable to the participant
 8 for investment losses if the prudent investment standard has been met.

9 (e) The employer, administrator, state, board, or a person or entity who is
 10 otherwise a fiduciary is not liable by reason for any participant's investment loss that
 11 results from the participant's directing the investment of plan assets allocated to the
 12 participant's account.

13 (f) To the extent that a member's individual account has been divided as
 14 provided in a qualified domestic relations order between participants, each participant
 15 shall be treated as the holder of a separate individual account for purposes of
 16 investment yields, decisions, transfers, and time limitations imposed by this section.

17 **Sec. 14.25.410. Distribution election at termination.** (a) A member is
 18 eligible to elect distribution of the member's account in accordance with this section
 19 60 days after termination of employment.

20 (b) Notwithstanding (a) of this section, distribution of all or a portion of the
 21 individual account of a member may take place before the 60th day after termination
 22 of employment with the approval of the administrator if the member makes a written
 23 request for a distribution under this subsection. The member's spouse must consent to
 24 the request in writing if the member is married. Distribution of an individual account
 25 can only be made on account of an immediate and heavy financial need of the member
 26 for the following reasons and in the amount the need is demonstrated for

27 (1) medical care described in 26 U.S.C. 213(d) incurred by the
 28 member, the member's spouse, or the member's dependent, or necessary to obtain that
 29 medical care;

30 (2) the purchase of a principal residence for the member;

31 (3) postsecondary education tuition and related educational fees for the

1 next 12-month period for the member, the member's spouse, or a dependent of the
2 member; in this paragraph, "dependent" has the meaning given in 26 U.S.C. 152;

3 (4) prevention of the eviction of the member from the member's
4 principal residence or foreclosure on the mortgage of the member's principal
5 residence; or

6 (5) any need prescribed by the United States Department of the
7 Treasury, Internal Revenue Service, in a revenue ruling, notice, or other document of
8 general applicability that satisfies the safe harbor definition of hardship under
9 regulations adopted under 26 U.S.C. 401(k).

10 (c) If a member dies before benefits commence, the member's beneficiary is
11 immediately eligible to elect distribution of the member's share of the member's
12 individual account.

13 (d) Distributions are payable to an alternate payee in accordance with the
14 terms and conditions of a qualified domestic relations order that is received and
15 approved by the administrator as specified in AS 14.25.460.

16 (e) Distributions that are being paid to a member may not be affected by the
17 member's subsequent reemployment with the employer. Upon reemployment, a new
18 individual account shall be established for the member to which any future
19 contributions shall be allocated. Upon subsequent termination of employment, the
20 member's new individual account shall be distributed in accordance with this section.

21 **Sec. 14.25.420. Forms of distribution.** (a) A participant may elect to receive
22 distribution of the participant's share of the individual account in a

23 (1) lump sum payment, which is a single payment of the entire balance
24 in the account;

25 (2) periodic lump sum payment, which is a payment of a portion of the
26 balance in the account, not more than twice each year;

27 (3) period certain annuity payment, which is an annuity payable in a
28 fixed number of monthly installments for a duration of 60, 120, or 180 months;

29 (4) life annuity with a period certain payment, which is an annuity
30 payable until the later of the first day of the month in which the annuitant's death
31 occurs, or the date on which the payment of a fixed number of monthly installments is

1 completed; the period certain for installments is 120 or 180 months;

2 (5) single life annuity payment, which is an annuity payable monthly
3 until the first of the month in which the annuitant's death occurs; or

4 (6) joint and survivor annuity payment, which is an annuity payable
5 monthly to the member until the first of the month in which the member's death
6 occurs; after the member's death, a survivor annuity equal to 50 percent or 100 percent
7 of the member's benefit, as previously elected by the member, shall be paid monthly to
8 the joint annuitant for the remainder of the survivor's lifetime.

9 (b) Upon the death of an annuitant whose payments have commenced, an
10 annuitant's beneficiary shall receive further payments only to the extent provided in
11 accordance with the form of payment that was being made to the annuitant. The
12 remaining portion of the interest will continue to be distributed at least as rapidly as
13 under the method of distribution being used before the annuitant's death.

14 (c) If a participant dies before the distribution commencement date,
15 distribution of the participant's entire interest to a beneficiary shall be payable in any
16 form other than a joint and survivor annuity.

17 (d) If an unmarried member or other participant fails to elect a form of
18 payment before the distribution commencement date, the account shall be paid to a
19 beneficiary in the form of a lump sum to the extent required by the minimum
20 distribution requirements set out in the Internal Revenue Code. If a married member
21 fails to elect a form of payment before the distribution commencement date, the
22 account shall be paid in the form of a 50 percent joint and survivor annuity, with the
23 member's spouse as the joint annuitant.

24 **Sec. 14.25.430. Manner of electing distributions.** (a) Any election or any
25 alteration or revocation of a prior election by a participant for any purpose under this
26 plan shall be on forms or made in a manner prescribed for that purpose by the plan
27 administrator. To be effective, the forms required or the required action for any
28 purpose under this plan must be completed and received in accordance with rules,
29 regulations, and policies adopted by the administrator.

30 (b) At any time, but not less than seven days before the distribution
31 commencement date, a member, alternate payee, or beneficiary may change

- 1 (1) the form of payment election;
- 2 (2) an election to commence benefits; or
- 3 (3) the joint annuitant designation.

4 (c) Changes in elections are not allowed on or after seven days before the
5 distribution commencement date.

6 **Sec. 14.25.440. Distribution requirements.** (a) Payments to a participant
7 shall commence as soon as administratively feasible following the distribution
8 commencement date. The distribution commencement date is the first date on which
9 one of the following occurs:

10 (1) a member meets the requirements of AS 14.25.410 and has made a
11 complete application for payment under AS 14.25.420;

12 (2) a participant has elected to defer receipt of the account to a date
13 specified, the date has been attained, and the participant has made a complete
14 application for payment;

15 (3) a member attains normal retirement age and has not made an
16 application for payment or elected to defer receipt of the account to a date later than
17 normal retirement age;

18 (4) a member's beneficiary does not make an application for benefits
19 and five years have elapsed since the member's death;

20 (5) notwithstanding AS 14.25.420, a participant whose account has a
21 balance of \$1,000 or less meets the requirements of AS 14.25.410, at which time the
22 participant must take payment of the participant's account.

23 (b) The entire interest of a participant must be distributed or must begin to be
24 distributed not later than the member's required beginning date.

25 (c) If a member dies after the distribution of the member's interest has begun
26 but before the distribution has been completed, the remaining portion of the interest
27 shall continue to be distributed at least as rapidly as under the method of distribution
28 being used before the member's death.

29 (d) If a member has made a distribution election and dies before the
30 distribution commencement date, distribution of the member's entire interest shall be
31 completed by December 31 of the calendar year containing the fifth anniversary of the

1 member's death. However, if any portion of the member's interest is payable to a
2 designated beneficiary, distributions may be made over the life of the designated
3 beneficiary or over a period certain not greater than the life expectancy of the
4 designated beneficiary, commencing on or before December 31 of the calendar year
5 immediately following the calendar year in which the member died, and, if the
6 designated beneficiary is the member's surviving spouse, the date distributions are
7 required to begin may not be earlier than the later of December 31 of the calendar year
8 (1) immediately following the calendar year in which the member died, or (2) in which
9 the member would have attained 70 1/2 years of age, whichever is earlier. If the
10 surviving spouse dies after the member but before payments to the spouse have begun,
11 the provisions of this subsection apply as if the surviving spouse were the member.
12 An amount paid to a child of the member will be treated as if it were paid to the
13 surviving spouse if the amount becomes payable to the surviving spouse when the
14 child reaches the age of majority.

15 (e) If a member has not made a distribution election before the member's
16 death, the member's designated beneficiary must elect the method of distribution not
17 later than December 31 of the calendar year (1) in which distributions would be
18 required to begin under this section, or (2) that contains the fifth anniversary of the
19 date of death of the member, whichever is earlier. If the member does not have a
20 designated beneficiary or if the designated beneficiary does not elect a method of
21 distribution, distribution of the member's entire interest must be completed by
22 December 31 of the calendar year containing the fifth anniversary of the member's
23 death.

24 (f) For purposes of (b) of this section, distribution of a member's interest is
25 considered to begin (1) on the member's required beginning date, or (2) if the
26 designated beneficiary is the member's surviving spouse and the surviving spouse dies
27 after the member but before payments to the spouse have begun, on the date
28 distribution is required to begin to the surviving spouse. If distribution in the form of
29 an annuity irrevocably commences to the member before the required beginning date,
30 the date distribution is considered to begin is the date that the distribution actually
31 commences.

1 (g) Notwithstanding any contrary provisions of AS 14.25.310 - 14.25.590, the
2 requirements of this section apply to all distributions of a member's interest and take
3 precedence over any inconsistent provisions of AS 14.25.310 - 14.25.590.

4 (h) All distributions required under this section are determined and made in
5 accordance with 26 U.S.C. 401(a)(9) and regulations adopted under that statute,
6 including any minimum distribution incidental benefit requirement.

7 (i) In this section,

8 (1) "designated beneficiary" means the individual who is designated as
9 the beneficiary under the system in accordance with 26 U.S.C. 401(a)(9) and
10 regulations adopted under that statute;

11 (2) "required beginning date" means the first day of April of the
12 calendar year following the calendar year in which the member either attains 70 1/2
13 years of age or actually retires, whichever is later.

14 **Sec. 14.25.450. Designation of beneficiary.** (a) Each participant shall have
15 the right to designate a beneficiary and shall have the right, at any time, to revoke the
16 designation or to substitute another beneficiary, subject to the following limitation: in
17 the event a married member elects a nonspouse beneficiary, the actuarial equivalent
18 value of the benefit payable to the beneficiary may not exceed 50 percent of the
19 member's portion of the account balance, and the member's spouse shall automatically
20 be considered the beneficiary for the remaining 50 percent of the account balance,
21 unless the spouse consents to the beneficiary designation in a writing that is notarized
22 or witnessed by the administrator. If the spouse consents in this manner, a married
23 member may designate a nonspouse beneficiary for the entire benefit or any portion of
24 the benefit as part of an available form of payment contained in this plan,

25 (1) except to the extent a qualified domestic relations order filed with
26 the administrator provides for payment to a former spouse or other dependent of the
27 member; or

28 (2) unless the member filed a revocation of beneficiary accompanied
29 by a written consent to the revocation from the present spouse and each person entitled
30 under the order; however, consent of the present spouse is not required if the member
31 and the present spouse had been married for less than one year on the date of the

1 member's death and if the member established when filing the revocation that the
2 member and the present spouse were not cohabiting.

3 (b) Except as provided in (a) of this section, the member may change or
4 revoke the designation without notice to the beneficiary or beneficiaries at any time.
5 If a member designates more than one beneficiary, each shares equally unless the
6 member specifies a different allocation or preference. The designation of a
7 beneficiary, a change or revocation of a beneficiary, and a consent to revocation of a
8 beneficiary shall be made on a form provided by the administrator and is not effective
9 until filed with the administrator.

10 (c) If a member fails to designate a beneficiary, or if no designated beneficiary
11 survives the member, the death benefit shall be paid

12 (1) to the surviving spouse or, if there is none surviving;

13 (2) to the surviving children in equal parts or, if there are none
14 surviving;

15 (3) to the surviving parents in equal parts or, if there are none
16 surviving;

17 (4) to the estate.

18 (d) A person claiming entitlement to benefits payable under AS 14.25.310 -
19 14.25.590 as a consequence of a member's death shall provide the administrator with a
20 marriage certificate, divorce or dissolution judgment, or other evidence of entitlement.
21 Documents establishing entitlement may be filed with the administrator immediately
22 after a change in the member's marital status. If the administrator does not receive
23 notification of a claim before the date 10 days after the member's death, the person
24 claiming entitlement is not entitled to receive from the division of retirement and
25 benefits any benefit already paid by the administrator.

26 **Sec. 14.25.460. Rights under qualified domestic relations order.** (a)
27 Notwithstanding the nonalienation provisions in AS 14.25.500(a), the administrator
28 may direct that benefits be paid to someone other than a member or beneficiary under
29 a valid qualified domestic relations order that is executed by the judge of a competent
30 court in accordance with applicable state law and that has been accepted by the
31 administrator.

1 (b) The administrator shall determine whether an order meets the requirements
 2 of this section within a reasonable period after receiving an order. The administrator
 3 shall notify the member and any alternate payee that an order has been received and
 4 indicate to the member and any alternate payee when the order is accepted. A separate
 5 account for the alternate payee portion shall be established as soon as administratively
 6 feasible after the order has been accepted by the administrator.

7 **Sec. 14.25.470. Retirement.** (a) In order to obtain medical benefits under
 8 AS 14.25.480 and access to the health reimbursement arrangement plan under
 9 AS 39.30.300, a member must retire directly from the plan. A member is eligible to
 10 retire from the plan if

11 (1) the member has at least 30 years of service;

12 (2) the member reaches the normal retirement age of 65 years of age
 13 and has at least 10 years of service; and

14 (3) the member has been an active member for the whole school year
 15 during the 12 months before application for retirement.

16 (b) A member must apply to the administrator for retirement and medical
 17 benefits enrollment. Application shall be made on forms and in the manner prescribed
 18 by the administrator.

19 (c) A member who continues in the employ of the employer after reaching
 20 normal retirement age shall continue to participate in the plan and to have
 21 contributions allocated to the member's account.

22 **Sec. 14.25.480. Medical benefits.** (a) The medical benefits available to
 23 eligible persons are access to the retiree major medical insurance plan and to the
 24 health reimbursement arrangement. Access to the retiree major medical insurance
 25 plan means that an eligible person may not be denied insurance coverage except for
 26 failure to pay the required premium.

27 (b) The following persons are eligible for the retiree major medical insurance
 28 plan provided under this section and the health reimbursement arrangement:

29 (1) a member with at least 30 years of service and who retires directly
 30 from the plan;

31 (2) the surviving spouse of a member who elected coverage under (1)

1 of this subsection;

2 (3) a member who reaches the normal retirement age of 65 years of
3 age, has at least 10 years of service, and retires directly from the plan;

4 (4) the surviving spouse of a member who elected coverage under (3)
5 of this subsection.

6 (c) Retiree major medical insurance plan coverage elected by an eligible
7 member under this section covers the eligible member, the spouse of the eligible
8 member, and the dependent children of the eligible member.

9 (d) Retiree major medical insurance plan coverage elected by a surviving
10 spouse of an eligible member under this section covers the surviving spouse and the
11 dependent children of the surviving spouse.

12 (e) Major medical insurance coverage takes effect on the first day of the
13 month following the date of the election and stops when the person who elects
14 coverage under (b) of this section dies or fails to make a required premium payment.

15 (f) The coverage for persons 65 years of age or older is the same as that
16 available for persons under 65 years of age. The benefits payable to those persons 65
17 years of age or older supplement any benefits provided under the federal old age,
18 survivors and disability insurance program.

19 (g) The medical and optional insurance premiums owed by the person who
20 elects coverage under (b) of this section maybe deducted from the health
21 reimbursement arrangement. If the amount of the health reimbursement arrangement
22 becomes insufficient to pay the premiums, the person who elects coverage under (a) of
23 this section shall pay the premiums directly.

24 (h) The cost of premiums for retiree major medical insurance coverage for an
25 eligible member or surviving spouse who is

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

28 (2) eligible for Medicare, is the following percentage of the premium
29 amounts established for retirees who are eligible for Medicare:

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

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

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

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

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

8 (i) The eligibility for and cost of premiums for retiree major medical insurance
9 coverage for an alternate payee under a qualified domestic relations order shall be
10 determined based on the years of service of the member to which the alternate payee is
11 entitled under the order.

12 (j) A person who is entitled to retiree major medical insurance coverage shall

13 (1) be informed by the administrator in writing

14 (A) that the health insurance coverage available to retired
15 members may be different from the health insurance coverage provided to
16 employees;

17 (B) of time limits for selecting optional health insurance
18 coverage and whether the election is irrevocable; and

19 (2) indicate in writing on a form provided by the administrator that the
20 person has received the information required by this subsection and whether the
21 person has chosen to receive optional health insurance coverage.

22 (k) The monthly group premiums for retiree major medical insurance coverage
23 are established by the administrator in accordance with AS 39.30.095. Nothing in
24 AS 14.25.310 - 14.25.590 guarantees a person who elects coverage under (a) of this
25 section a monthly group premium rate for retiree major medical insurance coverage
26 other than the premium in effect for the month in which the premium is due for
27 coverage for that month.

28 (l) In this section,

29 (1) "health reimbursement arrangement" means the plan established in
30 AS 39.30.300;

31 (2) "retires directly from the plan" means that the member is an active

1 member at the time that the member applies to the administrator for retirement and
 2 medical benefits enrollment and that the member continues as an active member up
 3 through the day before the day the member is eligible for medical benefits enrollment.

4 **Sec. 14.25.490. Amendment and termination of plan.** (a) The state has the
 5 right to amend the plan at any time and from time to time, in whole or in part,
 6 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

7 (b) The plan administrator may not modify or amend the plan retroactively in
 8 such a manner as to reduce the benefits of any member accrued to date under the plan
 9 by reason of contributions made before the modification or amendment except to the
 10 extent that the reduction is permitted by the Internal Revenue Code.

11 (c) The state may, in its discretion, terminate the plan in whole or part at any
 12 time without liability for the termination. If the plan is terminated, all investments
 13 remain in force until all individual accounts have been completely distributed under
 14 the plan, and, after all plan liabilities are satisfied, excess assets revert to the employer.

15 (d) Any contribution made by an employer to the plan because of a mistake of
 16 fact must be returned to the employer by the administrator within one year after the
 17 contribution or discovery, whichever is later.

18 **Sec. 14.25.500. Exclusive benefit.** (a) The corpus or income of the assets
 19 held in trust as required by the plan may not be diverted or used for other than the
 20 exclusive benefit of the participants.

21 (b) If plan benefits are provided through the distribution of annuity or
 22 insurance contracts, any refunds or credits in excess of plan benefits due to dividends,
 23 earnings, or other experience rating credits, or surrender or cancellation credits, will be
 24 paid to the trust fund.

25 (c) The assets of the plan may not be used to pay premiums or contributions of
 26 the employer under another plan maintained by the employer.

27 **Sec. 14.25.510. Nonguarantee of returns, rates, or benefit amounts.** The
 28 plan created by AS 14.25.310 – 14.25.590 is a defined contribution plan, not a defined
 29 benefit plan. The amount of money in the account of a participant depends on the
 30 amount of contributions and the rate of return from investments of the account that
 31 varies over time. If benefits are paid in the form of an annuity, the benefit amount

1 payable is dependent on the amount of money in the account and the interest rates
 2 applied and service fees charged by the annuity payor at the time benefits are first
 3 paid. Nothing in this plan guarantees a participant

4 (1) a rate of return or interest rate other than that actually earned by the
 5 account of the participant, less applicable administrative expenses; and

6 (2) an annuity based on interest rates or service charges other than
 7 interest rates available from and service charges by the annuity payor in effect at the
 8 time the annuity is paid.

9 **Sec. 14.25.520. Nonguarantee of employment.** The provisions of
 10 AS 14.25.310 - 14.25.590 are not a contract of employment between an employer and
 11 an employee, nor do they confer a right of an employee to be continued in the
 12 employment of an employer, nor are they a limitation of the right of an employer to
 13 discharge an employee with or without cause.

14 **Sec. 14.25.530. Fraud.** A person who knowingly makes a false statement or
 15 falsifies or permits to be falsified a record of this plan in an attempt to defraud the plan
 16 is guilty of a class A misdemeanor.

17 **Sec. 14.25.590. Definitions.** In AS 14.25.310 - 14.25.590, unless the context
 18 requires otherwise,

19 (1) "active member" means a member who is employed by an
 20 employer, is receiving compensation on a full-time or part-time basis, and is making
 21 contributions to the plan, or a member making contributions under AS 14.20.330 or
 22 14.20.345;

23 (2) "administrator" has the meaning given in AS 14.25.220;

24 (3) "alternate payee" means a person entitled to a portion of the
 25 distribution from an individual account under a qualified domestic relations order;

26 (4) "annuitant" means a retired member who is receiving a benefit
 27 under this plan;

28 (5) "beneficiary" means a person designated by a member to receive
 29 benefits that may be due from the plan upon the member's death;

30 (6) "board" has the meaning given in AS 14.25.220;

31 (7) "commissioner" means the commissioner of administration;

1 (8) "compensation"

2 (A) means

3 (i) the total remuneration earned by an employee for
4 personal services rendered, including cost-of-living differentials, as
5 reported on the employee's Federal Income Tax Withholding Statement
6 (Form W-2) from the employer for the calendar year;

7 (ii) the teacher contribution to the teachers' retirement
8 system under AS 14.25.340, employee deferrals under AS 39.45.010,
9 the wage reduction amount contributed to the Alaska Supplemental
10 Annuity Plan under AS 39.30.150(a), and the wage reduction amount
11 contributed to the Alaska Supplemental Benefit Plan under
12 AS 39.30.150(c), as those statutes may be amended from time to time;

13 (B) does not include retirement benefits, severance pay or other
14 separation bonuses, welfare benefits, per diem, expense allowances, workers'
15 compensation payments, payments for leave not used whether those leave
16 payments are scheduled payments, lump-sum payments, donations, or cash-ins,
17 any remuneration contributed by the employer for or on account of the
18 employee under this plan or under any other qualified or nonqualified
19 employee benefit plan, any remuneration not specifically included above
20 which would have been excluded under 26 U.S.C. 3121(a) (Internal Revenue
21 Code) if the employer had remained in the Federal Social Security System, or
22 any remuneration paid by the employer in excess of the Social Security
23 Taxable Wage Base for the calendar year;

24 (C) includes any amount that is contributed by the employer
25 under a salary reduction agreement and that is not includible in the gross
26 income of the employee under 26 U.S.C. 125, 132(f)(4), 402(e)(3),
27 402(h)(I)(B) or 403(b) (Internal Revenue Code); the annual compensation
28 limitation for the member, which is so taken into account for those purposes,
29 may not exceed \$200,000, as adjusted for the cost of living in accordance with
30 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the limitation for a
31 fiscal year being the limitation in effect for the calendar year within which the

1 fiscal year begins;

2 (9) "dependent child" has the meaning given in AS 14.25.220;

3 (10) "distribution commencement date" has the meaning given in
4 AS 14.25.440(a);

5 (11) "employer" means a public school district, the Board of Regents
6 of the University of Alaska, the Department of Education and Early Development, or
7 the regional resource centers;

8 (12) "fund" means the assets of the plan;

9 (13) "individual account" means the total maintained by the plan in an
10 investment account within the trust fund, established for each member for the purposes
11 of allocation of the member's mandatory contributions, employer contributions on
12 behalf of the employee, and earnings credited to each of those, investment gains and
13 losses, and expenses, as well as reporting of the member's benefit under the plan;

14 (14) "Internal Revenue Code" has the meaning given in AS 14.25.220;

15 (15) "investment funds" means those separate funds that are provided
16 within and that make up the trust fund and that are established for the purpose of
17 directing investment through the exercise of the sole control of a member, beneficiary,
18 or alternate payee under the terms of the plan and trust agreement;

19 (16) "normal retirement age" means 65 years of age;

20 (17) "participant" means the person who has a vested right to an
21 individual account, such as a member, an alternate payee if the account is subject to a
22 qualified domestic relations order, the member's beneficiary if the member is
23 deceased, or an alternate payee's beneficiary if the alternate payee is deceased;

24 (18) "plan" means the retirement benefit plan established under
25 AS 14.25.310 - 14.25.590;

26 (19) "qualified domestic relations order" means a divorce or
27 dissolution judgment under AS 25.24, including an order approving a property
28 settlement, that

29 (A) creates or recognizes the existence of an alternate payee's
30 right to, or assigns to an alternate payee the right to, receive all or a portion of
31 the individual account, health reimbursement arrangement or medical benefits

1 payable with respect to a member;

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

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

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

9 (E) sets out the retirement plan to which the order applies;

10 (F) does not require any type or form of benefit or any option
11 not otherwise provided by AS 14.25.310 - 14.25.590;

12 (G) does not require an increase of benefits in excess of the
13 amount provided by AS 14.25.310 - 14.25.590, determined on the basis of
14 actuarial value; and

15 (H) does not require the payment, to an alternate payee, of
16 benefits that are required to be paid to another alternate payee under another
17 order previously determined to be a qualified domestic relations order;

18 (20) "retirement fund" or "fund" means the fund in which the assets of
19 the plan, including income and interest derived from the investment of money, are
20 deposited and held;

21 (21) "school year" has the meaning given in AS 14.25.220;

22 (22) "system" has the meaning given in AS 14.25.220;

23 (23) "teacher" and "member" are used interchangeably under
24 AS 14.25.310 - 14.25.590 and mean a person eligible to participate in the plan and
25 who is covered by the plan, limited to

26 (A) a certificated full-time or part-time elementary or
27 secondary teacher, a certificated school nurse, or a certificated person in a
28 position requiring a teaching certificate as a condition of employment in a
29 public school of the state, the Department of Education and Early
30 Development, or the Department of Labor and Workforce Development;

31 (B) a full-time or part-time teacher of the University of Alaska

1 or a person occupying a full-time administrative position at the University of
 2 Alaska that requires academic standing; the approval of the administrator must
 3 be obtained before an administrative position qualifies for membership in the
 4 plan; however, a teacher or administrative person at the university who is
 5 participating in the optional university retirement program under AS 14.40.661
 6 - 14.40.799 is not a member under this plan;

7 (24) "year of service" means service during the dates set for the school
 8 year; partial-year service credit is given for membership service as follows:

9 (A) during any school year,

10 (i) less than nine days, no credit;

11 (ii) nine days or more but less than 27 days, 0.1 years;

12 (iii) 27 days or more but less than 45 days, 0.2 years;

13 (iv) 45 days or more but less than 63 days, 0.3 years;

14 (v) 63 days or more but less than 81 days, 0.4 years;

15 (vi) 81 days or more but less than 100 days, 0.5 years;

16 (vii) 100 days or more but less than 118 days, 0.6 years;

17 (viii) 118 days or more but less than 136 days, 0.7

18 years;

19 (ix) 136 days or more but less than 154 days, 0.8 years;

20 (x) 154 days or more but less than 172 days, 0.9 years;

21 (xi) 172 days or more, 1.0 years;

22 (B) service performed on a part-time basis of half time or more
 23 will be credited in proportion to the amount of credit that would have been
 24 received for service performed on a full-time basis.

25 * **Sec. 29.** AS 14.40.280(c) is amended to read:

26 (c) Except as provided by (b) of this section, the monetary gifts, bequests, or
 27 endowments that are made to the University of Alaska shall be managed and invested
 28 by the Board of Regents. In carrying out its management and investment
 29 responsibilities under this subsection, the Board of Regents has the same power and
 30 obligations to carry out duties with respect to the endowments of the University of
 31 Alaska as are provided to and required of the Alaska **Retirement Management**

1 [STATE PENSION INVESTMENT] Board under **AS 37.10.210** [AS 14.25.180].

2 * **Sec. 30.** AS 14.40.400(b) is amended to read:

3 (b) The Board of Regents is the fiduciary of the fund. The Board of Regents
4 shall account for and invest the fund. In carrying out its investment responsibilities
5 under this subsection, the Board of Regents has the same powers and duties with
6 respect to the fund as are provided to and required of the Alaska **Retirement**
7 **Management** [STATE PENSION INVESTMENT] Board under **AS 37.10.210**
8 [AS 14.25.180].

9 * **Sec. 31.** AS 14.40.671(e) is amended to read:

10 (e) An employee whose rights to transfer assets out of a state retirement
11 system are subject to a qualified domestic relations order is entitled to transfer assets
12 from the state retirement system to the program only if the requirements for receiving
13 a refund under AS 14.25.150(b), **14.25.390**, [OR] AS 39.35.200(c), **or 39.35.760**, as
14 appropriate, are met.

15 * **Sec. 32.** AS 22.25.048(c) is amended to read:

16 (c) The Alaska **Retirement Management** [STATE PENSION
17 INVESTMENT] Board is the fiduciary of the fund and has the same powers and
18 duties under this section in regard to the judicial retirement trust fund as are provided
19 in **AS 37.10.210** [AS 14.25.180].

20 * **Sec. 33.** AS 22.25.900(1) is amended to read:

21 (1) "actuarial equivalent" means the adjustment necessary to obtain
22 equality in value of the aggregate expected payments under two different forms of
23 pension payments, considering expected mortality and interest earnings on the basis of
24 assumptions, factors, and methods specified in regulations issued under the system
25 that are formally adopted [UNDER AS 22.25.027] by the **Alaska Retirement**
26 **Management Board** [COMMISSIONER OF ADMINISTRATION] that clearly
27 preclude employer discretion in the determination of the amount of any justice's,
28 judge's, or member's benefit;

29 * **Sec. 34.** AS 26.05.226(a) is amended to read:

30 (a) The Department of Military and Veterans' Affairs shall contribute to the
31 Alaska National Guard and Alaska Naval Militia retirement system the amounts

1 determined by the **Alaska Retirement Management Board** [COMMISSIONER OF
2 ADMINISTRATION] as necessary to

3 (1) fund the system based on the actuarial requirements of the system
4 as established by the **Alaska Retirement Management Board** [COMMISSIONER
5 OF ADMINISTRATION]; and

6 (2) administer the system.

7 * **Sec. 35.** AS 26.05.228(c) is amended to read:

8 (c) The Alaska **Retirement Management** [STATE PENSION
9 INVESTMENT] Board is the fiduciary of the fund and has the same powers and
10 duties under this section in regard to the fund as are provided under **AS 37.10.210**
11 [AS 14.25.180].

12 * **Sec. 36.** AS 36.30.015(f) is amended to read:

13 (f) The board of directors of the Alaska Housing Finance Corporation,
14 notwithstanding AS 18.56.088, and the board of directors of the Knik Arm Bridge and
15 Toll Authority under AS 19.75.111, shall adopt regulations under AS 44.62
16 (Administrative Procedure Act) and the board of trustees of the Alaska **Retirement**
17 **Management** [STATE PENSION INVESTMENT] Board shall adopt regulations
18 under AS 37.10.240 to govern the procurement of supplies, services, professional
19 services, and construction for the respective public corporation and board. The
20 regulations must reflect competitive bidding principles and provide vendors
21 reasonable and equitable opportunities to participate in the procurement process and
22 must include procurement methods to meet emergency and extraordinary
23 circumstances. Notwithstanding the other provisions of this subsection, the Alaska
24 Housing Finance Corporation, the Knik Arm Bridge and Toll Authority, and the
25 Alaska **Retirement Management** [STATE PENSION INVESTMENT] Board shall
26 comply with AS 36.30.170(b).

27 * **Sec. 37.** AS 36.30.990(1) is amended to read:

28 (1) "agency"

29 (A) means a department, institution, board, commission,
30 division, authority, public corporation, the Alaska Pioneers' Home, the Alaska
31 Veterans' Home, or other administrative unit of the executive branch of state

1 government;

2 (B) does not include

3 (i) the University of Alaska;

4 (ii) the Alaska Railroad Corporation;

5 (iii) the Alaska Housing Finance Corporation;

6 (iv) a regional Native housing authority created under
7 AS 18.55.996 or a regional electrical authority created under
8 AS 18.57.020;

9 (v) the Department of Transportation and Public
10 Facilities, in regard to the repair, maintenance, and reconstruction of
11 vessels, docking facilities, and passenger and vehicle transfer facilities
12 of the Alaska marine highway system;

13 (vi) the Alaska Aerospace Development Corporation;

14 (vii) the Alaska **Retirement Management** [STATE
15 PENSION INVESTMENT] Board;

16 (viii) the Alaska Seafood Marketing Institute;

17 * **Sec. 38.** AS 37.10.071(d) is amended to read:

18 (d) In exercising investment, custodial, or depository powers or duties under
19 this section, the fiduciary or the fiduciary's designee is liable for a breach of a duty
20 that is assigned or delegated under this section, or under [AS 14.25.180,]
21 AS 14.40.255, 14.40.280(c), 14.40.400(b), AS 37.10.070, AS 37.14.110(c), 37.14.160,
22 **or** 37.14.170 [, OR AS 39.35.080]. However, the fiduciary or the designee is not
23 liable for a breach of a duty that has been delegated to another person if the delegation
24 is prudent under the applicable standard of prudence set out in statute or if the duty is
25 assigned by law to another person, except to the extent that the fiduciary or designee

26 (1) knowingly participates in, or knowingly undertakes to conceal, an
27 act or omission of another person knowing that the act or omission is a breach of that
28 person's duties under this chapter;

29 (2) by failure to comply with this section in the administration of
30 specific responsibilities, enables another person to commit a breach of duty; or

31 (3) has knowledge of a breach of duty by another person, unless the

1 fiduciary or designee makes reasonable efforts under the circumstances to remedy the
2 breach.

3 * **Sec. 39.** AS 37.10.071(f) is amended to read:

4 (f) In this section, "fiduciary of a state fund" or "fiduciary" means

5 (1) the commissioner of revenue for investments under AS 37.10.070;

6 or

7 (2) with respect to the Alaska **Retirement Management** [STATE
8 PENSION INVESTMENT] Board, for investments **of the collective funds that it**
9 **manages and administers** [UNDER OR SUBJECT TO AS 14.25.180],

10 (A) each trustee who serves on the board of trustees; and

11 (B) any other person who exercises control or authority with
12 respect to management or disposition of assets for which the board is
13 responsible or who gives investment advice to the board; or

14 (3) the person or body provided by law to manage the investments for
15 investments not subject to [AS 14.25.180 OR] AS 37.10.070.

16 * **Sec. 40.** AS 37.10.210 is repealed and reenacted to read:

17 **Sec. 37.10.210. Alaska Retirement Management Board.** (a) The Alaska
18 Retirement Management Board is established in the Department of Revenue. The
19 board's primary mission is to serve as the trustee of the assets of the state's retirement
20 systems. Consistent with standards of prudence, the board has the fiduciary obligation
21 to manage and invest these assets in a manner that is sufficient to meet the liabilities
22 and pension obligations of the systems. The board may, with the approval of the
23 commissioner of revenue and upon agreement with the responsible fiduciary, manage
24 and invest other state funds so long as the activity does not interfere with the board's
25 primary mission. In making investments, the board shall exercise the powers and
26 duties of a fiduciary of a state fund under AS 37.10.071.

27 (b) The Alaska Retirement Management Board consists of nine trustees. The
28 commissioner of administration and the commissioner of revenue shall serve on the
29 board. The governor shall appoint seven additional trustees who meet the eligibility
30 requirements for an Alaska permanent fund dividend and who are professionally
31 credentialed or have recognized competence in investment management, finance,

1 banking, economics, accounting, pension administration, or actuarial analysis as
2 follows:

3 (1) three trustees shall be appointed from the general public; a trustee
4 appointed under this paragraph may not hold another state office, position, or
5 employment and may not be a member or beneficiary of a retirement system managed
6 by the board;

7 (2) one trustee shall be employed as a finance officer for a political
8 subdivision participating in the public employees' retirement system;

9 (3) one trustee shall be employed as a finance officer for a political
10 subdivision participating in the teachers' retirement system;

11 (4) one trustee shall be a member of the public employees' retirement
12 system;

13 (5) one trustee shall be a member of the teachers' retirement system.

14 (c) The trustees, other than the two commissioners, shall serve for staggered
15 terms of three years and may be reappointed to the board for a total of three
16 consecutive terms. A person who has served three consecutive terms may not be
17 reappointed to the board for at least one year.

18 (d) The governor may, by written notice to the trustee, remove a trustee for
19 cause. After a trustee receives written notice of removal, the trustee may not
20 participate in board business and may not be counted for purposes of establishing a
21 quorum.

22 (e) A vacancy on the board of trustees shall be promptly filled. A person
23 filling a vacancy holds office for the balance of the unexpired term of the person's
24 predecessor, and the balance of the unexpired term served is not included in the three-
25 term limitation under (c) of this section. A vacancy on the board does not impair the
26 authority of a quorum of the board to exercise all the powers and perform all the duties
27 of the board.

28 (f) Five trustees constitute a quorum for the transaction of business and the
29 exercise of the powers and duties of the board.

30 (g) A trustee may not designate another person to serve on the board in the
31 absence of the trustee.

1 (h) The board shall provide annual training to its members on the duties and
 2 powers of a fiduciary of a state fund and other training as necessary to keep the
 3 members of the board educated about pension management and investment.

4 (i) The board shall elect a trustee to serve as chair and a trustee to serve as
 5 vice-chair for one-year terms. A trustee may be reelected to serve additional terms as
 6 chair or vice-chair.

7 * **Sec. 41.** AS 37.10 is amended by adding a new section to read:

8 **Sec. 37.10.215. Attorney general.** The attorney general is the legal counsel
 9 for the board and shall advise the board and represent it in a legal proceeding.

10 * **Sec. 42.** AS 37.10.220 is repealed and reenacted to read:

11 **Sec. 37.10.220. Powers and duties of the board.** (a) The board shall

12 (1) establish a series of accounts in which the assets of the funds
 13 entrusted to the board shall be deposited and held;

14 (2) hold regular and special meetings at the call of the chair or of at
 15 least five members; meetings are open to the public, and the board shall keep a full
 16 record of all its proceedings;

17 (3) adopt investment policies for each of the funds entrusted to the
 18 board;

19 (4) select and retain investment managers and custodians for the funds
 20 entrusted to the board;

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

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

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

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

30 (D) AS 39.45.010 – 39.45.060 (public employees' deferred
 31 compensation program);

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

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

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

12 (A) an appropriate contribution rate for normal costs; and

13 (B) an appropriate contribution rate for liquidating any past
 14 service liability;

15 (9) review actuarial assumptions prepared and certified by a member
 16 of the American Academy of Actuaries and conduct experience analyses of the
 17 retirement systems not less than once every four years, except for health cost
 18 assumptions, which shall be reviewed annually;

19 (10) contract for an independent audit of the state's actuary not less
 20 than once every four years;

21 (11) obtain an external performance review to evaluate the investment
 22 policies and performance of each fund entrusted to the board and report the results of
 23 the review to the appropriate fund fiduciary;

24 (12) engage an independent certified public accountant to conduct an
 25 annual audit of each fund entrusted to the board and report the findings of the audit to
 26 the appropriate fund fiduciary;

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

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

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

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

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

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

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

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

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

11 (15) develop an annual operating budget.

12 (b) The board may

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

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

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

18 (c) Expenses for the board and the operations of the board shall be paid from
19 the retirement fund.

20 * **Sec. 43.** AS 37.10.250 is amended to read:

21 **Sec. 37.10.250. Compensation of trustees.** Trustees, other than trustees who
22 are employees of the state, [OR] a political subdivision of the state, **or a school**
23 **district or regional educational attendance area in the state,** receive an honorarium
24 of \$150 for each day spent at a meeting of the board or at a meeting of a subcommittee
25 of the board or at a public meeting as a representative of the board, **including a day in**
26 **which a trustee travels to or from a meeting.** Trustees who are state employees are
27 entitled to administrative leave for service as a trustee. Trustees who are employees of
28 a political subdivision of the state **or a school district or regional educational**
29 **attendance area in the state** are entitled to leave benefits provided by their employers
30 comparable to those provided to state employees for service as a trustee. Trustees are
31 entitled to per diem and travel expenses authorized for boards and commissions under

1 AS 39.20.180.

2 * **Sec. 44.** AS 37.10.270(a) is amended to read:

3 (a) The board **may** [SHALL] appoint an investment advisory council
4 composed of at least three and not more than five members. Members of the council
5 shall possess experience and expertise in financial investments and management of
6 investment portfolios for public, corporate, or union pension benefit funds,
7 foundations, or endowments.

8 * **Sec. 45.** AS 37.10.390 is amended to read:

9 **Sec. 37.10.390. Definitions.** In AS 37.10.210 - 37.10.390, unless the context
10 otherwise requires,

11 (1) "board" means the board of trustees of the Alaska **Retirement**
12 **Management** [STATE PENSION INVESTMENT] Board;

13 (2) "retirement systems" **or "systems"** means the teachers' retirement
14 system, the judicial retirement system, the Alaska National Guard and Alaska Naval
15 Militia retirement system, [AND] the public employees' retirement system, **the State**
16 **of Alaska supplemental annuity plan, the public employees' deferred**
17 **compensation program, the State of Alaska teachers' and public employees'**
18 **retiree health reimbursement arrangement plan, and the elected public officers'**
19 **retirement system under former AS 39.37.**

20 * **Sec. 46.** AS 37.10.390 is amended by adding a new paragraph to read:

21 (3) "fund" means the fund or funds composed of the assets of each of
22 the retirement systems administered and managed by the board.

23 * **Sec. 47.** AS 37.14.160 is amended to read:

24 **Sec. 37.14.160. Duties of the commissioner of revenue.** The commissioner
25 of revenue is the treasurer of the trust fund created in AS 37.14.110 and shall

26 (1) in carrying out investment duties under this section, exercise the
27 same powers and duties established for the Alaska **Retirement Management** [STATE
28 PENSION INVESTMENT] Board in **AS 37.10.210** [AS 14.25.180(c)];

29 (2) deposit the principal and income from investments in separate
30 principal and income accounts for the fund;

31 (3) invest and maintain accounting records that distinguish between the

1 principal and income of the fund;

2 (4) provide reports to the board established under AS 37.14.120 on the
3 condition and investment performance of the fund.

4 * **Sec. 48.** AS 37.14.210(4) is amended to read:

5 (4) invest and reinvest the assets of the trust as provided in this section
6 and as provided for the investment of funds under [AS 14.25.180(c) AND]
7 AS 37.14.170;

8 * **Sec. 49.** AS 37.14.520(4) is amended to read:

9 (4) invest and reinvest the assets of the fund as provided in this section
10 and as provided for the investment of funds under [AS 14.25.180(c) AND]
11 AS 37.14.170;

12 * **Sec. 50.** AS 37.14.610 is amended to read:

13 **Sec. 37.14.610. Duties of the commissioner.** The commissioner of revenue
14 has the power and duty to

15 (1) act as official custodian of the cash and investments belonging to
16 the Arctic Winter Games Team Alaska trust by securing adequate and safe custodial
17 facilities;

18 (2) exercise the same powers and duties as those established for the
19 Alaska **Retirement Management** [STATE PENSION INVESTMENT] Board in
20 **AS 37.10.210** [AS 14.25.180(b) AND (c)];

21 (3) invest the assets of the trust in a manner likely to yield at least five
22 percent real rate of return over time;

23 (4) maintain accounting records of the trust in accordance with
24 investment accounting principles;

25 (5) enter into and enforce contracts or agreements considered
26 necessary for the investment purposes of the trust;

27 (6) report annually to the board of directors of the Arctic Winter
28 Games Team Alaska the condition and performance of the trust;

29 (7) monitor use of trust money by the Arctic Winter Games Team
30 Alaska; and

31 (8) do all acts that the commissioner of revenue considers necessary or

1 proper in administering the assets of the trust.

2 * **Sec. 51.** AS 39.30.090(a) is amended to read:

3 (a) The Department of Administration may obtain a policy or policies of group
4 insurance covering state employees, persons entitled to coverage under AS 14.25.168,
5 14.25.480, AS 22.25.090, AS 39.35.535, 39.35.880, or former AS 39.37.145,
6 employees of other participating governmental units, or persons entitled to coverage
7 under AS 23.15.136, subject to the following conditions:

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

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

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

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

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

22 (C) the commissioner of administration approves the
23 participation in writing.

24 (4) In procuring a policy of group health or group life insurance as
25 provided under this section or excess loss insurance as provided in AS 39.30.091, the
26 Department of Administration shall comply with the dual choice requirements of
27 AS 21.86.310, and shall obtain the insurance policy from an insurer authorized to
28 transact business in the state under AS 21.09, a hospital or medical service corporation
29 authorized to transact business in this state under AS 21.87, or a health maintenance
30 organization authorized to operate in this state under AS 21.86. An excess loss
31 insurance policy may be obtained from a life or health insurer authorized to transact

1 business in this state under AS 21.09 or from a hospital or medical service corporation
2 authorized to transact business in this state under AS 21.87.

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

18 (6) If the aggregate of dividends payable under the group insurance
19 policy exceeds the governmental unit's share of the premium, the excess shall be
20 applied by the governmental unit for the sole benefit of the employees.

21 (7) A person receiving benefits under AS 14.25.110, AS 22.25,
22 AS 39.35, or former AS 39.37 may continue the life insurance coverage that was in
23 effect under this section at the time of termination of employment with the state or
24 participating governmental unit.

25 (8) A person electing to have insurance under (7) of this subsection
26 shall pay the cost of this insurance.

27 (9) For each permanent part-time employee electing coverage under
28 this section, the state shall contribute one-half the state contribution rate for permanent
29 full-time state employees, and the permanent part-time employee shall contribute the
30 other one-half.

31 (10) A person receiving benefits under AS 14.25, AS 22.25, AS 39.35,

1 or former AS 39.37 may obtain auditory, visual, and dental insurance for that person
 2 and eligible dependents under this section. The level of coverage for persons over 65
 3 shall be the same as that available before reaching age 65 except that the benefits
 4 payable shall be supplemental to any benefits provided under the federal old age,
 5 survivors, and disability insurance program. A person electing to have insurance
 6 under this paragraph shall pay the cost of the insurance. The commissioner of
 7 administration shall adopt regulations implementing this paragraph.

8 (11) A person receiving benefits under AS 14.25, AS 22.25, AS 39.35,
 9 or former AS 39.37 may obtain long-term care insurance for that person and eligible
 10 dependents under this section. A person who elects insurance under this paragraph
 11 shall pay the cost of the insurance premium. The commissioner of administration
 12 shall adopt regulations to implement this paragraph.

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

16 * **Sec. 52.** AS 39.30.095(d) is amended to read:

17 (d) If the commissioner of administration determines that there is more money
 18 in the fund than the amount needed to pay premiums, benefits, and administrative
 19 costs for the current fiscal year, the surplus, or so much of it as the commissioner of
 20 administration considers advisable, may be invested by the commissioner of revenue
 21 in the same manner as retirement funds are invested under **AS 37.10.210**
 22 [AS 14.25.180].

23 * **Sec. 53.** AS 39.30.150(b) is amended to read:

24 (b) Employees of the division of marine transportation included in
 25 **AS 39.35.095 - 39.35.680** [THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM]
 26 through the process of collective bargaining under AS 39.35.680(21)(D) may, under
 27 the terms of a collective bargaining agreement, utilize contributions made under (a) of
 28 this section on their behalf to offset the costs of inclusion in the public employees'
 29 retirement system; however,

30 (1) the state is placed under no obligation to continue making
 31 contributions under this section if the state resumes participation in the federal social

1 security system;

2 (2) the bargaining agreement must provide a mechanism for satisfying
3 any residual liabilities that might exist if the state resumes participation in the federal
4 social security system; and

5 (3) funds contributed under (a) of this section on behalf of employees
6 who are not covered by maritime union contracts may not be obligated or expended to
7 pay any costs associated with the inclusion of marine transportation employees in
8 AS 39.35.095 - 39.35.680 [THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM].

9 * **Sec. 54.** AS 39.30 is amended by adding a new section to read:

10 **Sec. 39.30.151. Administrator.** The commissioner of administration or the
11 commissioner's designee is the administrator of the system.

12 * **Sec. 55.** AS 39.30 is amended by adding a new section to read:

13 **Sec. 39.30.154. Powers and duties of the administrator.** The administrator
14 has the same powers and duties with regard to the plan as those set out in
15 AS 14.25.004.

16 * **Sec. 56.** AS 39.30.155 is repealed and reenacted to read:

17 **Sec. 39.30.155. Management and investment of fund.** The Alaska
18 Retirement Management Board is the fiduciary of the fund and has the same powers
19 and duties under this section in regard to the fund as are provided under AS 37.10.210.

20 * **Sec. 57.** AS 39.30.160(a) is amended to read:

21 (a) The Department of Administration shall, in accordance with policies
22 prescribed by regulations of the Alaska Retirement Management [PUBLIC
23 EMPLOYEES RETIREMENT] Board, provide to employees for whom special
24 individual employee benefit accounts are established under AS 39.30.150 the
25 following benefit options:

- 26 (1) supplemental health benefits; [,]
27 (2) supplemental death benefits; [,]
28 (3) supplemental disability benefits; [,] and
29 (4) supplemental dependent care benefits.

30 * **Sec. 58.** AS 39.30.160(e) is amended to read:

31 (e) Regulations adopted by the board [PUBLIC EMPLOYEES

1 RETIREMENT BOARD] implementing AS 39.30.150 and this section are not subject
2 to AS 44.62 (Administrative Procedure Act).

3 * **Sec. 59.** AS 39.30.175(a) is amended to read:

4 (a) The **board** [ALASKA STATE PENSION INVESTMENT BOARD] is the
5 fiduciary of the mandatory receipts, under AS 39.30.150(a), of the employee benefits
6 program established under AS 39.30.150 - 39.30.180 and has the same powers and
7 duties concerning the management and investment in regard to those receipts as are
8 provided under **AS 37.10.210** [AS 14.25.180].

9 * **Sec. 60.** AS 39.30.180 is amended by adding a new paragraph to read:

10 (3) "board" means the board of trustees of the Alaska Retirement
11 Management Board established under AS 37.10.210.

12 * **Sec. 61.** AS 39.30 is amended by adding new sections to read:

13 **Article 5. State of Alaska Teachers' and Public Employees' Retiree Health**
14 **Reimbursement Arrangement Plan.**

15 **Sec. 39.30.300. State of Alaska Teachers' and Public Employees' Retiree**
16 **Health Reimbursement Arrangement Plan established.** The State of Alaska
17 Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan is
18 established for teachers who first become members of the defined contribution plan of
19 the teachers' retirement system under AS 14.25.310 - 14.25.590 on or after July 1,
20 2005, and employees of the state, political subdivisions of the state, and public
21 organizations of the state who first become members of the defined contribution plan
22 of the public employees' retirement system under AS 39.35.700 - 39.35.990 on or after
23 July 1, 2005.

24 **Sec. 39.30.310. Purpose and effective date.** (a) The purpose of the plan is to
25 allow medical care expenses to be reimbursed from individual savings accounts
26 established for qualified members.

27 (b) The plan becomes effective July 1, 2005, at which time contributions by
28 employers begin.

29 **Sec. 39.30.320. Attorney general.** The attorney general of the state is the
30 legal counsel for the plan and shall advise the administrator and represent the plan in a
31 legal proceeding.

1 **Sec. 39.30.330. Administrator.** The commissioner of administration or the
2 commissioner's designee is the administrator of the plan.

3 **Sec. 39.30.340. Powers and duties of the administrator.** The administrator
4 shall establish a teachers' and public employees' retiree health reimbursement
5 arrangement plan trust fund in which the assets of the plan shall be deposited and held.
6 The administrator has the same powers and duties with regard to the plan and the trust
7 fund as provided in AS 14.25.004.

8 **Sec. 39.30.350. Employer contribution fund.** The fund established under
9 AS 39.30.340 is an employer contribution fund. The value of the fund reflects
10 employer contributions, expenses, and investment gains and losses. Employee
11 contributions to the fund are not permitted.

12 **Sec. 39.30.360. Management and investment of the fund.** The Alaska
13 Retirement Management Board is the fiduciary of the fund and has the same powers
14 and duties under this section in regard to the fund as are provided under AS 37.10.220.

15 **Sec. 39.30.370. Contributions by employers.** For each member of the plan,
16 an employer shall contribute to the teachers' and public employees' retiree health
17 reimbursement arrangement plan trust fund an amount equal to one percent of the
18 employer's average annual employee compensation, not to exceed \$500 a member a
19 year. The administrator shall maintain a record for each member to account for
20 employer contributions on behalf of that member. The board shall establish by
21 regulation the rate of interest to be applied annually to the amount in a member's
22 record.

23 **Sec. 39.30.380. Termination of employment.** A person who terminates
24 employment before application and eligibility for normal retirement loses any right to
25 the contributions made on behalf of the person to the teachers' and public employees'
26 retiree health reimbursement arrangement trust fund. If a person returns to
27 employment with the same employer within five years after the date of termination
28 and if the employer is still a participating employer, the person's account balance shall
29 be restored in the amount recorded on the date of termination from the trust, without
30 interest or other adjustment.

31 **Sec. 39.30.390. Eligibility and enrollment.** A member is eligible for

1 reimbursement from the individual account established for that member under the plan
 2 when that member becomes eligible for medical benefits under AS 14.25.480 or
 3 AS 39.35.880. The administrator shall enroll an eligible member in the plan upon
 4 receipt of the eligible member's request for enrollment in retirement and medical
 5 benefits.

6 **Sec. 39.30.400. Benefits payable from the individual account.** (a) The
 7 administrator may pay the cost of monthly premiums for retiree major medical
 8 insurance on behalf of a participant if the participant elected retiree major medical
 9 insurance under AS 14.25.480 or AS 39.35.880.

10 (b) Upon application of a participant, the administrator shall reimburse to a
 11 participant the costs for medical care expenses as defined in 26 U.S.C. 213(d) .

12 (c) When the member's individual account balance is exhausted, the insurance
 13 premium payments under (a) of this section and the reimbursement of medical care
 14 expenses under (b) of this section end.

15 (d) If a participant dies before exhausting the participant's individual account,
 16 the surviving spouse and the surviving spouse's dependent children are eligible to be
 17 reimbursed for medical care expenses as defined in 26 U.S.C. 213(d) until the
 18 individual account is exhausted. If any amount remains in an individual account after
 19 the death of a participant, the account balance shall revert to the trust.

20 **Sec. 39.30.410. Exemption from taxation and process.** (a) Contributions
 21 and other amounts held in the plan on behalf of a member or other person who is or
 22 may become eligible for benefits under the plan may be used only to reimburse
 23 eligible medical expenses, are exempt from Alaska state and municipal taxes and
 24 federal taxes to the extent allowed under the Internal Revenue Code, and are not
 25 subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or
 26 charge of any kind, either voluntary or involuntary, before they are received by the
 27 person entitled to the amount under the terms of the plan. Any attempt to anticipate,
 28 alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of any
 29 right to amounts accrued in the plan is void. However, a member's right to receive
 30 benefits may be assigned

31 (1) under a qualified domestic relations order; or

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

3 (b) Notwithstanding AS 09.38.065, contributions and other amounts held in
4 the plan and benefits payable under this plan are exempt from garnishment, execution,
5 or levy.

6 **Sec. 39.30.420. Amendment and termination of plan.** (a) The state has the
7 right to amend the plan at any time and from time to time, in whole or in part,
8 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

9 (b) The plan administrator may not modify or amend the plan retroactively in
10 such a manner as to reduce the benefits of any member accrued to date under the plan
11 by reason of contributions made before the modification or amendment except to the
12 extent that the reduction is permitted by the Internal Revenue Code.

13 (c) The state may, in its discretion, terminate the plan in whole or part at any
14 time without liability for the termination. If the plan is terminated, all investments
15 remain in force until all individual accounts have been completely distributed under
16 the plan, and, after all plan liabilities are satisfied, excess assets revert to the employer.

17 (d) Any contribution made by an employer to the plan because of a mistake of
18 fact must be returned to the employer by the administrator within one year after the
19 contribution or discovery, whichever is later.

20 **Sec. 39.30.430. Exclusive benefit.** (a) The corpus or income of the assets
21 held in trust as required by the plan may not be diverted or used for other than the
22 exclusive benefit of the participants.

23 (b) The assets of the plan may not be used to pay premiums or contributions of
24 the employer under another plan maintained by the employer.

25 **Sec. 39.30.495. Definitions.** Unless the context requires otherwise, in
26 AS 39.30.300 - 39.30.495

27 (1) "administrator" means the commissioner of administration or the
28 commissioner's designee;

29 (2) "board" means the Alaska Retirement Management Board
30 established under AS 37.10.210;

31 (3) "compensation" has the meaning given in AS 14.25.590;

1 (4) "employer" has the meaning given in AS 14.25.590 for employers
 2 of teachers in the defined contribution plan established in AS 14.25.310 - 14.25.590
 3 and has the meaning given in AS 39.35.990 for employers of public employees in the
 4 defined contribution plan established in AS 39.35.700 - 39.35.990;

5 (5) "fund" means the assets of the teachers' and public employees'
 6 retiree health reimbursement arrangement plan trust fund;

7 (6) "individual account" means the record established by the
 8 administrator for individual employees under the teachers' and public employees'
 9 retiree health reimbursement arrangement plan;

10 (7) "member" means a member of the defined contribution plan of the
 11 teachers' retirement system in AS 14.25.310 - 14.25.590 or a member of the public
 12 employees' retirement system in AS 39.35.700 - 39.35.990;

13 (8) "qualified domestic relations order" has the meaning given in
 14 AS 14.25.220;

15 (9) "qualified member" means a member entitled to medical benefits.

16 * **Sec. 62.** AS 39.35 is amended by adding new sections to read:

17 **Article 1. Administration of the Public Employees' Retirement System of Alaska.**

18 **Sec. 39.35.001. Purpose.** The purpose of this chapter is to encourage
 19 qualified personnel to enter and remain in service with participating employers by
 20 establishing plans for the payment of retirement, disability, and death benefits to or on
 21 behalf of the members.

22 **Sec. 39.35.002. Attorney general.** The attorney general of the state is the
 23 legal counsel for the system and shall advise the administrator and represent the
 24 system in a legal proceeding.

25 **Sec. 39.35.003. Administrator.** (a) The commissioner of administration or
 26 the commissioner's designee is the administrator of the system.

27 (b) The commissioner of administration shall adopt regulations to govern the
 28 operation of the system.

29 **Sec. 39.35.004. Powers and duties of the administrator.** (a) The
 30 administrator shall

31 (1) establish and maintain an adequate system of accounts;

1 (2) transmit the funds deposited in the system to the retirement fund
2 established and maintained by the Alaska Retirement Management Board;

3 (3) approve or disapprove claims for retirement benefits;

4 (4) make payments for the various purposes specified;

5 (5) submit periodic reports or statements of account that are needed;

6 (6) issue a statement of account to an employee not less than once each
7 year showing the amount of the employee's contributions to the applicable plan in the
8 system;

9 (7) formulate and recommend to the commissioner of administration
10 regulations to govern the operation of the system;

11 (8) as soon as possible after the close of each fiscal year, and not later
12 than six months after the close of each fiscal year, send to the governor and the
13 legislature an annual statement on the operations of each of the plans in the system
14 containing

15 (A) a balance sheet;

16 (B) a statement of income and expenditures for the year;

17 (C) a report on valuation of trust fund assets;

18 (D) a summary of assets held in the trust fund listed by the
19 categories of investment, as provided by the Alaska Retirement Management
20 Board;

21 (E) other statistical financial data that are necessary for proper
22 understanding of the financial condition of the system as a whole and each plan
23 in the system and the result of its operations;

24 (9) engage an independent certified public accountant to conduct an
25 annual audit of each plan's accounts and the annual report of the system's financial
26 condition and activity;

27 (10) report to the Legislative Budget and Audit Committee concerning
28 the condition and administration of each plan and distribute the report to the members
29 of each plan in the system;

30 (11) publish an information handbook for each plan in the system at
31 intervals that the administrator considers appropriate; and

1 (12) meet at least annually with the board to review the condition and
 2 management of the retirement systems and to review significant changes to policies,
 3 regulations or benefits;

4 (13) do whatever else may be necessary to carry out the purposes of
 5 each plan in the system.

6 (b) The administrator is authorized to charge uniform fees to members'
 7 accounts to cover the ongoing cost of operating each plan in the system.

8 (c) The administrator is authorized to contract with public and private entities
 9 to provide record keeping, benefits payments, and other functions necessary for the
 10 administration of each plan in the system.

11 **Sec. 39.35.005. Regulations.** (a) Regulations adopted by the commissioner
 12 of administration under this chapter relate to the internal management of state
 13 agencies, and the adoption of these regulations is not subject to AS 44.62
 14 (Administrative Procedure Act).

15 (b) Notwithstanding (a) of this section, a regulation adopted under this chapter
 16 shall be published in the Alaska Administrative Register and Code for informational
 17 purposes.

18 (c) Each regulation adopted under this chapter must conform to the style and
 19 format requirements of the drafting manual for administrative regulations that is
 20 published under AS 44.62.050.

21 (d) At least 30 days before the adoption, amendment, or repeal of a regulation
 22 under this chapter, the board shall provide notice of the action that is being considered.
 23 The notice shall be

24 (1) posted in public buildings throughout the state;

25 (2) published in one or more newspapers of general circulation in each
 26 judicial district of the state;

27 (3) mailed to each person or group that has filed a request for notice of
 28 proposed action with the board; and

29 (4) furnished to each member of the legislature and to the Legislative
 30 Affairs Agency.

31 (e) Failure to mail notice to a person as required under (d)(3) of this section

1 does not invalidate an action taken by the board.

2 (f) The board may hold a public hearing on a proposed regulation.

3 (g) A regulation adopted under this chapter takes effect 30 days after adoption
4 by the board.

5 (h) Notwithstanding the other provisions of this section, a regulation may be
6 adopted, amended, or repealed, effective immediately, as an emergency regulation by
7 the unanimous vote of a quorum of the board. For an emergency regulation to be
8 effective the board must find that the adoption, amendment, or repeal of the regulation
9 is necessary for the immediate preservation of the orderly operation of the system or
10 the business of the board. The board shall, within 10 days after adoption of an
11 emergency regulation, give notice of the adoption under (d) of this section. An
12 emergency regulation adopted under this subsection may not remain in effect past the
13 date of the next regular board meeting unless the board complies with the procedures
14 set out in this section and adopts the regulation as a permanent regulation.

15 (i) In this section, "regulation" has the meaning given in AS 44.62.640(a).

16 **Sec. 39.35.006. Appeals.** An employer, member, annuitant, or beneficiary
17 may appeal a decision made by the administrator to the office of administrative
18 hearings established under AS 44.64. An aggrieved party may appeal a final decision
19 to the superior court.

20 **Sec. 39.35.007. Investment management of retirement system funds.** The
21 Alaska Retirement Management Board established under 37.10.210 is the fiduciary of
22 the system funds.

23 **Sec. 39.35.008. Definitions.** In AS 39.35.001 - 39.35.008,

24 (1) "plan" means the retirement plan established in AS 39.35.095 -
25 39.35.680 or the retirement plan established in AS 39.35.700 - 39.35.990;

26 (2) "system" means all retirement plans established under the public
27 employees' retirement system.

28 * **Sec. 63.** AS 39.35 is amended by adding a new section to read:

29 **Article 2. Public Employees First Hired before July 1, 2005.**

30 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680 to employees first**
31 **hired before July 1, 2005.** The following provisions of this chapter apply only to

1 members first hired before July 1, 2005: AS 39.35.095 - 39.35.680.

2 * **Sec. 64.** AS 39.35.100 is amended to read:

3 **Sec. 39.35.100. Accounting.** (a) The commissioner of administration shall
4 establish and maintain an adequate system of accounts and records for the **plan**
5 [SYSTEM]. The accounts and records shall be integrated with the accounts, records,
6 and procedures of the employers to the end that they operate most effectively and at
7 minimum expense, and that duplication of records and accounts is avoided.

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

10 (1) An individual account shall be maintained for each employee to
11 record the amount of the employee's mandatory contributions collected under
12 AS 39.35.160(a). As of the last day of each calendar year and each fiscal year
13 beginning with June 30, 1969, this account shall be credited with interest, by applying
14 [ONE HALF OF] the prescribed rate of interest **as determined by the board** to the
15 balance in the account as of that date. Within one year following retirement, the
16 amount actuarially determined as necessary to fully fund the benefits to be received
17 shall be transferred first from the employee contribution account and, after the
18 employee contribution account has been exhausted, then from the employer
19 contribution account into the retirement reserve account.

20 (2) An individual account shall be maintained for each employee to
21 record the amount of the employee's voluntary contributions. As of the last day of
22 each calendar year and each fiscal year beginning with June 30, 1969, this account
23 shall be credited with interest, by applying [ONE HALF OF] the prescribed rate of
24 interest **as determined by the board** to the balance in the account as of that date.
25 Amounts that, before termination of employment, are withdrawn by an employee from
26 the employee's savings account shall be charged to that account. Upon retirement, the
27 amount actuarially determined as necessary to fully fund the benefits to be received
28 shall be transferred first from the employee savings account and, after the employee
29 savings account has been exhausted, then from the employer contribution account into
30 the retirement reserve account.

31 (3) A separate account for each employer shall be maintained. The

1 account shall be credited with contributions of the employer. This account shall be
 2 charged with the employer's actuarial charge for pension, death benefits, and other
 3 benefits paid under this plan [SYSTEM] to or on behalf of the employee of the
 4 employer. After an allowance for interest credited to employee contribution accounts
 5 and employee savings accounts, the investment income of the pension fund shall be
 6 allocated to the retirement reserve account and to each employer asset share account
 7 according to the ratio that the average of the assets in the account as of the beginning
 8 and as of the end of the fiscal year bears to the total of the average balance of the
 9 retirement reserve account and all employer accounts.

10 (4) An expense account shall be maintained for the plan [SYSTEM].
 11 This account shall be charged with all disbursements representing administrative
 12 expenses incurred by the plan [SYSTEM]. At the end of the year the expense account
 13 shall be allocated to each employer in accordance with (3) of this subsection.
 14 Expenditures from this account shall be included in the governor's budget for each
 15 fiscal year and are subject to approval by the legislature.

16 * **Sec. 65.** AS 39.35 is amended by adding a new section to article 1 to read:

17 **Sec. 39.35.115. Defined benefits retirement plan.** (a) A defined benefits
 18 retirement plan for employees of the state, political subdivisions, and public
 19 organizations is created. The plan becomes effective January 1, 1961, at which time
 20 contributions by the employers and employees begin.

21 (b) The retirement plan established by AS 39.35.115 - 39.35.680 is intended to
 22 qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified
 23 retirement plan established and maintained by the state for its employees and for the
 24 employees of political subdivisions, public corporations, and public organizations of
 25 the state, and for the employees of other employers whose participation is authorized
 26 by AS 39.35.115 - 39.35.680 and who participate in this plan.

27 (c) An amendment to AS 39.35.115 - 39.35.680 does not provide a person
 28 with a vested right to a benefit if the Internal Revenue Service determines that the
 29 amendment will result in disqualification of the plan under the Internal Revenue Code.

30 * **Sec. 66.** AS 39.35.131 is amended to read:

31 **Sec. 39.35.131. Membership in teachers' and public employees'**

1 **retirement systems.** (a) A person who is employed at least half-time in the **plan**
 2 [SYSTEM] during the same period that the person is employed at least half-time in a
 3 position in the teachers' retirement system under AS 14.25 shall receive credited
 4 service under each **retirement program** [SYSTEM] for half-time employment.
 5 However, the amount of credited service a person receives under the **plan** [SYSTEM]
 6 during a school year may not exceed the amount necessary, when added to the amount
 7 of credited service earned during the school year under the teachers' retirement
 8 system, to equal one year of credited service.

9 (b) A person who was employed at least half-time in a position in the teachers'
 10 retirement system under AS 14.25 in the same period that the person was employed at
 11 least half-time in a position in this **plan** [SYSTEM] may claim credited service in both
 12 **retirement programs** [SYSTEMS] for employment before May 31, 1989. To obtain
 13 this credited service, the person shall claim the service and verify the period of half-
 14 time employment. When eligibility for half-time service credit has been established,
 15 an indebtedness shall be determined to the retirement **program** [SYSTEM] in which
 16 the person did not participate. The amount of the indebtedness is the full actuarial cost
 17 of providing benefits for the credited service claimed. Interest as prescribed by
 18 regulation accrues on that indebtedness beginning on the later of July 1, 1989, or the
 19 date on which the member is first eligible to claim the service. Any outstanding
 20 indebtedness existing at the time the person retires will require an actuarial adjustment
 21 to the benefits payable based on that service.

22 * **Sec. 67.** AS 39.35.158 is amended to read:

23 **Sec. 39.35.158. Administrative director of courts.** An administrative
 24 director of the Alaska court system who withdraws from the judicial retirement system
 25 under AS 22.25.012 is eligible for membership in the **plan** [SYSTEM] and shall
 26 receive credited service in the **plan** [SYSTEM] for service rendered as administrative
 27 director. To be eligible for membership in the **plan** [SYSTEM] under this subsection,
 28 the administrative director must contribute to the **plan** [SYSTEM]

29 (1) the amount the director would have contributed if the director had
 30 been a member during the director's period of membership in the judicial retirement
 31 system; and

1 (2) any contributions for services as administrative director refunded
 2 by the plan [SYSTEM] at the time the director became a member of the judicial
 3 retirement system.

4 * **Sec. 68.** AS 39.35.160(a) is amended to read:

5 (a) Beginning July 1, 2005 [JANUARY 1, 1987], each peace officer or fire
 6 fighter shall contribute to the plan a percentage [SYSTEM AN AMOUNT EQUAL
 7 TO SEVEN AND ONE-HALF PERCENT] of the peace officer's or fire fighter's
 8 compensation as determined under AS 39.35.162. Except as provided in (d) of this
 9 section, beginning July 1, 2005 [JANUARY 1, 1987], each other employee shall
 10 contribute to the system a percentage [AN AMOUNT EQUAL TO SIX AND
 11 THREE-QUARTERS PERCENT] of the employee's compensation as determined
 12 under AS 39.35.162. The contributions shall be deducted by the employer at the end
 13 of each payroll period. The contributions shall be deducted from employee
 14 compensation before computation of applicable federal taxes, and the contributions
 15 shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member may
 16 not have the option of making the payroll deduction directly instead of having the
 17 contribution picked up by the employer.

18 * **Sec. 69.** AS 39.35 is amended by adding new sections to read:

19 **Sec. 39.35.162. Calculation of member contribution rate.** (a) Each peace
 20 officer or fire fighter shall contribute a percentage of the peace officer's or fire fighter's
 21 compensation to be determined annually in advance by the administrator. Each other
 22 employee shall contribute a percentage of the employee's compensation to be
 23 determined annually in advance by the administrator. The employee contribution rate
 24 is the greater of

25 (1) 7.5 percent for a peace officer or fire fighter;
 26 (2) 6.75 percent for each other employee; or
 27 (3) one-half of the normal cost rate actuarially calculated to fund the
 28 benefits expected to be earned by active members during the fiscal year.

29 (b) The normal cost rate for peace officers or fire fighters and the employee
 30 contribution rate for other employees shall be separately calculated based on the
 31 actuarially calculated costs for each group of employees. The maximum increase in

1 the contribution rate for a peace officer or fire fighter or other employee from one year
2 to the next may not be more than five percentage points, as actuarially calculated.

3 * **Sec. 70.** AS 39.35.165(a) is amended to read:

4 (a) An employee who is eligible to purchase credited service under
5 AS 39.35.310, 39.35.330, 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, or
6 39.35.370, a member who is eligible to purchase credited service under AS 39.35.375,
7 or an elected public official who is eligible to purchase credited service under
8 AS 39.35.381 is an employee for purposes of this section. An employee may, in lieu
9 of making payments directly to the plan, elect to have the employee's employer make
10 payments as provided in this section.

11 * **Sec. 71.** AS 39.35.165(b) is amended to read:

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

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

19 (2) the employee shall make an irrevocable election under this section
20 to purchase credited service as permitted in AS 39.35.310, 39.35.330, 39.35.340,
21 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or 39.35.381 and
22 before the employee's termination of employment; the irrevocable election must
23 specify the number of payroll periods that deductions will be made from the
24 employee's compensation and the dollar amount of deductions for each payroll period
25 during the specified number of payroll periods; the deductions made under this
26 paragraph cease upon the earlier of the member's termination of employment with the
27 employer or the member's death; amounts paid by an employer under (f) of this
28 section may not be applied toward the payment of the dollar amount of the deductions
29 representing the portion of the credited service that is being purchased by the member
30 through payroll deduction in accordance with the member's irrevocable election under
31 this subsection;

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

6 * **Sec. 72.** AS 39.35.165(f) is amended to read:

7 (f) The commissioner may accept rollover contributions from a member [AND
 8 DIRECT TRANSFERS, AS DESCRIBED IN THIS SUBSECTION, FOR THE
 9 PURCHASE, IN WHOLE OR IN PART, OF CREDITED SERVICE FOR THE
 10 REINSTATEMENT, IN WHOLE OR IN PART, OF FORFEITED CREDITED
 11 SERVICE UNDER AS 39.35.350]. A rollover contribution [OR TRANSFER] as
 12 described in this subsection shall also be treated as employer contributions for the
 13 purpose of determining tax treatment under the Internal Revenue Code and may be
 14 made by any one or a combination of the following methods:

15 (1) subject to the limitations prescribed in 26 U.S.C. 401(a)(3) and 26
 16 U.S.C. 402(c), accepting eligible rollover distributions directly from one or more
 17 retirement programs of another employer that are qualified under 26 U.S.C. 401(a) or
 18 accepting rollovers directly from a member;

19 (2) subject to the limitations prescribed in 26 U.S.C. 408(d)(3)(A)(ii),
 20 accepting from a member conduit rollover contributions that are received by the
 21 employee from one or more conduit rollover individual retirement accounts previously
 22 established by the member;

23 (3) subject to the limitations prescribed in 26 U.S.C. 403(b)(13),
 24 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
 25 member, on or after January 1, 2002, from a tax sheltered annuity described in 26
 26 U.S.C. 403(b);

27 (4) subject to the limitations prescribed in 26 U.S.C. 457(e)(17),
 28 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
 29 member, on or after January 1, 2002, from an eligible deferred compensation plan of a
 30 tax-exempt organization or a state or local government described in 26 U.S.C. 457(b);

31 (5) accepting direct trustee-to-trustee transfer from an account

1 established for the benefit of the member in AS 39.30.150 - 39.30.180 (Alaska
2 Supplemental Annuity Plan).

3 * **Sec. 73.** AS 39.35.165(g) is amended to read:

4 (g) Payments made under this section shall be applied to reduce the
5 employee's outstanding indebtedness described in AS 39.35.310, 39.35.330,
6 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
7 39.35.381 at the time that the contributions are received by the plan.

8 * **Sec. 74.** AS 39.35.165(i) is amended to read:

9 (i) On satisfaction of the eligibility requirements of AS 39.35.310, 39.35.330,
10 39.35.340, 39.35.341, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
11 39.35.381, the requirements of this section, and the administrative filing requirements
12 specified by the commissioner, the plan shall adjust the employee's credited service
13 history and add any additional service credits acquired.

14 * **Sec. 75.** AS 39.35.200 is amended by adding a new subsection to read:

15 (d) An employee who receives a refund of contributions in accordance with
16 this section forfeits corresponding credited service under AS 39.35.115 - 39.35.680.

17 * **Sec. 76.** AS 39.35.270 is amended to read:

18 **Sec. 39.35.270. Amount of employer's contributions.** The amount of each
19 employer's contributions shall be determined by applying the employer's contribution
20 rate, as certified by the board, to the total compensation paid to the active employees
21 of the employer for each payroll period and by including any adjustments to
22 contributions required by AS 39.35.520(a). This amount shall be remitted by the
23 employer to the administrator in accordance with AS 39.35.610.

24 * **Sec. 77.** AS 39.35.270 is amended by adding a new subsection to read:

25 (b) When added to the member contribution rate calculated under
26 AS 39.35.162, the employer contribution may not be less than the rate required, as
27 determined by the board, to fully fund the future liabilities of active members.

28 * **Sec. 78.** AS 39.35.340(f) is amended to read:

29 (f) An employee cannot be credited with a period of active military service in
30 the armed forces of the United States under this section if credit for that military
31 service was granted under AS 14.25.009 - 14.25.220 [AS 14.25].

1 * **Sec. 79.** AS 39.35.340(h) is amended to read:

2 (h) The combined period of military service claimed under this section and
3 under AS 14.25.009 - 14.25.220 [AS 14.25] may not exceed five years.

4 * **Sec. 80.** AS 39.35.360(i) is amended to read:

5 (i) An employee who completes three years of credited service with an
6 employer, for which the employee makes contributions required by AS 39.35.095 -
7 39.35.680 [THIS CHAPTER], is entitled to credited service on a year-for-year basis
8 for service credited in the Civil Service Retirement System, rendered as an employee
9 of an Alaska Bureau of Indian Affairs (BIA) school, other than service as a teacher.
10 When eligibility for retroactive credited service under this subsection has been
11 established, an indebtedness of the employee to the plan [SYSTEM] shall be
12 determined as follows: (1) the employee's actual annual compensation, or the
13 calculated annual compensation for an employee who works fewer than 12 months, for
14 the most recent calendar year in which service is rendered to an employer before the
15 calendar year in which the employee first becomes eligible to claim service under this
16 subsection, multiplied by (2) the number of years of service in Alaska BIA schools
17 that is credited under this subsection, and this product multiplied by (3) six percent for
18 employees first eligible to claim this service before January 1, 1987, or eight and one-
19 half percent for employees first eligible to claim this service on or after January 1,
20 1987. Interest as prescribed by regulation accrues on the indebtedness beginning on
21 the date the employee may first claim the retroactive credited service. Any
22 outstanding indebtedness that exists at the time the employee retires requires an
23 actuarial adjustment to the benefits that are based on retroactive credited service under
24 this subsection. A retirement benefit payable under this subsection for Alaska BIA
25 service shall be reduced by an amount equal to the retirement benefits paid to the
26 member by the United States government for the same service.

27 * **Sec. 81.** AS 39.35.360(l) is amended to read:

28 (l) An administrative director of the Alaska Court System who withdraws
29 from the judicial retirement system under AS 22.25.012(b) is eligible for membership
30 in the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] and shall receive
31 credited service in this plan [SYSTEM] for service rendered as administrative

1 director. To be eligible for membership in this plan [SYSTEM] under this subsection,
2 the administrative director must contribute to the plan [SYSTEM]

3 (1) the amount that would have been contributed if the administrative
4 director had been a member during the period of the membership in the judicial
5 retirement system; and

6 (2) any contributions for service as administrative director refunded
7 from the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] at the time the
8 administrative director became a member of the judicial retirement system.

9 * **Sec. 82.** AS 39.35.370(g) is amended to read:

10 (g) When an employee who was employed as a dispatcher in a state trooper
11 office or in a police or fire department in the plan [PUBLIC EMPLOYEES'
12 RETIREMENT SYSTEM] applies for appointment to retirement, the employee may
13 convert the credited service for that position to credited service as a peace officer by
14 claiming the service as peace officer service. An employee who has converted
15 credited service to peace officer service under this subsection shall be treated as a
16 peace officer for purposes of AS 39.35.095 - 39.35.680 [THIS CHAPTER]. When the
17 member claims this credited service as peace officer service, an indebtedness of the
18 member to the plan [SYSTEM] shall be established. The indebtedness is equal to the
19 full actuarial cost of the conversion of the credited service to treatment as peace
20 officer service. Any outstanding indebtedness that exists at the time the member is
21 appointed to retirement will require an actuarial adjustment to the benefits payable
22 based upon the conversion of the credited service.

23 * **Sec. 83.** AS 39.35.375(a) is amended to read:

24 (a) An active or inactive member who has never been vested in this plan
25 [SYSTEM] or in the teachers' retirement system under AS 14.25, who has at least two
26 years of credited service in this plan [SYSTEM], and who has membership service in
27 the teachers' retirement system may claim credited service in this plan [SYSTEM] in
28 an amount equal to the membership service the member has in the teachers' retirement
29 system. The claimed credited service may be added to service earned under
30 AS 39.35.095 - 39.35.680 [THIS CHAPTER] to enable the member to qualify for a
31 public service benefit under this section. The member may not claim credited service

1 for membership service for which the member has received a refund under
 2 AS 14.25.150 unless the member fully pays the indebtedness as established under
 3 AS 14.25.063. The member may not claim credited service in this **plan** [SYSTEM]
 4 based on unused sick leave under AS 14.25.115.

5 * **Sec. 84.** AS 39.35.375(b) is amended to read:

6 (b) To claim credited service under this section, the member shall file a
 7 written request with the administrator when the member applies to retire. The
 8 administrator shall determine the full actuarial cost of benefits based on the member's
 9 total credited service and shall transfer from the teachers' retirement system to this
 10 **plan** [SYSTEM] an amount equal to the sum of the member contributions and any
 11 indebtedness payments to the teachers' retirement system and the employer
 12 contributions to the teachers' retirement system made on behalf of the employee
 13 together with interest earned on those contributions and indebtedness payments. If the
 14 amount to be transferred, when combined with the amount of employee contributions
 15 and indebtedness payments to this **plan** [SYSTEM] and the amount of employer
 16 contributions on behalf of the employee in this **plan** [SYSTEM], and interest earned
 17 on contributions and indebtedness payments for the employee, is less than the full
 18 actuarial cost computed under this subsection, an indebtedness to the **plan** [SYSTEM]
 19 equal to the amount of the difference is established. Interest as prescribed by
 20 regulation accrues on the indebtedness. The member must pay any outstanding
 21 indebtedness existing at the time the member applies for retirement in full before the
 22 member is appointed to retirement under this section.

23 * **Sec. 85.** AS 39.35.375(c) is amended to read:

24 (c) A member is entitled to receive a public service benefit under this section
 25 if the member has at least a total of five years credited service under **AS 39.35.095 -**
 26 **39.35.680** [THIS CHAPTER] and credited service from the teachers' retirement
 27 system claimed under this section. A public service benefit shall be calculated using
 28 the higher of the average monthly compensation for service in this **plan** [SYSTEM] or
 29 the average base salary for service in the teachers' retirement system. The amount of
 30 the benefit shall be calculated in accordance with AS 39.35.370(c).

31 * **Sec. 86.** AS 39.35.375(d) is amended to read:

1 (d) Credited service earned under either this **plan** [SYSTEM] or the teachers'
 2 retirement system that has been claimed for a public service benefit under this section
 3 may not be used for any other purpose. A member who claims credited service under
 4 this section loses all rights to benefits under AS 14.25 based on the claimed credited
 5 service. A member may not claim credited service under this section unless the
 6 member claims all of the membership service the member has in the teachers'
 7 retirement system. A public service benefit does not constitute a normal or early
 8 retirement benefit for purposes of qualifying for a conditional service retirement
 9 benefit under AS 14.25.125 or AS 39.35.385.

10 * **Sec. 87.** AS 39.35.375(f) is amended to read:

11 (f) Notwithstanding AS 14.25.063 and AS 39.35.350, a former member of the
 12 teachers' retirement system who is an active member or inactive member of this **plan**
 13 [SYSTEM] may reinstate, under this section, membership service earned under
 14 AS 14.25 for which the member received a refund of contributions.

15 * **Sec. 88.** AS 39.35.375(f) is amended to read:

16 (f) Notwithstanding AS 14.25.063 [AND AS 39.35.350], a former member of
 17 the teachers' retirement system who is an active member or inactive member of this
 18 plan may reinstate, under this section, membership service earned under AS 14.25 for
 19 which the member received a refund of contributions.

20 * **Sec. 89.** AS 39.35.375(g) is amended to read:

21 (g) If a member retires under this section and subsequently returns to work for
 22 an employer under this **plan** [SYSTEM] or the teachers' retirement system, benefits
 23 under this section shall cease during the period of reemployment and shall
 24 recommence when the reemployment is ended. The credited service earned during the
 25 period of reemployment may not be added to the credited service claimed for a public
 26 service benefit under this section. If a member vests and meets the other eligibility
 27 requirements under this system or the teachers' retirement system during the
 28 reemployment, the member is entitled to a benefit under **AS 14.25.009 - 14.25.220**
 29 [AS 14.25] or **39.35.095 - 39.35.680** [AS 39.35], as appropriate.

30 * **Sec. 90.** AS 39.35.375 is amended by adding a new subsection to read:

31 (h) In this section,

1 (1) "teachers' retirement system" and "teachers' retirement system
2 under AS 14.25" means the teachers' retirement plan established in AS 14.25.009 -
3 14.25.220;

4 (2) "membership service earned under AS 14.25" means membership
5 service earned under AS 14.25.009 - 14.25.220.

6 * **Sec. 91.** AS 39.35.381(a) is amended to read:

7 (a) An elected public officer is eligible for a public officer benefit if the officer
8 is retired under AS 14.25.009 - 14.25.220 [AS 14.25 (TEACHERS' RETIREMENT
9 SYSTEM)]. Only fully paid credited service as an elected public officer of a
10 municipality or other political subdivision, earned while the municipality or political
11 subdivision was an employer under this plan [SYSTEM] and while the person was
12 employed full-time under AS 14.25.009 - 14.25.220 [AS 14.25], may be counted
13 under this section.

14 * **Sec. 92.** AS 39.35.410(f) is amended to read:

15 (f) An employee is not entitled to an occupational disability benefit unless the
16 employee files an application for it with the administrator within 90 days of the date of
17 terminating employment. If the employee is unable to meet a filing requirement of
18 this subsection, it may be waived by the administrator [PUBLIC EMPLOYEES'
19 RETIREMENT BOARD] if there are extraordinary circumstances that resulted in the
20 employee's inability to meet the filing requirement. [THE BOARD MAY
21 DELEGATE THE AUTHORITY TO WAIVE A FILING DEADLINE UNDER THIS
22 SUBSECTION TO THE ADMINISTRATOR.]

23 * **Sec. 93.** AS 39.35.475(b) is amended to read:

24 (b) The increase in benefit payments applies to total benefit payments
25 [EXCEPT FOR THE COST-OF-LIVING ALLOWANCE UNDER AS 39.35.480].
26 The amount of the increase is a percentage of the current benefit equal to

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

30 (2) the lesser of 50 percent of the increase in the cost of living in the
31 preceding calendar year or six percent, for recipients who on July 1 are at least 60 but

1 less than 65 years old or for recipients who are less than 60 years old on July 1 but
2 who have received benefits from the **plan** [SYSTEM] for at least five years.

3 * **Sec. 94.** AS 39.35.485(a) is amended to read:

4 (a) An employee who is eligible for a benefit calculated in accordance with
5 AS 39.35.370(c) is entitled to a benefit of at least \$25 a month for each year of
6 credited service, not including adjustments made under AS 39.35.340 for military
7 service, AS 39.35.350 for reinstatement of credited service, AS 39.35.360 for credit
8 for earlier service, AS 39.35.370(c) for early retirement, AS 39.35.420 for
9 nonoccupational death benefits, AS 39.35.450 for the survivor's option, former
10 AS 39.35.460 for the level income option, **and** AS 39.35.475 for the post-retirement
11 pension adjustment [, AND AS 39.35.480 FOR THE COST OF LIVING].

12 * **Sec. 95.** AS 39.35.485(a) is amended to read:

13 (a) An employee who is eligible for a benefit calculated in accordance with
14 AS 39.35.370(c) is entitled to a benefit of at least \$25 a month for each year of
15 credited service, not including adjustments made under AS 39.35.340 for military
16 service, [AS 39.35.350 FOR REINSTATEMENT OF CREDITED SERVICE,]
17 AS 39.35.360 for credit for earlier service, AS 39.35.370(c) for early retirement,
18 AS 39.35.420 for nonoccupational death benefits, AS 39.35.450 for the survivor's
19 option, former AS 39.35.460 for the level income option, and AS 39.35.475 for the
20 post-retirement pension adjustment.

21 * **Sec. 96.** AS 39.35.680(2) is amended to read:

22 (2) "actuarial adjustment" means the adjustment necessary to obtain
23 equality in value of the aggregate expected payments under two different forms of
24 pension payments, considering expected mortality and interest earnings on the basis of
25 assumptions, factors, and methods specified in regulations issued under this **plan**
26 [SYSTEM] that are formally adopted [UNDER AS 39.35.042] by the board that
27 clearly preclude employer discretion in the determination of the amount of any
28 member's benefit;

29 * **Sec. 97.** AS 39.35.680(6) is amended to read:

30 (6) "board" means the **Alaska Retirement Management** [PUBLIC
31 EMPLOYEES RETIREMENT] Board;

1 * **Sec. 98.** AS 39.35.680(34) is amended to read:

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

5 (A) creates or recognizes the existence of an alternate payee's
6 right to, or assigns to an alternate payee the right to, receive all or a portion of
7 employee contribution account or the benefits payable with respect to an
8 employee;

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

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

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

16 (E) sets out the **retirement plan** [SYSTEM] to which the order
17 applies;

18 (F) does not require any type or form of benefit or any option
19 not otherwise provided by **AS 39.35.010 - 39.35.680** [THIS CHAPTER];

20 (G) does not require an increase of benefits in excess of the
21 amount provided by **AS 39.35.010 - 39.35.680** [THIS CHAPTER], determined
22 on the basis of actuarial value; and

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

26 * **Sec. 99.** AS 39.35.680 is amended by adding a new paragraph to read:

27 (41) "plan" means the retirement plan established in AS 39.35.115 -
28 39.35.680.

29 * **Sec. 100.** AS 39.35 is amended by adding new sections to read:

30 **Article 9. Employees First Hired on or after July 1, 2005.**

31 **Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of

1 AS 39.35.700 - 39.35.990 apply only to members first hired on or after July 1, 2005.

2 **Sec. 39.35.710. Defined contribution retirement plan established; federal**
 3 **qualification requirements.** (a) A defined contribution retirement plan is established
 4 for employees of the state or a political subdivision or public organization of the state.

5 (b) The defined contribution retirement plan is a plan in which savings are
 6 accumulated in an individual retirement account for the exclusive benefit of the
 7 member or beneficiaries. The plan is established effective July 1, 2005, at which time
 8 contributions by employers and employees begin.

9 (c) The retirement plan established by AS 39.35.700 - 39.35.990 is intended to
 10 qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified
 11 retirement plan established and maintained by the state for its employees, for the
 12 employees of political subdivisions, public corporations, and public organizations of
 13 the state, and for the employees of other employers whose participation is authorized
 14 by AS 39.35.700 - 39.35.990 and who participate in the plan set out in AS 39.35.700 -
 15 39.35.990.

16 (d) An amendment to AS 39.35.700 - 39.35.990 does not provide a person
 17 with a vested right to a benefit if the Internal Revenue Service determines that the
 18 amendment will result in disqualification of the plan under the Internal Revenue Code.

19 **Sec. 39.35.720. Membership.** An employee first hired on or after July 1,
 20 2005, shall participate in the plan set out in AS 39.35.700 - 39.35.990.

21 **Sec. 39.35.730. Contributions by members.** (a) Member contributions to
 22 the trust fund are mandatory and shall be in an amount equal to eight percent of the
 23 member's compensation from July 1 to the following June 30. This contribution shall
 24 be paid into a member's individual account in the Department of Administration under
 25 the terms set out in AS 39.35.700 - 39.35.990.

26 (b) Subject to the limitations on contributions under AS 39.35.780, a member
 27 may elect to make additional contributions to the member's individual account.

28 (c) The employer shall deduct the contribution from the member's
 29 compensation at the end of each payroll period, and the contribution shall be credited
 30 by the plan to the member's individual account. The contributions shall be deducted
 31 from member's compensation before the computation of applicable federal taxes and

1 shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member may
 2 not have the option of making the payroll deduction directly in cash instead of having
 3 the contribution picked up by the employer.

4 **Sec. 39.35.740. Employment contributions mandatory.** Contributions of
 5 employees shall be made by payroll deductions. Every included employee shall be
 6 considered to consent to payroll deductions. It is of no consequence that a payroll
 7 deduction may cause the compensation paid in cash to an employee to be reduced
 8 below the minimum required by law. Payment of an employee's compensation, less
 9 payroll deductions, is a full and complete discharge and satisfaction of all claims and
 10 demands by the employee relating to remuneration of services during the period
 11 covered by the payment, except with respect to the benefits provided under the plan.

12 **Sec. 39.35.750. Contributions by employers.** (a) An employer shall
 13 contribute to each member's individual account an amount equal to 3.5 percent of the
 14 member's compensation from July 1 to the following June 30.

15 (b) An employer shall also contribute an amount equal to 3.75 percent of each
 16 member's compensation to pay for retiree major medical insurance. This contribution
 17 shall be paid into the group health and life benefits fund established by the
 18 commissioner of administration under AS 39.30.095 and shall be accounted for in
 19 accordance with regulations established by the commissioner.

20 (c) An employer shall also make contributions to the health reimbursement
 21 arrangement plan under AS 39.30.300.

22 **Sec. 39.35.760. Rollover contributions and distributions.** (a) An employee
 23 may elect, at the time and in the manner prescribed by the administrator, to have all or
 24 part of a direct rollover distribution from an eligible retirement plan owned by the
 25 member paid directly into the member's individual account established under
 26 AS 39.35.730 - 39.35.750.

27 (b) Rollover contributions do not count as a purchase of membership service
 28 for the purpose of determining years of service.

29 (c) A distributee may elect, at the time and in the manner prescribed by the
 30 administrator, to have all or part of an eligible rollover distribution paid directly to an
 31 eligible retirement plan specified by the distributee in the direct rollover.

1 (d) In this section,

2 (1) "direct rollover" means the payment of an eligible rollover
3 distribution by the plan to an eligible retirement plan specified by a distributee who is
4 eligible to elect a direct rollover;

5 (2) "distributee" means a member, or a beneficiary who is the
6 surviving spouse of the member, or an alternate payee;

7 (3) "eligible retirement plan" means

8 (A) a conduit individual retirement account described in 26
9 U.S.C. 408(d)(3)(A);

10 (B) an annuity plan described in 26 U.S.C. 403(a);

11 (C) a qualified trust described in 26 U.S.C. 401(a);

12 (D) an annuity plan described in 26 U.S.C. 403(b); or

13 (E) a governmental plan described in 26 U.S.C. 457(b);

14 (4) "eligible rollover distribution" means a distribution of all or part of
15 a total account to a distributee, except for

16 (A) a distribution that is one of a series of substantially equal
17 installments payable not less frequently than annually over the life expectancy
18 of the distributee or the joint and last survivor life expectancy of the distributee
19 and the distributee's designated beneficiary, as defined in 26 U.S.C. 401(a)(9);

20 (B) a distribution that is one of a series of substantially equal
21 installments payable not less frequently than annually over a specified period
22 of 10 years or more;

23 (C) a distribution that is required under 26 U.S.C. 401(a)(9);

24 (D) the portion of any distribution that is not includable in
25 gross income;

26 (E) a distribution that is on account of hardship; and

27 (F) other distributions that are reasonably expected to total less
28 than \$200 during a year.

29 **Sec. 39.35.770. Transmittal of contributions.** All contributions deducted in
30 accordance with AS 39.35.700 - 39.35.990 shall be transmitted to the plan for deposit
31 in the trust fund as soon as administratively feasible, but in no event later than 15 days

1 following the close of the payroll period.

2 **Sec. 39.35.780. Limitations on contributions.** Notwithstanding any other
3 provisions of this plan, the annual additions to each member's individual account
4 under this plan and under all defined contribution plans of the employer required to be
5 aggregated with the contributions from this plan under the provisions of 26 U.S.C. 415
6 may not exceed, for any limitation year, the amount permitted under 26 U.S.C. 415 at
7 any time. If the amount of a member's defined contribution plan contributions exceeds
8 the limitation of 26 U.S.C. 415(c) for any limitation year, the administrator shall take
9 any necessary remedial action to correct an excess contribution. The provisions of 26
10 U.S.C. 415, and the regulations adopted under that statute, as applied to qualified
11 defined contribution plans of governmental employees are incorporated as part of the
12 terms and conditions of the plan.

13 **Sec. 39.35.790. Vesting.** (a) A participating member is immediately and
14 fully vested in that member's contributions and related earnings.

15 (b) A member shall be fully vested in the employer contributions made on that
16 member's behalf, and related earnings, after five years of service. A member is
17 partially vested in the employer contributions made on that member's behalf, and the
18 related earnings, in the ratio of

- 19 (1) 25 percent with two years of service;
20 (2) 50 percent with three years of service; and
21 (3) 75 percent with four years of service.

22 **Sec. 39.35.800. Investment of individual accounts.** (a) The board shall
23 provide a range of investment options and permit a participant to exercise investment
24 control over the participant's assets in the member's individual account as provided in
25 this section. If a participant exercises control over the assets in the individual account,
26 the participant is not considered a fiduciary for any reason on the basis of exercising
27 that control.

28 (b) A participant may direct investment of plan funds held in an account
29 among available investment funds in accordance with rules established by the board.

30 (c) A participant may elect to change or transfer all or a portion of the
31 participant's existing account balance among available investment funds not more

1 often than once each day in accordance with the rules established by the administrator.
 2 Only the last election received by the administrator before the transmittal of
 3 contributions to the trust fund for allocation to the individual account will be used to
 4 direct the investment of the contributions received.

5 (d) Except to the extent clearly set out in the terms of the investment plans
 6 offered by the employer to the employee, the employer is not liable to the participant
 7 for investment losses if the prudent investment standard has been met.

8 (e) The employer, administrator, state, board, or a person or entity who is
 9 otherwise a fiduciary is not liable by reason for any participant's investment loss that
 10 results from the participant's directing the investment of plan assets allocated to the
 11 participant's account.

12 (f) To the extent that a member's individual account has been divided as
 13 provided in a qualified domestic relations order between participants, each participant
 14 shall be treated as the holder of a separate individual account for purposes of
 15 investment yields, decisions, transfers, and time limitations imposed by this section.

16 **Sec. 39.35.810. Distribution election at termination.** (a) A member is
 17 eligible to elect distribution of the member's account in accordance with this section
 18 60 days after termination of employment.

19 (b) Notwithstanding (a) of this section, distribution of all or a portion of the
 20 individual account of a member may take place before the 60th day after the
 21 termination of employment with the approval of the administrator if the member
 22 makes a written request for a distribution under this subsection. The member's spouse
 23 must consent to the request in writing if the member is married. Distribution of an
 24 individual account may only be made on account of an immediate and heavy financial
 25 need of the member for the following reasons and in the amount the need is
 26 demonstrated for

27 (1) medical care described in 26 U.S.C. 213(d) incurred by the
 28 member, the member's spouse, or the member's dependent, or necessary to obtain that
 29 medical care;

30 (2) the purchase of a principal residence for the member;

31 (3) postsecondary education tuition and related educational fees for the

1 next 12-month period for the member, the member's spouse, or a dependent of the
2 member; in this paragraph, "dependent" has the meaning given in 26 U.S.C. 152;

3 (4) prevention of the eviction of the member from the member's
4 principal residence or foreclosure on the mortgage of the member's principal
5 residence; or

6 (5) any need prescribed by the United States Department of the
7 Treasury, Internal Revenue Service, in a revenue ruling, notice, or other document of
8 general applicability that satisfies the safe harbor definition of hardship under
9 regulations adopted under 26 U.S.C. 401(k).

10 (c) If a member dies before benefits commence, the member's beneficiary is
11 immediately eligible to elect distribution of the member's share of the member's
12 individual account.

13 (d) Distributions are payable to an alternate payee in accordance with the
14 terms and conditions of a qualified domestic relations order that is received and
15 approved by the administrator as specified in AS 39.35.860.

16 (e) Distributions that are being paid to a member may not be affected by the
17 member's subsequent reemployment with the employer. Upon reemployment, a new
18 individual account shall be established for the member to which any future
19 contributions shall be allocated. Upon subsequent termination of employment, the
20 member's new individual account shall be distributed in accordance with this section.

21 **Sec. 39.35.820. Forms of distribution.** (a) A participant may elect to receive
22 the participant's share of the individual account in a

23 (1) lump sum payment, which is a single payment of the entire balance
24 in the account;

25 (2) periodic lump sum payment, which is a payment of a portion of the
26 balance in the account, not more than twice each year;

27 (3) period certain annuity payment, which is an annuity payable in a
28 fixed number of monthly installments for a duration of 60, 120, or 180 months;

29 (4) life annuity with a period certain payment, which is an annuity
30 payable until the later of the first day of the month in which the annuitant's death
31 occurs, or the date on which the payment of a fixed number of monthly installments is

1 completed; the period certain for installments is 120 or 180 months;

2 (5) single life annuity payment, which is an annuity payable monthly
3 until the first of the month in which the annuitant's death occurs; or

4 (6) joint and survivor annuity payment, which is an annuity payable
5 monthly to the member until the first of the month in which the member's death
6 occurs; after the member's death, a survivor annuity equal to 50 percent or 100 percent
7 of the member's benefit, as previously elected by the member, shall be paid monthly to
8 the joint annuitant for the remainder of the survivor's lifetime.

9 (b) Upon the death of an annuitant whose payments have commenced, an
10 annuitant's beneficiary shall receive further payments only to the extent provided in
11 accordance with the form of payment that was being made to the annuitant. The
12 remaining portion of the interest will continue to be distributed at least as rapidly as
13 under the method of distribution being used before the annuitant's death.

14 (c) If a participant dies before the distribution commencement date,
15 distribution of the participant's entire interest to a beneficiary shall be payable in any
16 form other than a joint and survivor annuity.

17 (d) If an unmarried member or other participant fails to elect a form of
18 payment before the distribution commencement date, the account shall be paid to a
19 beneficiary in the form of a lump sum to the extent required by the minimum
20 distribution requirements set out in the Internal Revenue Code. If a married member
21 fails to elect a form of payment before the distribution commencement date, the
22 account shall be paid in the form of a 50 percent joint and survivor annuity, with the
23 member's spouse as the joint annuitant.

24 **Sec. 39.35.830. Manner of electing distributions.** (a) Any election or any
25 alteration or revocation of a prior election by a participant for any purpose under this
26 plan shall be on forms or made in a manner prescribed for that purpose by the plan
27 administrator. To be effective, the forms required or the required action for any
28 purpose under this plan must be completed and received in accordance with rules,
29 regulations, and policies adopted by the administrator.

30 (b) At any time, but not less than seven days before the benefit
31 commencement date, a member, alternate payee, or beneficiary may change

- 1 (1) the form of payment election;
- 2 (2) an election to commence benefits; or
- 3 (3) the joint annuitant designation.

4 (c) Changes in elections are not allowed on or after seven days before the
5 benefit commencement date.

6 **Sec. 39.35.840. Distribution requirements.** (a) Payments to a participant
7 shall commence as soon as administratively feasible following the distribution
8 commencement date. The distribution commencement date is the first date on which
9 one of the following occurs:

10 (1) a member meets the requirements of AS 39.35.810 and has made a
11 complete application for payment under AS 39.35.820;

12 (2) a participant has elected to defer receipt of the account to a date
13 specified, the date has been attained, and the participant has made a complete
14 application for payment;

15 (3) a member attains normal retirement age and has not made an
16 application for payment or elected to defer receipt of the account to a date later than
17 normal retirement age;

18 (4) a member's beneficiary does not make an application for benefits
19 and five years have elapsed since the member's death;

20 (5) notwithstanding AS 39.35.820, a participant whose account has a
21 balance of \$1,000 or less meets the requirements of AS 39.35.810, at which time the
22 participant must take payment of the participant's account.

23 (b) The entire interest of a member must be distributed or must begin to be
24 distributed not later than the member's required beginning date.

25 (c) If a member dies after the distribution of the member's interest has begun
26 but before the distribution has been completed, the remaining portion of the interest
27 shall continue to be distributed at least as rapidly as under the method of distribution
28 being used before the member's death.

29 (d) If a member has made a distribution election and dies before the
30 distribution of the member's interest begins, distribution of the member's entire interest
31 shall be completed by December 31 of the calendar year containing the fifth

1 anniversary of the member's death. However, if any portion of the member's interest
2 is payable to a designated beneficiary, distributions may be made over the life of the
3 designated beneficiary or over a period certain not greater than the life expectancy of
4 the designated beneficiary, commencing on or before December 31 of the calendar
5 year immediately following the calendar year in which the member died, and, if the
6 designated beneficiary is the member's surviving spouse, the date distributions are
7 required to begin may not be earlier than the later of December 31 of the calendar year
8 (1) immediately following the calendar year in which the member died, or (2) in which
9 the member would have attained 70 1/2 years of age, whichever is earlier. If the
10 surviving spouse dies after the member but before payments to the spouse have begun,
11 the provisions of this subsection apply as if the surviving spouse were the member.
12 An amount paid to a child of the member will be treated as if it were paid to the
13 surviving spouse if the amount becomes payable to the surviving spouse when the
14 child reaches the age of majority.

15 (e) If a member has not made a distribution election before the member's
16 death, the member's designated beneficiary must elect the method of distribution not
17 later than December 31 of the calendar year (1) in which distributions would be
18 required to begin under this section, or (2) that contains the fifth anniversary of the
19 date of death of the member, whichever is earlier. If the member does not have a
20 designated beneficiary or if the designated beneficiary does not elect a method of
21 distribution, distribution of the member's entire interest must be completed by
22 December 31 of the calendar year containing the fifth anniversary of the member's
23 death.

24 (f) For purposes of (b) of this section, distribution of a member's interest is
25 considered to begin (1) on the member's required beginning date, or (2) if the
26 designated beneficiary is the member's surviving spouse and the surviving spouse dies
27 after the member but before payments to the spouse have begun, on the date
28 distribution is required to begin to the surviving spouse. If distribution in the form of
29 an annuity irrevocably commences to the member before the required beginning date,
30 the date distribution is considered to begin is the date that the distribution actually
31 commences.

1 (g) Notwithstanding any contrary provisions of AS 39.35.700 - 39.35.990, the
 2 requirements of this section apply to all distributions of a member's interest and take
 3 precedence over any inconsistent provisions of AS 39.35.700 - 39.35.990.

4 (h) All distributions required under this section are determined and made in
 5 accordance with 26 U.S.C. 401(a)(9) and regulations adopted under that statute,
 6 including any minimum distribution incidental benefit requirement.

7 (i) In this section,

8 (1) "designated beneficiary" means the individual who is designated as
 9 the beneficiary under the plan in accordance with 26 U.S.C. 401(a)(9) and regulations
 10 adopted under that statute;

11 (2) "required beginning date" means the first day of April of the
 12 calendar year following the calendar year in which the member either attains 70 1/2
 13 years of age or actually retires, whichever is later.

14 **Sec. 39.35.850. Designation of beneficiary.** (a) Each participant shall have
 15 the right to designate a beneficiary and shall have the right, at any time, to revoke the
 16 designation or to substitute another beneficiary, subject to the following limitation: in
 17 the event a married member elects a nonspouse beneficiary, the actuarial equivalent
 18 value of the benefit payable to the beneficiary may not exceed 50 percent of the
 19 member's portion of the account balance, and the member's spouse shall automatically
 20 be considered the beneficiary for the remaining 50 percent of the account balance,
 21 unless the spouse consents to the beneficiary designation in a writing that is notarized
 22 or witnessed by the administrator. If the spouse consents in this manner, a married
 23 member may designate a nonspouse beneficiary for the entire benefit or any portion
 24 the benefit as part of an available form of payment contained in this plan,

25 (1) except to the extent a qualified domestic relations order filed with
 26 the administrator provides for payment to a former spouse or other dependent of the
 27 member; or

28 (2) unless the member filed a revocation of beneficiary accompanied
 29 by a written consent to the revocation from the present spouse and each person entitled
 30 under the order; however, consent of the present spouse is not required if the member
 31 and the present spouse had been married for less than one year on the date of the

1 member's death and if the member established when filing the revocation that the
2 member and the present spouse were not cohabiting.

3 (b) Except as provided in (a) of this section, the member may change or
4 revoke the designation without notice to the beneficiary or beneficiaries at any time.
5 If a member designates more than one beneficiary, each shares equally unless the
6 member specifies a different allocation or preference. The designation of a
7 beneficiary, a change or revocation of a beneficiary, and a consent to revocation of a
8 beneficiary shall be made on a form provided by the administrator and is not effective
9 until filed with the administrator.

10 (c) If a member fails to designate a beneficiary, or if no designated beneficiary
11 survives the member, the death benefit shall be paid

12 (1) to the surviving spouse or, if there is none surviving;

13 (2) to the surviving children in equal parts or, if there are none
14 surviving;

15 (3) to the surviving parents in equal parts or, if there are none
16 surviving;

17 (4) to the estate.

18 (d) A person claiming entitlement to benefits payable under AS 39.35.700 -
19 39.35.990 as a consequence of a member's death shall provide the administrator with a
20 marriage certificate, divorce or dissolution judgment, or other evidence of entitlement.
21 Documents establishing entitlement may be filed with the administrator immediately
22 after a change in the member's marital status. If the administrator does not receive
23 notification of a claim before the date 10 days after the member's death, the person
24 claiming entitlement is not entitled to receive from the division of retirement and
25 benefits any benefit already paid by the administrator.

26 **Sec. 39.35.860. Rights under qualified domestic relations order.** (a)
27 Notwithstanding the nonalienation provisions in AS 39.35.900(a), the plan
28 administrator may direct that benefits be paid to someone other than a member or
29 beneficiary under a valid qualified domestic relations order that is executed by the
30 judge of a competent court in accordance with applicable state law and that has been
31 accepted by the administrator.

1 (b) The administrator shall determine whether an order meets the requirements
 2 of this section within a reasonable period after receiving an order. The administrator
 3 shall notify the member and any alternate payee that an order has been received and
 4 indicate to the member and any alternate payee when the order is accepted. A separate
 5 account for the alternate payee portion shall be established as soon as administratively
 6 feasible after the order has been accepted by the administrator.

7 **Sec. 39.35.870. Retirement.** (a) In order to obtain medical benefits under
 8 AS 39.35.880 and access to the health reimbursement arrangement plan under
 9 AS 39.30.300, an active member must retire directly from the plan. A member is
 10 eligible to retire from the plan if

11 (1) the member has at least 25 years of service as a peace officer or fire
 12 fighter or 30 years of service for all other employees;

13 (2) the member reaches the normal retirement age of 65 years of age
 14 and has at least 10 years of membership service; and

15 (3) the member has been an active member for at least 12 months
 16 before application for retirement.

17 (b) A member must apply to the administrator for retirement and medical
 18 benefit enrollment. Application shall be made on forms and in the manner prescribed
 19 by the administrator.

20 (c) A member who continues in the employ of the employer after reaching
 21 normal retirement age shall continue to participate in the plan and to have
 22 contributions allocated to the member's account.

23 **Sec. 39.35.880. Medical benefits.** (a) The medical benefits available to
 24 eligible persons are access to the retiree major medical insurance plan and to the
 25 health reimbursement arrangement. Access to the retiree major medical insurance
 26 plan means that an eligible person may not be denied insurance coverage except for
 27 failure to pay the required premium.

28 (b) The following persons are eligible for the retiree major medical insurance
 29 plan provided under this section and the health reimbursement arrangement:

30 (1) a member

31 (A) with at least

- 1 (i) 25 years of service as a peace officer or fire fighter;
 2 or
 3 (ii) 30 years of service for all other employees; and
 4 (B) who retires directly from the plan;
 5 (2) the surviving spouse of a member who elected coverage under (1)
 6 of this subsection;
 7 (3) a member who reaches the normal retirement age of 65 years of
 8 age, has at least 10 years of service, and retires directly from the plan;
 9 (4) the surviving spouse of a member who elected coverage under (3)
 10 of this subsection.

11 (c) Retiree major medical insurance plan coverage elected by an eligible
 12 member under this section covers the eligible member, the spouse of the eligible
 13 member, and the dependent children of the eligible member.

14 (d) Retiree major medical insurance plan coverage elected by a surviving
 15 spouse of an eligible member under this section covers the surviving spouse and the
 16 dependent children of the surviving spouse.

17 (e) Major medical insurance coverage takes effect on the first day of the
 18 month following the date of the election and stops when the person who elects
 19 coverage under (b) of this section dies or fails to make a required premium payment.

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

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

29 (h) The cost of premiums for retiree major medical insurance coverage for an
 30 eligible member or surviving spouse who is

- 31 (1) not eligible for Medicare is an amount equal to the full monthly

1 group premium for retiree major medical insurance coverage;

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

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

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

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

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

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

13 (i) The eligibility for and cost of premiums for retiree major medical insurance
14 coverage for an alternate payee under a qualified domestic relations order shall be
15 determined based on the years of service of the member to which the alternate payee is
16 entitled under the order.

17 (j) A person who is entitled to retiree major medical insurance coverage shall

18 (1) be informed by the administrator in writing

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

22 (B) of time limits for selecting optional health insurance
23 coverage and whether the election is irrevocable; and

24 (2) indicate in writing on a form provided by the administrator that the
25 person has received the information required by this subsection and whether the
26 person has chosen to receive optional health insurance coverage.

27 (k) The monthly group premiums for retiree major medical insurance coverage
28 are established by the administrator in accordance with AS 39.30.095. Nothing in
29 AS 39.35.700 - 39.35.990 guarantees a person who elects coverage under (a) of this
30 section a monthly group premium rate for retiree major medical insurance coverage
31 other than the premium in effect for the month in which the premium is due for

1 coverage for that month.

2 (l) In this section,

3 (1) "health reimbursement arrangement" means the plan established in
4 AS 39.30.300;

5 (2) "retires directly from the plan" means that the member is an active
6 member at the time that the member applies to the administrator for retirement and
7 medical benefits enrollment and that the member continues as an active member up
8 through the day before the day the member is enrolled in retirement and medical
9 benefits.

10 **Sec. 39.35.890. Amendment and termination of plan.** (a) The state has the
11 right to amend the plan at any time and from time to time, in whole or in part,
12 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

13 (b) The plan administrator may not modify or amend the plan retroactively in
14 such a manner as to reduce the benefits of any member accrued to date under the plan
15 by reason of contributions made before the modification or amendment except to the
16 extent that the reduction is permitted by the Internal Revenue Code.

17 (c) The state may, in its discretion, terminate the plan in whole or part at any
18 time without liability for the termination. If the plan is terminated, all investments
19 remain in force until all individual accounts have been completely distributed under
20 the plan, and, after all plan liabilities are satisfied, excess assets revert to the employer.

21 (d) Any contribution made by an employer to the plan because of a mistake of
22 fact must be returned to the employer by the administrator within one year after the
23 contribution or discovery, whichever is later.

24 **Sec. 39.35.900. Exclusive benefit.** (a) The corpus or income of the assets
25 held in trust as required by the plan may not be diverted or used for other than the
26 exclusive benefit of the participants.

27 (b) If plan benefits are provided through the distribution of annuity or
28 insurance contracts, any refunds or credits in excess of plan benefits due to dividends,
29 earnings, or other experience rating credits, or surrender or cancellation credits, will be
30 paid to the trust fund.

31 (c) The assets of the plan may not be used to pay premiums or contributions of

1 the employer under another plan maintained by the employer.

2 **Sec. 39.35.910. Nonguarantee of returns, rates, or benefit amounts.** The
3 plan created by AS 39.35.700 - 39.35.990 is a defined contribution plan, not a defined
4 benefit plan. The amount of money in the account of a member depends on the
5 amount of contributions and the rate of return from investments of the account that
6 varies over time. If benefits are paid in the form of an annuity, the benefit amount
7 payable is dependent on the amount of money in the account and the interest rates
8 applied and service fees charged by the annuity payor at the time benefits are first
9 paid. Nothing in this plan guarantees a member, beneficiary, or alternate payee

10 (1) a rate of return or interest rate other than that actually earned by the
11 account of the member, beneficiary, or alternate payee, less applicable administrative
12 expenses;

13 (2) an annuity based on interest rates or service charges other than
14 interest rates available from and service charges by the annuity payor in effect at the
15 time the annuity is paid.

16 **Sec. 39.35.920. Nonguarantee of employment.** The provisions of
17 AS 39.35.700 - 39.35.990 are not a contract of employment between an employer and
18 an employee, nor do they confer a right of an employee to be continued in the
19 employment of an employer, nor are they a limitation of the right of an employer to
20 discharge an employee with or without cause.

21 **Sec. 39.35.930. Fraud.** A person who knowingly makes a false statement or
22 falsifies or permits to be falsified a record of this plan in an attempt to defraud the plan
23 is guilty of a class A misdemeanor.

24 **Sec. 39.35.990. Definitions.** In AS 39.35.700 - 39.35.990, unless the context
25 requires otherwise,

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

29 (2) "administrator" means the commissioner of administration or the
30 commissioner's designee;

31 (3) "alternate payee" means the person for whom an amount has been

1 separated into an account under a qualified domestic relations order described in
2 AS 39.35.860;

3 (4) "beneficiary" means the person or persons entitled under the
4 provisions of this plan to receive benefits after the death of a member or alternate
5 payee;

6 (5) "board" means the Alaska Retirement Management Board
7 established under AS 37.10.210;

8 (6) "calendar year" has the meaning given in AS 39.35.680;

9 (7) "compensation"

10 (A) means

11 (i) the total remuneration earned by an employee for
12 personal services rendered, including cost-of-living differentials, as
13 reported on the employee's Federal Income Tax Withholding Statement
14 (Form W-2) from the employer for the calendar year;

15 (ii) the teacher contribution to the teachers' retirement
16 system under AS 14.25.340, employee deferrals under AS 39.45.010,
17 the wage reduction amount contributed to the Alaska Supplemental
18 Annuity Plan under AS 39.30.150(a), and the wage reduction amount
19 contributed to the Alaska Supplemental Benefit Plan under
20 AS 39.30.150(c), as those statutes may be amended from time to time;

21 (B) does not include retirement benefits, severance pay or other
22 separation bonuses, welfare benefits, per diem, expense allowances, workers'
23 compensation payments, payments for leave not used whether those leave
24 payments are scheduled payments, lump-sum payments, donations, or cash-ins,
25 any remuneration contributed by the employer for or on account of the
26 employee under this plan or under any other qualified or nonqualified
27 employee benefit plan, any remuneration not specifically included above
28 which would have been excluded under 26 U.S.C. 3121(a) (Internal Revenue
29 Code) if the employer had remained in the Federal Social Security System, or
30 any remuneration paid by the employer in excess of the Social Security
31 Taxable Wage Base for the calendar year; notwithstanding the foregoing,

1 (C) includes any amount that is contributed by the employer
 2 under a salary reduction agreement and that is not includible in the gross
 3 income of the employee under 26 U.S.C. 125, 132(f)(4), 402(e)(3),
 4 402(h)(I)(B) or 403(b) (Internal Revenue Code); the annual compensation
 5 limitation for the member, which is so taken into account for those purposes,
 6 may not exceed \$200,000, as adjusted for the cost of living in accordance with
 7 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the limitation for a
 8 fiscal year being the limitation in effect for the calendar year within which the
 9 fiscal year begins;

10 (8) "dependent child" has the meaning in AS 39.35.680;

11 (9) "distribution commencement date" has the meaning given in
 12 AS 39.35.840(a);

13 (10) "employer" means

14 (A) the State of Alaska; or

15 (B) a political subdivision or public organization of the state
 16 that participates in the plan;

17 (11) "fund" means the assets of the plan;

18 (12) "individual account" means the total maintained by the plan in an
 19 investment account within the trust fund, established for each participant for the
 20 purposes of allocation of the member's contributions, the employer's contributions, and
 21 earnings credited to each of those contributing investment gains and losses, and
 22 expenses; as well as reporting of the member's benefit under the plan;

23 (13) "Internal Revenue Code" means the Internal Revenue Code of
 24 1986, as amended;

25 (14) "investment funds" means those separate funds that are provided
 26 within and that make up the trust fund and that are established for the purpose of
 27 directing investment through the exercise of the sole control of a member, beneficiary,
 28 or alternate payee under the terms of the plan and trust agreement;

29 (15) "member" means an employee of an employer or former
 30 employee of an employer who retains a right to benefits under the plan;

31 (16) "membership service" means full-time or part-time employment

1 by an employer in the plan and participation as an active member;

2 (17) "normal retirement age" means 65 years of age;

3 (18) "participant" means the person who has a vested right to an
4 individual account, such as a member, an alternate payee if the account is subject to a
5 qualified domestic relations order, the member's beneficiary if the member is
6 deceased, or an alternate payee's beneficiary if the alternate payee is deceased;

7 (19) "peace officer" or "fire fighter" has the meaning given in
8 AS 39.35.680;

9 (20) "plan" means the retirement plan established in AS 39.35.700 -
10 39.35.990;

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

14 (A) creates or recognizes the existence of an alternate payee's
15 right to, or assigns to an alternate payee the right to, receive all or a portion of
16 an individual account or the benefits payable with respect to an employee;

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

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

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

24 (E) sets out the retirement plan to which the order applies;

25 (F) does not require any type or form of benefit or any option
26 not otherwise provided by AS 39.35.700 - 39.35.990;

27 (G) does not require an increase of benefits in excess of the
28 amount provided by AS 39.35.700 - 39.35.990, determined on the basis of
29 actuarial value; and

30 (H) does not require the payment to an alternate payee of
31 benefits that are required to be paid to another alternate payee under another

1 order previously determined to be a qualified domestic relations order;

2 (22) "surviving spouse" means the spouse of an employee who has
3 been married to the employee for at least one year at the time of the employee's death;

4 (23) "system" has the meaning given in AS 39.35.680;

5 (24) "years of service" means the total number of complete years of
6 membership service completed by an employee; part-time service is given credit on a
7 pro rata basis if the part-time service was for regular employment at least 50 percent of
8 full time.

9 * **Sec. 101.** AS 39.45.030(a) is amended to read:

10 (a) The Alaska **Retirement Management** [STATE PENSION
11 INVESTMENT] Board is authorized, subject to contracts with individual employees,
12 to invest the funds held under a deferred compensation program. The board has the
13 same powers and duties concerning the management and investment in regard to those
14 funds as are provided under **AS 37.10.220** [AS 14.25.180].

15 * **Sec. 102.** AS 39.45.030(g) is amended to read:

16 (g) In this section, "board" means the Alaska **Retirement Management**
17 [STATE PENSION INVESTMENT] Board.

18 * **Sec. 103.** AS 39.45.060 is amended by adding a new paragraph to read:

19 (2) "board" means the trustees of the Alaska Retirement Management
20 Board established under AS 37.10.210.

21 * **Sec. 104.** AS 39.50.200(a)(9) is amended to read:

22 (9) "public official" means

23 (A) a judicial officer;

24 (B) the governor or the lieutenant governor;

25 (C) a person hired or appointed in a department in the
26 executive branch as

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

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

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

30 (iv) a person serving as the legislative liaison for the
31 department;

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

2 (E) the chair or a member of a state commission or board
3 [OTHER THAN PHYSICIAN MEMBERS OR ALTERNATES OF THE
4 ALASKA TEACHERS' RETIREMENT BOARD APPOINTED UNDER
5 AS 14.25.035(a)(2) OR OF THE PUBLIC EMPLOYEES' RETIREMENT
6 BOARD APPOINTED UNDER AS 39.35.030(d);]

7 (F) state investment officers and the state comptroller in the
8 Department of Revenue;

9 (G) [REPEALED

10 (H)] the chief procurement officer appointed under
11 AS 36.30.010;

12 (H) [(I)] the executive director of the Alaska Workforce
13 Investment Board; and

14 (I) [(J)] each appointed or elected municipal officer;

15 * **Sec. 105.** AS 39.50.200(b)(54) is amended to read:

16 (54) Alaska **Retirement Management** [STATE PENSION
17 INVESTMENT] Board (AS 37.10.210);

18 * **Sec. 106.** AS 44.25.020(2) is amended to read:

19 (2) collect, account for, have custody of, invest, and manage all state
20 funds and all revenues of the state except revenues incidental to a program of licensing
21 and regulation carried on by another state department, funds managed and invested by
22 the Alaska **Retirement Management** [STATE PENSION INVESTMENT] Board,
23 and as otherwise provided by law;

24 * **Sec. 107.** AS 44.25.028(a) is amended to read:

25 (a) The commissioner of revenue may designate employees of the Department
26 of Revenue who are subject to the provisions of AS 39.50 because of their
27 responsibility for participating in the management or investment of the funds for
28 which the Alaska **Retirement Management** [STATE PENSION INVESTMENT]
29 Board is responsible.

30 * **Sec. 108.** AS 44.25.028(b) is amended to read:

31 (b) If an officer or employee of the Department of Revenue with responsibility

1 for funds for which the Alaska **Retirement Management** [STATE PENSION
 2 INVESTMENT] Board is responsible acquires, owns, or controls an interest, direct or
 3 indirect, in an entity or project in which assets under the control of the board are
 4 invested, the officer or employee shall immediately disclose the interest to the board.
 5 The disclosure is a matter of public record and shall be included in the minutes of the
 6 board meeting next following the disclosure. The commissioner shall adopt
 7 regulations to restrict officers and employees of the department from having a
 8 substantial interest in an entity or project in which assets under the control of the board
 9 are invested.

10 * **Sec. 109.** AS 44.64.030(a) is amended by adding a new paragraph to read:

11 (36) AS 37.10.210 - 37.10.390 (Alaska Retirement Management
 12 Board).

13 * **Sec. 110.** AS 14.25.012(a), 14.25.015, 14.25.020, 14.25.022, 14.25.030, 14.25.035,
 14 14.25.037, 14.25.170, 14.25.175(e), 14.25.180, 14.25.190, 14.25.220(41); AS 39.30.175(f);
 15 AS 39.35.010, 39.35.011, 39.35.020, 39.35.030, 39.35.040, 39.35.042, 39.35.047, 39.35.060,
 16 39.35.080, 39.35.090, 39.35.480, 39.35.520(c), 39.35.522(c), 39.35.522(e); AS 39.45.025;
 17 AS 39.50.200(b)(23), and 39.50.200(b)(29) are repealed.

18 * **Sec. 111.** AS 14.25.061(c), 14.25.062; and AS 39.35.350 are repealed.

19 * **Sec. 112.** The uncodified law of the State of Alaska is amended by adding a new section
 20 to read:

21 TRANSITION: INITIAL STAGGERED TERMS OF TRUSTEES OF THE
 22 ALASKA RETIREMENT SECURITY AND PORTABILITY BOARD. Notwithstanding
 23 AS 37.10.210(c), as repealed and reenacted by sec. 40 of this Act, the terms of the initially
 24 appointed trustees of the Alaska Retirement Management Board who are not commissioners
 25 shall be set by the governor to achieve staggered terms in the manner provided for nine-
 26 member boards by AS 39.05.055(7).

27 * **Sec. 113.** The uncodified law of the State of Alaska is amended by adding a new section
 28 to read:

29 TERMS OF MEMBERS OF THE ALASKA TEACHERS' RETIREMENT BOARD,
 30 THE ALASKA STATE PENSION INVESTMENT BOARD, AND THE PUBLIC
 31 EMPLOYEES' RETIREMENT BOARD. The terms of all board members appointed to the

1 Alaska Teachers' Retirement Board, the Alaska State Pension Investment Board, and the
2 Public Employees' Retirement Board expire on the effective date of this section.

3 * **Sec. 114.** The uncodified law of the State of Alaska is amended by adding a new section
4 to read:

5 TRANSITION. Hearings and other proceedings pending under a law amended or
6 repealed by this Act or in connection with functions transferred by this Act continue in effect
7 and may be continued and completed notwithstanding a transfer or amendment or repeal
8 provided for in this Act. Orders and regulations issued or adopted under authority of a law
9 amended or repealed by this Act remain in effect for the term issued, or until revoked,
10 vacated, or otherwise modified under the provisions of this Act. Contracts, rights, liabilities,
11 and obligations created by or under a law amended or repealed by this Act, and in effect on
12 the effective date of this section, remain in effect notwithstanding this Act's taking effect.
13 Records, equipment, appropriations, funds, and other property of boards or agencies of the
14 state whose functions are transferred under this Act shall be transferred to implement the
15 provisions of this Act.

16 * **Sec. 115.** The uncodified law of the State of Alaska is amended by adding a new section
17 to read:

18 TRANSITION: REGULATIONS. (a) The Department of Administration may
19 proceed to develop and adopt regulations required to implement this Act.

20 (b) Regulations adopted by the Department of Administration under this Act relate to
21 the internal management of a state agency, and the adoption of the regulations is not subject to
22 AS 44.62 (Administrative Procedure Act).

23 * **Sec. 116.** The uncodified law of the State of Alaska is amended by adding a new section
24 to read:

25 INSTRUCTION REGARDING ALASKA TEACHERS' RETIREMENT SYSTEM
26 BOARD, ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD, AND
27 ALASKA STATE PENSION INVESTMENT BOARD. Wherever in the Alaska Statutes and
28 the Alaska Administrative Code the terms "Alaska Teachers' Retirement System Board,"
29 "Alaska Public Employees' Retirement System Board," or "Alaska State Pension Investment
30 Board" are used, they shall be read as "Alaska Retirement Management Board" when to do so
31 would be consistent with the changes made by this Act.

1 * **Sec. 117.** The uncodified law of the State of Alaska is amended by adding a new section
2 to read:

3 SPECIFIC INSTRUCTIONS TO REVISOR OF STATUTES CONCERNING
4 SPECIFIC REFERENCES. (a) The revisor of statutes shall change references to "this
5 chapter" to "AS 14.25.009 - 14.25.220" in the following statutes: AS 14.25.040(b),
6 14.25.040(c), 14.25.045(a), 14.25.047, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.075(c),
7 14.25.105, 14.25.107, 14.25.110(k), 14.25.142(a), 14.25.150(b), 14.25.153, 14.25.160(h),
8 14.25.165(f), 14.25.166, 14.25.177, 14.25.195, 14.25.200(b), 14.25.205, and 14.25.210, and
9 in 14.25.220 in each place that the phrase appears.

10 (b) The revisor of statutes shall change the reference to "board" to "administrator" in
11 the following statutes: AS 14.25.075 and 14.25.130(f).

12 (c) The revisor of statutes shall change the reference to "system" to "plan" in the
13 following statutes: AS 14.25.040(b), 14.25.040(c), 14.25.045, 14.25.047, 14.25.055,
14 14.25.060, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.065, 14.25.070, 14.25.075(c),
15 14.25.075(d), 14.25.075(g), 14.25.075(h), 14.25.075(i), 14.25.100(a), 14.25.105(c),
16 14.25.107, 14.25.110, 14.25.125(c), 14.25.143, 14.25.163, 14.25.165(i), 14.25.167(g),
17 14.25.168, 14.25.169, 14.25.173(a), 14.25.173(d), 14.25.181, 14.25.200, 14.25.210,
18 14.25.220(1), 14.25.220(4), 14.25.220(7), 14.25.220(14), 14.25.220(20), 14.25.220(22),
19 14.25.220(23), 14.25.220(31), 14.25.220(34), 14.25.220(36), 14.25.220(37), 14.25.220(42);
20 AS 39.35.120, 39.35.125, 39.35.160, 39.35.165(a), 39.35.165(c), 39.35.165(d), 39.35.165(e),
21 39.35.165(g), 39.35.165(h), 39.35.165(i), 39.35.170, 39.35.180, 39.35.195(b), 39.35.195(c),
22 39.35.250, 39.35.280, 39.35.300(c), 39.35.310(a), 39.35.310(c), 39.35.340(a), 39.35.342(a),
23 39.35.342(d), 39.35.345(a), 39.35.345(d), 39.35.360(a), 39.35.360(g), 39.35.360(h),
24 39.35.360(k), 39.35.370(f), 39.35.370(h), 39.35.370(i), 39.35.370(j), 39.35.370(k),
25 39.35.371(i), 39.35.381(b), 39.35.381(g), 39.35.385(c), 39.35.400(e), 39.35.450(g),
26 39.35.475(a), 39.35.475(d), 39.35.500(a), 39.35.505, 39.35.520(a), 39.35.520(d),
27 39.35.522(d), 39.35.527(a), 39.35.527(b), 39.35.530, 39.35.535(a), 39.35.535(d), 39.35.550,
28 39.35.560, 39.35.570, 39.35.580, 39.35.590, 39.35.600, 39.35.610, 39.35.620(a),
29 39.35.620(h), 39.35.650, 39.35.670, 39.35.675(a), 39.35.680(1), 39.35.680(5), 39.35.680(9),
30 39.35.680(12), 39.35.680(15), 39.35.680(16), 39.35.680(17), 39.35.680(20),
31 39.35.680(21)(A), 39.35.680(29), 39.35.680(32), 39.35.680(33), and 39.35.680(35).

1 (d) The revisor of statutes shall change the reference to "board" to "commissioner" in
2 the following statutes: AS 39.35.290, 39.35.522(a), 39.35.522(b), and 39.35.522(d).

3 (e) The revisor of statutes shall change references to "this chapter" to "AS 39.35.095 -
4 39.35.680" in the following statutes: AS 39.35.165, 39.35.200, 39.35.250, 39.35.300,
5 39.35.340, 39.35.350, 39.35.360, 39.35.370, 39.35.371, 39.35.375, 39.35.381, 39.35.490,
6 39.35.495, 39.35.505, 39.35.530, 39.35.546, 39.35.547, 39.35.615(c), 39.35.620(e),
7 39.35.660, 39.35.675(b), 39.35.677, and 39.35.680.

8 (f) The revisor of statutes shall renumber AS 39.35.690 to follow AS 39.35.990.

9 * **Sec. 118.** The uncodified law of the State of Alaska is amended by adding a new section
10 to read:

11 IMPLEMENTATION OF SECTIONS 116 and 117 OF THIS ACT. Under
12 AS 01.05.031, the revisor of statutes shall implement secs. 116 and 117 of this Act in the
13 Alaska Statutes, and, under AS 44.62.125(b)(6), the regulations attorney shall implement secs.
14 116 and 117 of this Act in the administrative code.

15 * **Sec. 119.** Sections 11, 12, 14, 15, 17, 70 - 75, 88, 95, and 111 of this Act take effect
16 June 30, 2010.

17 * **Sec. 120.** Section 118 of this Act takes effect immediately under AS 01.10.070(c).

18 * **Sec. 121.** Except as provided in secs. 119 and 120 of this Act, this Act takes effect July 1,
19 2005.