

CS FOR SENATE BILL NO. 141(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 4/8/05

Referred: Today's Calendar

Sponsor(s): SENATE FINANCE COMMITTEE

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; relating to university retirement programs; establishing the Alaska**
5 **Retirement Management Board to replace the Alaska State Pension Investment Board,**
6 **the Alaska Teachers' Retirement Board, and the Public Employees' Retirement Board;**
7 **adding appeals of the decisions of the administrator of the teachers' and public**
8 **employees' retirement systems to the jurisdiction of the office of administrative**
9 **hearings; providing for nonvested members of the teachers' retirement system defined**
10 **benefit plans to transfer into the teachers' retirement system defined contribution plan**
11 **and for nonvested members of the public employees' retirement system defined benefit**
12 **plans to transfer into the public employees' retirement system defined contribution**

1 **plan; providing for political subdivisions and public organizations to request to**
 2 **participate in the public employees' defined contribution retirement plan; and providing**
 3 **for an effective date."**

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

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

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

7 **Sec. 14.25.001. Purpose.** The purpose of this chapter is to encourage
 8 qualified teachers to enter and remain in service with participating employers by
 9 establishing plans for the payment of retirement and death benefits to or on behalf of
 10 the members.

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

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

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

18 **Sec. 14.25.004. Powers and duties of the administrator.** (a) The
 19 administrator shall

- 20 (1) establish and maintain an adequate system of accounts;
 21 (2) transmit the funds deposited in the system to the retirement fund
 22 established and maintained by the Alaska Retirement Management Board;
 23 (3) approve or disapprove claims for retirement benefits;
 24 (4) make payments for the various purposes specified;
 25 (5) submit periodic reports or statements of account that are needed;
 26 (6) issue a statement of account to an employee not less than once each
 27 year showing the amount of the employee's contributions to the applicable plan in the
 28 system;
 29 (7) formulate and recommend to the commissioner of administration
 30 regulations to govern the operation of the system;

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

5 (A) a balance sheet;

6 (B) a statement of income and expenditures for the previous
 7 fiscal year;

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

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

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

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

18 (10) report to the Legislative Budget and Audit Committee concerning
 19 the condition and administration of each plan and distribute the report to the members
 20 of each plan in the system;

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

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

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

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

30 (c) The administrator is authorized to contract with public and private entities
 31 to provide record keeping, benefits payments, and other functions necessary for the

1 administration of each plan in the system.

2 **Sec. 14.25.005. Regulations.** (a) Regulations adopted by the commissioner
3 of administration under this chapter relate to the internal management of a state
4 agency, and the adoption of the regulations is not subject to AS 44.62 (Administrative
5 Procedure Act).

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

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

12 (d) At least 30 days before the adoption, amendment, or repeal of a regulation
13 under this chapter, the commissioner of administration shall provide notice of the
14 action that is being considered. The notice shall be

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

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

18 (3) mailed to each person or group that has filed a request for notice of
19 proposed action with the commissioner of administration; and

20 (4) furnished to each member of the legislature and to the Legislative
21 Affairs Agency.

22 (e) Failure to mail notice to a person as required under (d)(3) of this section
23 does not invalidate an action taken by the commissioner of administration.

24 (f) The commissioner of administration may hold a hearing on a proposed
25 regulation.

26 (g) A regulation adopted under this chapter takes effect 30 days after adoption
27 by the commissioner of administration.

28 (h) Notwithstanding the other provisions of this section, a regulation may be
29 adopted, amended, or repealed, effective immediately, as an emergency regulation by
30 the commissioner of administration. For an emergency regulation to be effective the
31 commissioner must find that the adoption, amendment, or repeal of the regulation is

1 necessary for the immediate preservation of the orderly operation of the system. The
 2 commissioner shall, within 10 days after adoption of an emergency regulation, give
 3 notice of the adoption under (d) of this section.

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

5 **Sec. 14.25.006. Appeals.** An employer, member, annuitant, or beneficiary
 6 may appeal a decision made by the administrator to the office of administrative
 7 hearings established under AS 44.64. An aggrieved party may appeal a final decision
 8 to the superior court.

9 **Sec. 14.25.007. Investment management of retirement system funds.** The
 10 Alaska Retirement Management Board established under AS 37.10.210 is the
 11 fiduciary of the system funds.

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

13 (1) "plan" means the retirement plan established in AS 14.25.009 -
 14 14.25.220 or the retirement plan established in AS 14.25.310 - 14.25.590;

15 (2) "system" means all retirement plans established under the teachers'
 16 retirement system.

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

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

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

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

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

31 (c) An amendment to AS 14.25.009 - 14.25.220 [THIS CHAPTER] does not

1 provide a person with a vested right to a benefit if the Internal Revenue Service
 2 determines that the amendment will result in disqualification of the plan under the
 3 Internal Revenue Code.

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

5 (b) The **plan** [SYSTEM] created **in AS 14.25.009 - 14.25.220** became
 6 effective as of July 1, 1955, at which time contributions by the participating employers
 7 and members began.

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

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

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

12 (a) Unless a teacher or member **participates in a** [HAS ELECTED TO
 13 PARTICIPATE IN THE OPTIONAL] university retirement program under
 14 AS 14.40.661 - 14.40.799, [OR] has filed an election under AS 14.25.043(b), **or has**
 15 **elected to participate in the plan established in AS 14.25.310 - 14.25.590,** a teacher
 16 or member contracting for service with a participating employer is subject to
 17 **AS 14.25.009 - 14.25.220** [THIS CHAPTER].

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

19 (d) A person who is employed at least half-time in the **plan** [SYSTEM] during
 20 the same period that the person is employed at least half-time in a position in the
 21 public employees' retirement **plan** [SYSTEM] under **AS 39.35.095 - 39.35.680**
 22 [AS 39.35] shall receive credited service under each **plan** [SYSTEM] for half-time
 23 employment. However, the amount of credited service a person receives under the
 24 public employees' retirement **plan** [SYSTEM] during a school year may not exceed
 25 the amount necessary, when added to the amount of credited service earned during the
 26 school year under the **plan** [SYSTEM], to equal one year of credited service. A
 27 person who was employed at least half-time in a position in the public employees'
 28 retirement **plan** [SYSTEM] under **AS 39.35.095 - 39.35.680** [AS 39.35] in the same
 29 period that the person was employed at least half-time in a position in this **plan**
 30 [SYSTEM] may claim credited service in both **plans** [SYSTEMS] for employment
 31 before May 31, 1989. To obtain this credited service, the person shall claim the

1 service and verify the period of half-time employment. When eligibility for half-time
 2 service credit has been established, an indebtedness shall be determined to the
 3 retirement **plan** [SYSTEM] in which the person did not participate. The amount of
 4 the indebtedness is the full actuarial cost of providing benefits for the credited service
 5 claimed. Interest as prescribed by regulation accrues on that indebtedness beginning
 6 on the later of July 1, 1989, or the date on which the member is first eligible to claim
 7 the service. Any outstanding indebtedness existing at the time the person retires will
 8 require an actuarial adjustment to the benefits payable based on that service.

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

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

21 * **Sec. 8.** AS 14.25 is amended by adding a new section to read:

22 **Sec. 14.25.052. Calculation of member contribution rate.** (a) Each active
 23 member shall contribute a percentage of the member's base salary to be determined
 24 annually in advance by the administrator. The member contribution rate is the greater
 25 of

26 (1) 8.65 percent; or

27 (2) 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) Notwithstanding (a) of this section, the member contribution rate may not
 30 increase more than one-half of a percentage point annually.

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

1 **Sec. 14.25.070. Contributions by employer.** An employer shall contribute to
 2 the **plan** [SYSTEM] an amount equal to the percentage, as certified by the **board**
 3 [ADMINISTRATOR], of the sum total of the base salaries of all members that is
 4 required in addition to member contributions to provide the benefits of **AS 14.25.009 -**
 5 **14.25.220** [THIS CHAPTER] times the sum total of the base salaries paid to members,
 6 including any adjustments to contributions required by AS 14.25.173(a), by the
 7 employer.

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

9 (b) When added to the member contribution rate calculated under
 10 AS 14.25.052, the employer contribution may not be less than the amount required as
 11 actuarially calculated to fully fund the future liabilities of active members.

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

13 (a) An employee who is eligible to purchase credited service under
 14 AS 14.25.047 or 14.25.048, a member who is eligible to purchase credited service
 15 under AS 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, or
 16 14.25.107, or a teacher who is eligible to purchase credited service under
 17 AS 14.20.345, AS 14.25.050, [14.25.062,] or 14.25.105, in lieu of making payments
 18 directly to the plan, may elect to have the member's employer make payments as
 19 provided in this section.

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

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

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

28 (2) the member shall make an irrevocable election under this
 29 subsection to purchase credited service as permitted in AS 14.20.345, AS 14.25.047,
 30 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, 14.25.105, or
 31 14.25.107 before the member's termination of employment; the irrevocable election

1 must specify the number of payroll periods that deductions will be made from the
 2 member's compensation and the dollar amount of deductions for each payroll period
 3 during the specified number of payroll periods; the deductions made under this
 4 paragraph cease upon the earlier of the member's termination of employment with the
 5 employer or the member's death; amounts paid by an employer under (f) of this
 6 section may not be applied toward the payment of the dollar amount of the deductions
 7 representing the portion of the credited service that is being purchased by the member
 8 through payroll deduction in accordance with the member's irrevocable election under
 9 this paragraph;

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

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

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

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

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

31 (1) subject to the limitations prescribed in 26 U.S.C. 402(c), accepting

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

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

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

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

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

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

20 (i) On satisfaction of the eligibility requirements of AS 14.20.345,
 21 AS 14.25.047, 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100,
 22 14.25.105, or 14.25.107, the requirements of this section, and the administrative filing
 23 requirements specified by the administrator, the plan shall adjust the member's
 24 credited service history and add any additional service credits acquired.

25 * **Sec. 16.** AS 14.25.115(a) is amended to read:

26 (a) A teacher in membership service on or after July 1, 1977, who is appointed
 27 to retirement on or after July 1, 1978, may elect to apply unused sick leave credit in
 28 computing the total number of years of credited service under AS 14.25.110(d) except
 29 for sick leave earned while participating in a [THE OPTIONAL] university retirement
 30 program under AS 14.40.661 - 14.40.799. To obtain service credit for unused sick
 31 leave, a teacher must apply to the administrator **not** [NO] later than one year after

1 appointment to retirement. Unused sick leave shall be credited on a day-for-day basis
 2 in accordance with the table for service after July 1, 1969, contained in
 3 AS 14.25.220(45). Teacher contributions may not be required for credited unused sick
 4 leave.

5 * **Sec. 17.** AS 14.25.143(a), as that subsection read following amendment by sec. 3, ch.
 6 146, SLA 1980, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

7 (a) When the administrator determines that the cost of living has increased and
 8 that the financial condition of the retirement fund permits, the administrator shall
 9 increase benefit payments to persons receiving benefits under this **plan. For**
 10 **purposes of this subsection, the financial condition of the fund would only permit**
 11 **an increase in benefits when the ratio of total fund assets to the accrued liability**
 12 **meets or exceeds 110 percent. In this subsection, "accrued liability" means the**
 13 **present value of all member benefits accrued by member service in this plan**
 14 [SYSTEM].

15 * **Sec. 18.** AS 14.25.143(a), as that subsection read following amendment by sec. 12, ch.
 16 106, SLA 1988, until amended by sec. 12, ch. 97, SLA 1990, is amended to read:

17 (a) When the administrator determines that the cost of living has increased and
 18 that the financial condition of the **retirement fund** [SYSTEM] permits, the
 19 administrator shall increase benefit payments to persons receiving benefits under this
 20 **plan. For purposes of this subsection, the financial condition of the fund would**
 21 **only permit an increase in benefits when the ratio of total fund assets to the**
 22 **accrued liability meets or exceeds 110 percent. In this subsection, "accrued**
 23 **liability" means the present value of all member benefits accrued by member**
 24 **service in this plan** [SYSTEM].

25 * **Sec. 19.** AS 14.25.145 is amended to read:

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

29 * **Sec. 20.** AS 14.25.150 is amended by adding a new subsection to read:

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

1 * **Sec. 21.** AS 14.25.173(c) is amended to read:

2 (c) **At least quarterly,** [AT EACH REGULARLY SCHEDULED MEETING
3 OF THE TEACHERS' RETIREMENT BOARD,] the administrator shall report to the
4 **commissioner of administration** [BOARD] on all situations since the administrator's
5 last report in which an adjustment has been prohibited under (b) of this section. If the
6 **commissioner of administration** [BOARD] finds that there is reason to believe that
7 one or more of the conditions set out in (b) of this section have not been met, the
8 administrator shall notify the member or beneficiary that an adjustment will be made
9 to recover the overpayment. A member or beneficiary who receives notice of
10 adjustment under this subsection may **file a request with the commissioner of**
11 **administration** [APPEAL TO THE BOARD] for a waiver of the adjustment under
12 AS 14.25.175. An adjustment that requires the repayment of benefits may not be
13 required while the **waiver request** [APPEAL] is pending.

14 * **Sec. 22.** AS 14.25.175(a) is amended to read:

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

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

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

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

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

28 * **Sec. 23.** AS 14.25.175(b) is amended to read:

29 (b) In order to obtain consideration of a waiver under this section, the affected
30 member or beneficiary **shall file a request with** [MUST APPEAL TO] the
31 **commissioner of administration** [BOARD] in writing within 30 days after receipt of

1 notice that the records have been adjusted. The ruling of the **commissioner of**
 2 **administration** [BOARD] shall be in writing.

3 * **Sec. 24.** AS 14.25.175(c) is repealed and reenacted to read:

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

6 * **Sec. 25.** AS 14.25.175(d) is amended to read:

7 (d) The **office of administrative hearings** [BOARD] may **reverse the**
 8 **commissioner of administration's decision to deny a waiver and may** impose
 9 conditions on granting a waiver that it considers equitable. These conditions may
 10 include requiring the member or beneficiary to make additional contributions to the
 11 **plan** [SYSTEM].

12 * **Sec. 26.** AS 14.25.220(2) is amended to read:

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

20 * **Sec. 27.** AS 14.25.220(3) is amended to read:

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

24 * **Sec. 28.** AS 14.25.220(9) is amended to read:

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

27 * **Sec. 29.** AS 14.25.220(40) is amended to read:

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

1 * **Sec. 30.** AS 14.25.220(42) is amended to read:

2 (42) "teacher" and "member" are used interchangeably under this
3 chapter and mean a person eligible to participate in the system and who is covered by
4 the system, limited to

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

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

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

19 * **Sec. 31.** AS 14.25.220 is amended by adding a new paragraph to read:

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

22 * **Sec. 32.** AS 14.25 is amended by adding new sections to read:

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

24 **Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590.** The provisions of
25 AS 14.25.310 - 14.25.590 apply only to teachers who first become members on or
26 after July 1, 2005, or to members who transfer into the defined contribution plan under
27 AS 14.25.540.

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

30 (b) The defined contribution retirement plan includes a plan in which savings
31 are accumulated in an individual account for the exclusive benefit of the member or

1 beneficiaries. The plan is established effective July 1, 2005, at which time
2 contributions by employers and members begin.

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

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

11 **Sec. 14.25.330. Membership.** (a) A teacher who first becomes a member on
12 or after July 1, 2005, shall participate in the plan as a member of the defined
13 contribution retirement plan.

14 (b) A teacher who is participating in a university retirement program under
15 AS 14.40.661 - 14.40.799 may not participate as a member of the defined contribution
16 retirement plan.

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

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

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

29 **Sec. 14.25.345. Employment contributions mandatory.** (a) Contributions
30 of members shall be made by payroll deductions. Each member shall be considered to
31 consent to payroll deductions. It is of no consequence that a payroll deduction may

1 cause the compensation paid in cash to a member to be reduced below the minimum
2 required by law.

3 (b) Payment of a member's compensation, less payroll deductions, is a full and
4 complete discharge and satisfaction of all claims and demands by the member relating
5 to remuneration of services during the period covered by the payment, except with
6 respect to the benefits provided under the plan.

7 **Sec. 14.25.350. Contributions by employers.** (a) An employer shall
8 contribute to each member's individual account an amount equal to 4.5 percent of the
9 member's compensation from July 1 to the following June 30.

10 (b) An employer shall also contribute an amount equal to 1.75 percent of each
11 member's compensation from July 1 to the following June 30 to pay for retiree major
12 medical insurance. This contribution shall be paid into the group health and life
13 benefits fund established by the commissioner of administration under AS 39.30.095
14 and shall be accounted for in accordance with regulations established by the
15 commissioner.

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

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

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

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

28 (d) In this section,

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

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

3 (3) "eligible retirement plan" means

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

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

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

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

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

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

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

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

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

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

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

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

25 **Sec. 14.25.370. Transmittal of contributions.** All contributions deducted in
26 accordance with AS 14.25.310 - 14.25.590 shall be transmitted to the plan for deposit
27 in the trust fund as soon as administratively feasible, but in no event later than 15 days
28 following the close of the payroll period.

29 **Sec. 14.25.380. Limitations on contributions.** Notwithstanding any other
30 provisions of this plan, the annual additions to each member's individual account
31 under this plan and under all defined contribution plans of the employer required to be

1 aggregated with the contributions from this plan under the provisions of 26 U.S.C. 415
 2 may not exceed, for any limitation year, the amount permitted under 26 U.S.C. 415 at
 3 any time. If the amount of a member's defined contribution plan contributions exceeds
 4 the limitation of 26 U.S.C. 415(c) for any limitation year, the administrator shall take
 5 any necessary remedial action to correct an excess contribution. The provisions of 26
 6 U.S.C. 415, and the regulations adopted under that statute, as applied to qualified
 7 defined contribution plans of governmental employees are incorporated as part of the
 8 terms and conditions of the plan.

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

11 (b) A member is fully vested in the employer contributions made on that
 12 member's behalf, and related earnings, after five years of service. A member is
 13 partially vested in the employer contributions made on that member's behalf, and the
 14 related earnings, in the ratio of

- 15 (1) 25 percent with two years of service;
- 16 (2) 50 percent with three years of service; and
- 17 (3) 75 percent with four years of service.

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

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

26 (c) A participant may elect to change or transfer all or a portion of the
 27 participant's existing account balance among available investment funds not more
 28 often than once each day in accordance with the rules established by the administrator.
 29 Only the last election received by the administrator before the transmittal of
 30 contributions to the trust fund for allocation to the individual account will be used to
 31 direct the investment of the contributions received.

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

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

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

12 **Sec. 14.25.410. Distribution election at termination.** (a) A member is
 13 eligible to elect distribution of the member's account in accordance with this section
 14 60 days after termination of employment.

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

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

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

27 (3) postsecondary education tuition and related educational fees for the
 28 next 12-month period for the member, the member's spouse, or a dependent of the
 29 member; in this paragraph, "dependent" has the meaning given in 26 U.S.C. 152;

30 (4) prevention of the eviction of the member from the member's
 31 principal residence or foreclosure on the mortgage of the member's principal

1 residence; or

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

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

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

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

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

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

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

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

25 (4) life annuity with a period certain payment, which is an annuity
26 payable until the later of the first day of the month in which the annuitant's death
27 occurs, or the date on which the payment of a fixed number of monthly installments is
28 completed; the period certain for installments is 120 or 180 months;

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

31 (6) joint and survivor annuity payment, which is an annuity payable

1 monthly to the member until the first of the month in which the member's death
 2 occurs; after the member's death, a survivor annuity equal to 50 percent or 100 percent
 3 of the member's benefit, as previously elected by the member, shall be paid monthly to
 4 the joint annuitant for the remainder of the survivor's lifetime.

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

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

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

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

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

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

31 (c) Changes in elections are not allowed on or after seven days before the

1 distribution commencement date.

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

6 (1) a member meets the requirements of AS 14.25.410 and has made a
7 complete application for payment under AS 14.25.430;

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

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

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

16 (5) notwithstanding (a) of this section, a participant whose account has
17 a balance of \$1,000 or less meets the requirements of AS 14.25.410, at which time the
18 participant must take payment of the participant's account.

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

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

25 (d) If a member has made a distribution election and dies before the
26 distribution of the member's interest begins, distribution of the member's entire interest
27 shall be completed by December 31 of the calendar year containing the fifth
28 anniversary of the member's death. However, if any portion of the member's interest
29 is payable to a designated beneficiary, distributions may be made over the life of the
30 designated beneficiary or over a period certain not greater than the life expectancy of
31 the designated beneficiary, commencing on or before December 31 of the calendar

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

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

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

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

31 (h) All distributions required under this section are determined and made in

1 accordance with 26 U.S.C. 401(a)(9) and regulations adopted under that statute,
2 including any minimum distribution incidental benefit requirement.

3 (i) In this section,

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

7 (2) "required beginning date" means the first day of April of the
8 calendar year following the calendar year in which the member either attains 70 1/2
9 years of age or actually terminates employment, whichever is later.

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

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

24 (2) unless the member filed a revocation of beneficiary accompanied
25 by a written consent to the revocation from the present spouse and each person entitled
26 under the order; however, consent of the present spouse is not required if the member
27 and the present spouse had been married for less than one year on the date of the
28 member's death and if the member established when filing the revocation that the
29 member and the present spouse were not cohabiting.

30 (b) Except as provided in (a) of this section, the member may change or
31 revoke the designation without notice to the beneficiary or beneficiaries at any time.

1 If a member designates more than one beneficiary, each shares equally unless the
 2 member specifies a different allocation or preference. The designation of a
 3 beneficiary, a change or revocation of a beneficiary, and a consent to revocation of a
 4 beneficiary shall be made on a form provided by the administrator and is not effective
 5 until filed with the administrator.

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

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

9 (2) to the surviving children of the member in equal parts or, if there
 10 are none surviving;

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

13 (4) to the estate.

14 (d) A person claiming entitlement to benefits payable under AS 14.25.310 -
 15 14.25.590 as a consequence of a member's death shall provide the administrator with a
 16 marriage certificate, divorce or dissolution judgment, or other evidence of entitlement.
 17 Documents establishing entitlement may be filed with the administrator immediately
 18 after a change in the member's marital status. If the administrator does not receive
 19 notification of a claim before the date 10 days after the member's death, the person
 20 claiming entitlement is not entitled to receive from the division of retirement and
 21 benefits any benefit already paid by the administrator.

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

28 (b) The administrator shall determine whether an order meets the requirements
 29 of this section within a reasonable period after receiving an order. The administrator
 30 shall notify the member and any alternate payee that an order has been received and
 31 indicate to the member and any alternate payee when the order is accepted. A separate

1 account for the alternate payee portion shall be established as soon as administratively
2 feasible after the order has been accepted by the administrator.

3 **Sec. 14.25.470. Eligibility to elect medical benefits.** (a) A member is
4 eligible to elect the medical benefits under AS 14.25.480 if the member

5 (1) has at least 30 years of service; or

6 (2) is 65 years of age and has at least 10 years of service.

7 (b) A member's surviving spouse is eligible to elect medical benefits under
8 AS 14.25.480 if the member had elected, or was eligible to elect, medical benefits at
9 the time of the member's death.

10 (c) A member shall elect or reject medical benefits on the forms and in the
11 manner prescribed by the administrator. The decision to elect or reject benefits is
12 irrevocable.

13 (d) Election of the retiree major medical insurance plan is not required in
14 order to elect participation in the health reimbursement arrangement.

15 (e) A person eligible to elect medical benefits is not required to participate in
16 the health reimbursement arrangement in order to elect participation in the retiree
17 major medical insurance plan.

18 (f) An eligible person shall make the irrevocable election to participate or not
19 participate in the retiree major medical insurance by reaching 70 1/2 years of age, or
20 upon termination of employment, whichever is later.

21 **Sec. 14.25.480. Medical benefits.** (a) The medical benefits available to
22 eligible persons are access to the retiree major medical insurance plan and to the
23 health reimbursement arrangement under AS 39.30.300. Access to the retiree major
24 medical insurance plan means that an eligible person may not be denied insurance
25 coverage except for failure to pay the required premium.

26 (b) Retiree major medical insurance plan coverage elected by an eligible
27 member under this section covers the eligible member, the spouse of the eligible
28 member, and the dependent children of the eligible member.

29 (c) Retiree major medical insurance plan coverage elected by a surviving
30 spouse of an eligible member under this section covers the surviving spouse and the
31 dependent children of the eligible member who are dependent on the surviving spouse.

1 (d) Major medical insurance coverage takes effect on the first day of the
 2 month following the date of the administrator's approval of the election and stops
 3 when the person who elects coverage dies or fails to make a required premium
 4 payment.

5 (e) The coverage for persons 65 years of age or older is the same as that
 6 available for persons under 65 years of age. The benefits payable to those persons 65
 7 years of age or older supplement any benefits provided under the federal old age,
 8 survivors and disability insurance program.

9 (f) The medical and optional insurance premiums owed by the person who
 10 elects coverage may be deducted from the health reimbursement arrangement. If the
 11 amount of the health reimbursement arrangement becomes insufficient to pay the
 12 premiums, the person who elects coverage under (a) of this section shall pay the
 13 premiums directly.

14 (g) The cost of premiums for retiree major medical insurance coverage for an
 15 eligible member or surviving spouse who is

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

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

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

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

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

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

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

29 (h) The eligibility for retiree major medical insurance coverage for an
 30 alternate payee under a qualified domestic relations order shall be determined based
 31 on the eligibility of the member to elect coverage. The alternate payee shall pay the

1 full monthly premium for retiree major medical insurance coverage.

2 (i) A person who is entitled to retiree major medical insurance coverage shall

3 (1) be informed by the administrator in writing

4 (A) that the health insurance coverage available to retired
5 members may be different from the health insurance coverage provided to
6 employees;

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

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

12 (j) The monthly group premiums for retiree major medical insurance coverage
13 are established by the administrator in accordance with AS 39.30.095. Nothing in
14 AS 14.25.310 - 14.25.590 guarantees a person who elects coverage under (a) of this
15 section a monthly group premium rate for retiree major medical insurance coverage
16 other than the premium in effect for the month in which the premium is due for
17 coverage for that month.

18 (k) In this section, "health reimbursement arrangement" means the plan
19 established in AS 39.30.300.

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

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

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

31 (d) Any contribution made by an employer to the plan because of a mistake of

1 fact must be returned to the employer by the administrator within one year after the
2 contribution or discovery, whichever is later.

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

6 (b) If plan benefits are provided through the distribution of annuity or
7 insurance contracts, any refunds or credits in excess of plan benefits due to dividends,
8 earnings, or other experience rating credits, or surrender or cancellation credits, shall
9 be paid to the trust fund.

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

12 **Sec. 14.25.510. Nonguarantee of returns, rates, or benefit amounts.** The
13 plan created by AS 14.25.310 - 14.25.590 is a defined contribution plan, not a defined
14 benefit plan. The amount of money in the account of a participant depends on the
15 amount of contributions and the rate of return from investments of the account that
16 varies over time. If benefits are paid in the form of an annuity, the benefit amount
17 payable is dependent on the amount of money in the account and the interest rates
18 applied and service fees charged by the annuity payor at the time benefits are first
19 paid. Nothing in this plan guarantees a participant

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

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

25 **Sec. 14.25.520. Nonguarantee of employment.** The provisions of
26 AS 14.25.310 - 14.25.590 are not a contract of employment between an employer and
27 an employee, nor do they confer a right of an employee to be continued in the
28 employment of an employer, nor are they a limitation of the right of an employer to
29 discharge an employee with or without cause.

30 **Sec. 14.25.530. Fraud.** A person who knowingly makes a false statement or
31 falsifies or permits to be falsified a record of this plan in an attempt to defraud the plan

1 is guilty of a class A misdemeanor.

2 **Sec. 14.25.540. Transfer into defined contribution retirement plan by**
3 **nonvested members of defined benefit retirement plan.** (a) Subject to (g) of this
4 section, an active member of the defined benefit retirement plan of the teachers'
5 retirement system is eligible to participate in the defined contribution retirement plan
6 established under AS 14.25.310 - 14.25.590 if that member has not vested.
7 Participation in the defined contribution retirement plan is in lieu of participation in
8 the defined benefit retirement plan established under AS 14.25.009 - 14.25.220.

9 (b) A member who has vested in a defined benefit retirement plan is not
10 eligible to transfer under this section.

11 (c) Each eligible member who elects to participate in the defined contribution
12 retirement plan shall have transferred to a new account the present value of the
13 member contribution account balance held in trust for the member under the defined
14 benefit retirement plan of the teachers' retirement system. A matching employer
15 contribution shall be made on behalf of that employee to the new account. Upon a
16 transfer, all service credit previously earned under the defined benefit retirement plan
17 shall be nullified for purposes of entitlement to a future benefit under the defined
18 benefit retirement plan but shall be credited for purposes of eligibility to elect medical
19 benefits under AS 14.25.470. An eligible member whose accounts are subject to a
20 qualified domestic relations order may not make an election to participate in the
21 defined contribution retirement plan under this subsection unless the qualified
22 domestic relations order is amended or vacated and court-certified copies of the order
23 are received by the administrator.

24 (d) As directed by the participant, the board shall transfer or cause to be
25 transferred the appropriate amounts to the designated account. The board shall
26 establish transfer procedures by regulation, but the actual transfer may not be later
27 than 30 days after the effective date of the member's participation in the defined
28 contribution retirement plan unless the major financial markets for securities available
29 for a transfer are seriously disrupted by an unforeseen event that also causes the
30 suspension of trading on any national securities exchange in the country where the
31 securities were issued. In that event, the 30-day period of time may be extended by a

1 resolution of the board of trustees. Transfers are not commissionable or subject to
2 other fees and may be in the form of securities or cash as determined by the board.
3 Securities shall be valued as of the date of receipt in the participant's account.

4 (e) If the board or the administrator receives notification from the United
5 States Department of the Treasury, Internal Revenue Service, that this section or a
6 portion of this section will cause the retirement system under this chapter, or a portion
7 of the retirement system under this chapter, to be disqualified for tax purposes under
8 the Internal Revenue Code, the portion that will cause the disqualification does not
9 apply, and the board and the administrator shall notify the presiding officers of the
10 legislature.

11 (f) The election to participate in the defined contribution retirement plan must
12 be made in writing on forms and in the manner prescribed by the administrator.
13 Before accepting an election to participate in the defined contribution retirement plan,
14 the administrator must provide the employee planning on making an election to
15 participate in the defined contribution retirement plan with information, including
16 calculations to illustrate the effect of moving the employee's retirement plan from the
17 defined benefit retirement plan to the defined contribution retirement plan as well as
18 other information to clearly inform the employee of the potential consequences of the
19 employee's election. An election made under this subsection to participate in the
20 defined contribution retirement plan is irrevocable. Upon making the election, the
21 participant shall be enrolled as a member of the defined contribution retirement plan,
22 the member's participation in the plan shall be governed by the provisions of
23 AS 14.25.310 - 14.25.590, and the member's participation in the defined benefit
24 retirement plan under AS 14.25.009 - 14.25.220 shall terminate. The participant's
25 enrollment in the defined contribution retirement plan shall be effective the first day of
26 the month after the administrator receives the completed enrollment forms. An
27 election made by an eligible member who is married is not effective unless the
28 election is signed by the individual's spouse.

29 (g) A member may make an election under this section only if the member's
30 employer participates in both the defined benefits retirement plan and the defined
31 contribution retirement plan and consents to transfers under this section. The

1 employer shall notify the administrator if the employer consents to allowing the
 2 employer's members to choose to transfer from the defined benefits retirement plan to
 3 the defined contribution retirement plan under this section. An employer's notice to
 4 allow transfers is irrevocable and applicable to all eligible employees of the employer.

5 (h) In this section,

6 (1) "defined benefit retirement plan" means the retirement plan
 7 established in AS 14.25.009 - 14.25.220;

8 (2) "defined contribution retirement plan" means the retirement plan
 9 established in AS 14.25.310 - 14.25.590.

10 **Sec. 14.25.550. Membership in teachers' and public employees'**
 11 **retirement systems.** A person who is employed at least half-time in the public
 12 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the
 13 same period that the person is employed at least half-time in a position in the teachers'
 14 defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited
 15 service under each plan for half-time employment. However, the amount of credited
 16 service a person receives under the public employees' defined contribution retirement
 17 plan during a school year may not exceed the amount necessary, when added to the
 18 amount of credited service earned during the school year under the teachers' defined
 19 contribution retirement plan, to equal one year of credited service.

20 **Sec. 14.25.560. Legislators who have been teachers.** (a) A state legislator
 21 who was an active member of the defined contribution plan under other sections of
 22 AS 14.25.310 - 14.25.590 within the 12 months immediately preceding election to
 23 office may, subject to the requirements of (b) of this section, elect to be an active
 24 member of the teachers' defined contribution retirement plan for as long as the state
 25 legislator serves continuously as a state legislator if, within 90 days after taking the
 26 oath of office,

27 (1) the state legislator directs the employer in writing to

28 (A) pay into this plan the employer contributions required for a
 29 member under AS 14.25.310 - 14.25.590; and

30 (B) deduct from the state legislator's salary and pay into this
 31 plan

1 (i) the employee contributions required for a member
2 under AS 14.25.310 - 14.25.590; and

3 (ii) an amount equal to the difference between the total
4 employer and state contributions required for a member under
5 AS 14.25.310 - 14.25.590 and the employer contributions that would be
6 required under the public employees' defined contribution retirement
7 plan (AS 39.35.700 - 39.35.990) if the legislator were covered under
8 that plan; and

9 (2) notice is given the administrator in writing.

10 (b) A state legislator is not entitled to elect membership under (a) of this
11 section if the state legislator is covered for the same period of service under the public
12 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990). An
13 election of membership under (a) of this section is retroactive to the date the state
14 legislator took the oath of office. A state legislator may not receive membership credit
15 under (a) of this section for legislative service performed before the legislative session
16 during which the state legislator elected membership under (a) of this section. In order
17 to continue in membership service under (a) of this section, the state legislator must
18 earn at least 0.3 years of membership service under other sections of AS 14.25.310 -
19 14.25.590 during each five-year period.

20 **Sec. 14.25.570. Participation by National Education Association**
21 **employees.** An employee or former employee of the National Education Association
22 of Alaska may participate in the teachers' defined contribution retirement plan under
23 AS 14.25.310 - 14.25.590 if the employee or former employee possesses or is eligible
24 to possess a teacher certificate under AS 14.20.020.

25 **Sec. 14.25.580. Participation by Special Education Service Agency**
26 **employees.** An employee of the Special Education Service Agency may participate in
27 the system under this chapter if the employee possesses or is eligible to possess a
28 teacher certificate under AS 14.20.020.

29 **Sec. 14.25.590. Definitions.** In AS 14.25.310 - 14.25.590, unless the context
30 requires otherwise,

31 (1) "administrator" has the meaning given in AS 14.25.220;

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

3 (3) "annuitant" means a member, beneficiary or alternate payee who is
4 receiving a benefit under this plan;

5 (4) "beneficiary" means the person or persons entitled to receive
6 benefits that may be due from the plan upon the death of the member or alternate
7 payee;

8 (5) "board" has the meaning given in AS 14.25.220;

9 (6) "calendar year" has the meaning given in AS 39.35.680;

10 (7) "compensation"

11 (A) means

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

16 (ii) the member contribution to the teachers' retirement
17 system under AS 14.25.340;

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

29 (C) notwithstanding (B) of this paragraph, includes any amount
30 that is contributed by the employer under a salary reduction agreement and that
31 is not includible in the gross income of the employee under 26 U.S.C. 125,

1 132(f)(4), 402(e)(3), 402(h)(1)(B) or 403(b) (Internal Revenue Code); the
 2 annual compensation limitation for the member, which is so taken into account
 3 for those purposes, may not exceed \$200,000, as adjusted for the cost of living
 4 in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the
 5 limitation for a fiscal year being the limitation in effect for the calendar year
 6 within which the fiscal year begins;

7 (8) "dependent child" has the meaning given in AS 14.25.220;

8 (9) "distribution commencement date" has the meaning given in
 9 AS 14.25.440(a);

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

13 (11) "fund" means the assets of the plan;

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

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

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

24 (15) "limitation year" means the year for which contributions are made
 25 to a member's individual account as reported to the Internal Revenue Service under the
 26 limits described in 26 U.S.C. 415(c);

27 (16) "member" means an employee of an employer or a former
 28 employee of an employer who retains a right to benefits under the plan;

29 (17) "membership service" means full-time or part-time employment
 30 with an employer in the plan;

31 (18) "normal retirement age" means 65 years of age;

1 (19) "participant" means the person who has a vested right to an
2 individual account, such as a member, an alternate payee if the account is subject to a
3 qualified domestic relations order, the member's beneficiary if the member is
4 deceased, or an alternate payee's beneficiary if the alternate payee is deceased;

5 (20) "plan" means the retirement benefit plan established under
6 AS 14.25.310 - 14.25.590;

7 (21) "prudent investment standard" means the degree of care, skill,
8 prudence, and diligence under the circumstances then prevailing that a prudent person
9 acting in a like capacity and familiar with such matters would use in the conduct of an
10 enterprise of a like character and with like aims;

11 (22) "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 the individual account, or the benefits payable with respect to a member;

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

19 (C) sets out the amount or percentage of the member'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 14.25.310 - 14.25.590;

27 (G) does not require an increase of benefits in excess of the
28 amount provided by AS 14.25.310 - 14.25.590; and

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

1 (23) "retiree" means an eligible person who has elected to receive the
2 medical benefits under AS 14.25.480;

3 (24) "retirement fund" or "fund" means the fund in which the assets of
4 the plan, including income and interest derived from the investment of money, are
5 deposited and held;

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

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

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

11 (A) a certificated full-time or part-time elementary or
12 secondary teacher, a certificated school nurse, or a certificated person in a
13 position requiring a teaching certificate as a condition of employment in a
14 public school of the state, the Department of Education and Early
15 Development, or the Department of Labor and Workforce Development;

16 (B) a full-time or part-time teacher of the University of Alaska
17 or a person occupying a full-time administrative position at the University of
18 Alaska that requires academic standing; the approval of the administrator must
19 be obtained before an administrative position qualifies for membership in the
20 plan; however, a teacher or administrative person at the university who is
21 participating in a university retirement program under AS 14.40.661 -
22 14.40.799 is not a member under this plan;

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

25 (A) during any school year,

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

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

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

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

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

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

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

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

3 years;

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

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

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

7 (B) service performed on a part-time basis of half time or more

8 shall be credited in proportion to the amount of credit that would have been

9 received for service performed on a full-time basis.

10 * **Sec. 33.** AS 14.40.280(c) is amended to read:

11 (c) Except as provided by (b) of this section, the monetary gifts, bequests, or
12 endowments that are made to the University of Alaska shall be managed and invested
13 by the Board of Regents. In carrying out its management and investment
14 responsibilities under this subsection, the Board of Regents has the same power and
15 obligations to carry out duties with respect to the endowments of the University of
16 Alaska as are provided to and required of the Alaska **Retirement Management**
17 [STATE PENSION INVESTMENT] Board under **AS 37.10.210** [AS 14.25.180].

18 * **Sec. 34.** AS 14.40.400(b) is amended to read:

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

25 * **Sec. 35.** AS 14.40.661 is amended to read:

26 **Sec. 14.40.661. Authority of board.** (a) The board may establish **and**
27 **maintain** [AN OPTIONAL] university retirement **programs** [PROGRAM] for
28 eligible employees in which retirement, **health**, and death benefits are provided
29 through the purchase of annuity contracts, either fixed, variable, or a combination of
30 fixed and variable. Participation in **a university retirement** [THE] program is in
31 place of participation in a state retirement system. **The university may establish**

1 **retirement programs for new employees in a participating position at any time.**

2 **Retirement programs may be optional or mandatory.**

3 (b) The board shall

4 (1) provide for the administration of the **retirement programs**
5 [PROGRAM], including procedures for resolving complaints from participating
6 employees;

7 (2) designate the company or companies to which payment of the
8 contributions required under AS 14.40.691 may be made, after considering the

9 (A) nature and extent of the rights and benefits that the
10 contracts will provide to employees who elect to participate and to their
11 beneficiaries;

12 (B) relation of the contractual rights and benefits to the
13 contributions to be made under AS 14.40.661 - 14.40.799;

14 (C) suitability of the contractual rights and benefits to the needs
15 and interests of employees **who** [ELECTING TO] participate and to the
16 interest of the university in the employment and retention of employees;

17 (D) ability of the designated company or companies to provide
18 rights and benefits under the contracts; and

19 (E) efficacy of the contracts in the recruitment and retention of
20 faculty and administrators;

21 (3) take other actions required to ensure that the **retirement programs**
22 **comply with applicable provisions of 26 U.S.C. 401 - 417** [PROGRAM
23 QUALIFIES AS A QUALIFIED TRUST UNDER 26 U.S.C. 401(a)] (Internal
24 Revenue Code).

25 * **Sec. 36.** AS 14.40.661 is amended by adding a new subsection to read:

26 (c) The university retirement programs established under this section are not
27 subject to bargaining under AS 23.40.070 - 23.40.260 (Public Employment Relations
28 Act).

29 * **Sec. 37.** AS 14.40.671(b) is amended to read:

30 (b) An election **under (a) of this section** to participate in **a university**
31 **retirement** [THE] program is irrevocable. The election shall be made in writing on a

1 form provided by the board and approved for the state by the commissioner of
 2 administration. The form must be filed with the university not [BOARD NO] later
 3 than 30 days after the date on which the employee is notified by the university that
 4 the employee is [FIRST BECOMES] eligible to participate in the program. A copy of
 5 the form shall be delivered to the appropriate state retirement system. The election
 6 becomes irrevocable on the date it is received by the board.

7 * **Sec. 38.** AS 14.40.671(c) is amended to read:

8 (c) Participation in a university retirement [THE ELECTION TO
 9 PARTICIPATE IN THE] program constitutes a waiver of all rights and benefits under
 10 the state retirement systems earned on or after the effective date of the election if the
 11 participation is optional, or the effective date of the participation if the
 12 participation is mandatory, and while the employee is participating in a university
 13 retirement [THE] program.

14 * **Sec. 39.** AS 14.40.671(d) is amended to read:

15 (d) Except as provided in (e) of this section, if a nonvested member of a state
 16 retirement system participates [ELECTS TO PARTICIPATE] in a university
 17 retirement [THE] program, the employee may choose to transfer the amount in the
 18 employee's contribution account to a university retirement [THE] program. If the
 19 employee chooses to transfer the account, the appropriate state retirement system shall
 20 pay to the university on behalf of the employee an amount equal to the balance in the
 21 account. The payment must be made within 45 days after notice of the employee's
 22 decision to transfer the employee's contribution account to a university
 23 retirement program [THE ELECTION] is received by the state retirement system.
 24 The financial officer of the university shall [IMMEDIATELY] pay the amount
 25 received to the designated company or companies for the benefit of the employee as
 26 soon as possible. An employee who transfers assets under this subsection may not
 27 reclaim the corresponding service in the state retirement system if the employee is
 28 reemployed under the state retirement system.

29 * **Sec. 40.** AS 14.40.671(e) is amended to read:

30 (e) An employee whose rights to transfer assets out of a state retirement
 31 system are subject to a qualified domestic relations order is entitled to transfer assets

1 from the state retirement system to a university retirement [THE] program only if
 2 the requirements for receiving a refund under AS 14.25.150(b), 14.25.360, [OR]
 3 AS 39.35.200(c), or 39.35.760, as appropriate, are met.

4 * **Sec. 41.** AS 14.40.671(f) is amended to read:

5 (f) If a vested member of a state retirement system participates [ELECTS TO
 6 PARTICIPATE] in a university retirement [THE] program, the employee ceases to
 7 be an active member of the state retirement system on the effective date of the
 8 participation in a university retirement [THE] program. The employee retains all
 9 benefits accrued in the state retirement system.

10 * **Sec. 42.** AS 14.40.671(g) is amended to read:

11 (g) An employee who does not [ELECT TO] participate in a university
 12 retirement [THE] program under this section becomes or remains a member of the
 13 appropriate state retirement system.

14 * **Sec. 43.** AS 14.40.671 is amended by adding new subsections to read:

15 (h) Notwithstanding (a) of this section, the university may establish a
 16 mandatory retirement program for new employees.

17 (i) Notwithstanding (b) of this section, the university may offer an employee
 18 who made an election not to participate in an optional university retirement program at
 19 the time the employee was eligible to participate in the program an option to enroll in
 20 a different university retirement program first established by the university after the
 21 effective date of this subsection.

22 * **Sec. 44.** AS 14.40.681 is amended to read:

23 **Sec. 14.40.681. Retirement system membership.** An [ELIGIBLE] employee
 24 participating [ELECTING TO PARTICIPATE] in a university retirement [THE]
 25 program may not participate in a state retirement system during the time the employee
 26 is employed in a participating position. If the employee is later employed in a position
 27 covered by a state retirement system that is not a participating position, the employee
 28 may not continue to participate in a university retirement [THE] program and shall
 29 begin to participate in the state retirement system.

30 * **Sec. 45.** AS 14.40.691(c) is amended to read:

31 (c) The board may specify that contributions required by this section are made

1 by a reduction in salary under 26 U.S.C. 403(b) or 26 U.S.C. 414(h)(2) (Internal
2 Revenue Code).

3 * **Sec. 46.** AS 14.40.701 is amended to read:

4 **Sec. 14.40.701. Benefits.** Payment of benefits to participants of the program
5 is the responsibility of the company or companies designated by the board and is not
6 the responsibility of the board, the university, or the state. The benefits are payable to
7 participants or their beneficiaries in accordance with the terms of the applicable
8 retirement plan document [ANNUITY CONTRACT OR CONTRACTS.
9 HOWEVER, RETIREMENT BENEFITS MUST BE PAID IN THE FORM OF A
10 LIFETIME INCOME. EXCEPT FOR DEATH BENEFITS, A SINGLE-SUM CASH
11 PAYMENT IS NOT PERMITTED UNDER THIS SECTION].

12 * **Sec. 47.** AS 14.40.799(3) is amended to read:

13 (3) "contribution account" means the member contribution account
14 under AS 14.25.009 - 14.25.220, the individual account under AS 14.25.310 -
15 14.25.590, [AS 14.25 OR] the employee contribution account under AS 39.35.095 -
16 39.35.680, or the individual account under AS 39.35.700 - 39.35.990 [AS 39.35],
17 whichever is appropriate;

18 * **Sec. 48.** AS 14.40.799(5) is amended to read:

19 (5) "participating position" means a position that is a permanent
20 position that is at least a .5 full-time appointment and is included in the applicable
21 retirement plan document [AS

22 (A) A FACULTY APPOINTMENT; OR

23 (B) AN ADMINISTRATOR AND THE POSITION HAS
24 BEEN DESIGNATED BY THE BOARD FOR INCLUSION IN THE
25 PROGRAM];

26 * **Sec. 49.** AS 14.40.799(6) is amended to read:

27 (6) "program" means a [THE OPTIONAL] university retirement
28 program;

29 * **Sec. 50.** AS 14.40.799 is amended by adding a new paragraph to read:

30 (8) "university" means the University of Alaska.

31 * **Sec. 51.** AS 22.25.048(c) is amended to read:

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

5 * **Sec. 52.** AS 22.25.900(1) is amended to read:

6 (1) "actuarial equivalent" 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 system
10 that are formally adopted [UNDER AS 22.25.027] by the **Alaska Retirement**
11 **Management Board** [COMMISSIONER OF ADMINISTRATION] that clearly
12 preclude employer discretion in the determination of the amount of any justice's,
13 judge's, or member's benefit;

14 * **Sec. 53.** AS 26.05.226(a) is amended to read:

15 (a) The Department of Military and Veterans' Affairs shall contribute to the
16 Alaska National Guard and Alaska Naval Militia retirement system the amounts
17 determined by the **Alaska Retirement Management Board** [COMMISSIONER OF
18 ADMINISTRATION] as necessary to

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

22 (2) administer the system.

23 * **Sec. 54.** AS 26.05.228(c) is amended to read:

24 (c) The Alaska **Retirement Management** [STATE PENSION
25 INVESTMENT] Board is the fiduciary of the fund and has the same powers and
26 duties under this section in regard to the fund as are provided under **AS 37.10.220**
27 [AS 14.25.180].

28 * **Sec. 55.** AS 36.30.015(f) is amended to read:

29 (f) The board of directors of the Alaska Housing Finance Corporation,
30 notwithstanding AS 18.56.088, and the board of directors of the Knik Arm Bridge and
31 Toll Authority under AS 19.75.111, shall adopt regulations under AS 44.62

1 (Administrative Procedure Act) and the board of trustees of the Alaska **Retirement**
 2 **Management** [STATE PENSION INVESTMENT] Board shall adopt regulations
 3 under AS 37.10.240 to govern the procurement of supplies, services, professional
 4 services, and construction for the respective public corporation and board. The
 5 regulations must reflect competitive bidding principles and provide vendors
 6 reasonable and equitable opportunities to participate in the procurement process and
 7 must include procurement methods to meet emergency and extraordinary
 8 circumstances. Notwithstanding the other provisions of this subsection, the Alaska
 9 Housing Finance Corporation, the Knik Arm Bridge and Toll Authority, and the
 10 Alaska **Retirement Management** [STATE PENSION INVESTMENT] Board shall
 11 comply with AS 36.30.170(b).

12 * **Sec. 56.** AS 36.30.990(1) is amended to read:

13 (1) "agency"

14 (A) means a department, institution, board, commission,
 15 division, authority, public corporation, the Alaska Pioneers' Home, the Alaska
 16 Veterans' Home, or other administrative unit of the executive branch of state
 17 government;

18 (B) does not include

19 (i) the University of Alaska;

20 (ii) the Alaska Railroad Corporation;

21 (iii) the Alaska Housing Finance Corporation;

22 (iv) a regional Native housing authority created under
 23 AS 18.55.996 or a regional electrical authority created under
 24 AS 18.57.020;

25 (v) the Department of Transportation and Public
 26 Facilities, in regard to the repair, maintenance, and reconstruction of
 27 vessels, docking facilities, and passenger and vehicle transfer facilities
 28 of the Alaska marine highway system;

29 (vi) the Alaska Aerospace Development Corporation;

30 (vii) the Alaska **Retirement Management** [STATE
 31 PENSION INVESTMENT] Board;

(viii) the Alaska Seafood Marketing Institute;

* **Sec. 57.** AS 37.10.071(d) is amended to read:

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

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

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

(3) has knowledge of a breach of duty by another person, unless the fiduciary or designee makes reasonable efforts under the circumstances to remedy the breach.

* **Sec. 58.** AS 37.10.071(f) is amended to read:

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

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

or

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

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

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

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

1 * **Sec. 59.** AS 37.10.210 is repealed and reenacted to read:

2 **Sec. 37.10.210. Alaska Retirement Management Board.** (a) The Alaska
3 Retirement Management Board is established in the Department of Revenue. The
4 board's primary mission is to serve as the trustee of the assets of the state's retirement
5 systems, the State of Alaska Supplemental Annuity Plan, and the deferred
6 compensation program for state employees. Consistent with standards of prudence,
7 the board has the fiduciary obligation to manage and invest these assets in a manner
8 that is sufficient to meet the liabilities and pension obligations of the systems, plan,
9 and program. The board may, with the approval of the commissioner of revenue and
10 upon agreement with the responsible fiduciary, manage and invest other state funds so
11 long as the activity does not interfere with the board's primary mission. In making
12 investments, the board shall exercise the powers and duties of a fiduciary of a state
13 fund under AS 37.10.071.

14 (b) The Alaska Retirement Management Board consists of nine trustees. The
15 commissioner of administration and the commissioner of revenue shall serve on the
16 board. The governor shall appoint seven additional trustees who meet the eligibility
17 requirements for an Alaska permanent fund dividend and who are professionally
18 credentialed or have recognized competence in investment management, finance,
19 banking, economics, accounting, pension administration, or actuarial analysis as
20 follows:

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

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

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

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

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

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

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

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

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

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

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

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

25 * **Sec. 60.** AS 37.10 is amended by adding a new section to read:

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

28 * **Sec. 61.** AS 37.10.220 is repealed and reenacted to read:

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

30 (1) hold regular and special meetings at the call of the chair or of at
 31 least five members; meetings are open to the public, and the board shall keep a full

1 record of all its proceedings;

2 (2) after reviewing recommendations from the Department of
3 Revenue, adopt investment policies for each of the funds entrusted to the board;

4 (3) determine the appropriate investment objectives for the defined
5 benefit plans established under the teachers' retirement system under AS 14.25 and the
6 public employees' retirement system under AS 39.35;

7 (4) provide a range of investment options and establish the rules by
8 which participants can direct their investments among those options with respect to
9 accounts established under

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

12 (B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary
13 Annuity Plan);

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

16 (D) AS 39.45.010 - 39.45.060 (public employees' deferred
17 compensation program);

18 (5) establish the rate of interest that shall be annually credited to each
19 member's individual contribution account in accordance with AS 14.25.145 and
20 AS 39.35.100 and the rate of interest that shall be annually credited to each member's
21 account in the health reimbursement arrangement plan under AS 39.30.300 -
22 39.30.495; the rate of interest shall be adopted on the basis of the probable effective
23 rate of interest on a long-term basis, and the rate may be changed from time to time;

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

25 (7) coordinate with the retirement system administrator to have an
26 annual actuarial valuation of each retirement system prepared to determine system
27 assets, accrued liabilities, and funding ratios and to certify to the appropriate
28 budgetary authority of each employer in the system

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

30 (B) an appropriate contribution rate for liquidating any past
31 service liability;

1 (8) review actuarial assumptions prepared and certified by a member
 2 of the American Academy of Actuaries and conduct experience analyses of the
 3 retirement systems not less than once every four years, except for health cost
 4 assumptions, which shall be reviewed annually; the results of all actuarial assumptions
 5 prepared under this paragraph shall be reviewed and certified by a second member of
 6 the American Academy of Actuaries before presentation to the board;

7 (9) contract for an independent audit of the state's actuary not less than
 8 once every four years;

9 (10) contract for an independent audit of the state's performance
 10 consultant not less than once every four years;

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

14 (12) by the first day of each regular legislative session, report to the
 15 governor, the legislature, and the individual employers participating in the state's
 16 retirement systems on the financial condition of the systems in regard to

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

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

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

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

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

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

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

27 (13) submit quarterly updates of the investment performance reports to
 28 the Legislative Budget and Audit Committee; and

29 (14) develop an annual operating budget.

30 (b) The board may

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

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

3 (3) contract for other services necessary to execute the board's powers
4 and duties;

5 (4) enter into confidentiality agreements that would exempt records
6 from AS 40.25.110 and 40.25.120 if the records contain information that could affect
7 the value of investment by the board or that could impair the ability of the board to
8 acquire, maintain, or dispose of investments.

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

11 * **Sec. 62.** AS 37.10.250 is amended to read:

12 **Sec. 37.10.250. Compensation of trustees.** Trustees, other than trustees who
13 are employees of the state, [OR] a political subdivision of the state, **or a school**
14 **district or regional educational attendance area in the state,** receive an honorarium
15 of \$150 for each day spent at a meeting of the board or at a meeting of a subcommittee
16 of the board or at a public meeting as a representative of the board, **including a day in**
17 **which a trustee travels to or from a meeting.** Trustees who are state employees are
18 entitled to administrative leave for service as a trustee. Trustees who are employees of
19 a political subdivision of the state **or a school district or regional educational**
20 **attendance area in the state** are entitled to leave benefits provided by their employers
21 comparable to those provided to state employees for service as a trustee. Trustees are
22 entitled to per diem and travel expenses authorized for boards and commissions under
23 AS 39.20.180.

24 * **Sec. 63.** AS 37.10.270(a) is amended to read:

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

30 * **Sec. 64.** AS 37.10.390 is amended to read:

31 **Sec. 37.10.390. Definitions.** In AS 37.10.210 - 37.10.390, unless the context

1 otherwise requires,

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

4 (2) **"fund" means the fund or funds composed of the assets of each**
5 **of the retirement systems administered and managed by the board;**

6 (3) **"recognized competence" means a minimum of 10 years'**
7 **professional experience working or teaching in the field of investment**
8 **management, finance, banking, economics, accounting, pension administration,**
9 **or actuarial analysis;**

10 (4) "retirement systems" **or "systems"** means the teachers' retirement
11 system, the judicial retirement system, the Alaska National Guard and Alaska Naval
12 Militia retirement system, [AND] the public employees' retirement system, **the State**
13 **of Alaska teachers' and public employees' retiree health reimbursement**
14 **arrangement plan, and the elected public officers' retirement system under**
15 **former AS 39.37.**

16 * **Sec. 65.** AS 37.14.160 is amended to read:

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

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

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

24 (3) invest and maintain accounting records that distinguish between the
25 principal and income of the fund;

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

28 * **Sec. 66.** AS 37.14.210(4) is amended to read:

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

1 * **Sec. 67.** AS 37.14.520(4) is amended to read:

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

5 * **Sec. 68.** AS 37.14.610 is amended to read:

6 **Sec. 37.14.610. Duties of the commissioner.** The commissioner of revenue
7 has the power and duty to

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

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

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

16 (4) maintain accounting records of the trust in accordance with
17 investment accounting principles;

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

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

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

24 (8) do all acts that the commissioner of revenue considers necessary or
25 proper in administering the assets of the trust.

26 * **Sec. 69.** AS 39.30.090(a) is amended to read:

27 (a) The Department of Administration may obtain a policy or policies of group
28 insurance covering state employees, persons entitled to coverage under AS 14.25.168,
29 **14.25.480**, AS 22.25.090, AS 39.35.535, **39.35.880**, or former AS 39.37.145,
30 employees of other participating governmental units, or persons entitled to coverage
31 under AS 23.15.136, subject to the following conditions:

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

5 (2) Each eligible employee of the state, the spouse and the unmarried
6 children chiefly dependent on the eligible employee for support, and each eligible
7 employee of another participating governmental unit shall be covered by the group
8 policy, unless exempt under regulations adopted by the commissioner of
9 administration.

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

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

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

15 (C) the commissioner of administration approves the
16 participation in writing.

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

27 (5) The Department of Administration shall make available bid
28 specifications for desired insurance benefits or for administration of benefit claims and
29 payments to (A) all insurance carriers authorized to transact business in this state
30 under AS 21.09 and all hospital or medical service corporations authorized to transact
31 business under AS 21.87 who are qualified to provide the desired benefits; and (B) to

1 insurance carriers authorized to transact business in this state under AS 21.09, hospital
2 or medical service corporations authorized to transact business under AS 21.87, and
3 third-party administrators licensed to transact business in this state and qualified to
4 provide administrative services. The specifications shall be made available at least
5 once every five years. The lowest responsible bid submitted by an insurance carrier,
6 hospital or medical service corporation, or third-party administrator with adequate
7 servicing facilities shall govern selection of a carrier, hospital or medical service
8 corporation, or third-party administrator under this section or the selection of an
9 insurance carrier or a hospital or medical service corporation to provide excess loss
10 insurance as provided in AS 39.30.091.

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

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

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

20 (9) For each permanent part-time employee electing coverage under
21 this section, the state shall contribute one-half the state contribution rate for permanent
22 full-time state employees, and the permanent part-time employee shall contribute the
23 other one-half.

24 (10) A person receiving benefits under AS 14.25, AS 22.25, AS 39.35,
25 or former AS 39.37 may obtain auditory, visual, and dental insurance for that person
26 and eligible dependents under this section. The level of coverage for persons over 65
27 shall be the same as that available before reaching age 65 except that the benefits
28 payable shall be supplemental to any benefits provided under the federal old age,
29 survivors, and disability insurance program. A person electing to have insurance
30 under this paragraph shall pay the cost of the insurance. The commissioner of
31 administration shall adopt regulations implementing this paragraph.

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

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

9 * **Sec. 70.** AS 39.30.095(d) is amended to read:

10 (d) If the commissioner of administration determines that there is more money
 11 in the fund than the amount needed to pay premiums, benefits, and administrative
 12 costs for the current fiscal year, the surplus, or so much of it as the commissioner of
 13 administration considers advisable, may be invested by the commissioner of revenue
 14 in the same manner as retirement funds are invested under **AS 37.10.210 and**
 15 **37.10.220** [AS 14.25.180].

16 * **Sec. 71.** AS 39.30.150(b) is amended to read:

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

23 (1) the state is placed under no obligation to continue making
 24 contributions under this section if the state resumes participation in the federal social
 25 security system;

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

29 (3) funds contributed under (a) of this section on behalf of employees
 30 who are not covered by maritime union contracts may not be obligated or expended to
 31 pay any costs associated with the inclusion of marine transportation employees in

1 **AS 39.35.095 - 39.35.680** [THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM].

2 * **Sec. 72.** AS 39.30 is amended by adding a new section to read:

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

5 * **Sec. 73.** AS 39.30 is amended by adding a new section to read:

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

9 * **Sec. 74.** AS 39.30.155 is repealed and reenacted to read:

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

13 * **Sec. 75.** AS 39.30.160(a) is amended to read:

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

- 19 (1) supplemental health benefits; [,]
20 (2) supplemental death benefits; [,]
21 (3) supplemental disability benefits; [,] and
22 (4) supplemental dependent care benefits.

23 * **Sec. 76.** AS 39.30.160(e) is amended to read:

24 (e) Regulations adopted by the **board** [PUBLIC EMPLOYEES
25 RETIREMENT BOARD] implementing AS 39.30.150 and this section are not subject
26 to AS 44.62 (Administrative Procedure Act).

27 * **Sec. 77.** AS 39.30.175(a) is amended to read:

28 (a) The **board** [ALASKA STATE PENSION INVESTMENT BOARD] is the
29 fiduciary of the mandatory receipts, under AS 39.30.150(a), of the employee benefits
30 program established under AS 39.30.150 - 39.30.180 and has the same powers and
31 duties concerning the management and investment in regard to those receipts as are

1 provided under **AS 37.10.210** [AS 14.25.180].

2 * **Sec. 78.** AS 39.30.180 is amended by adding a new paragraph to read:

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

5 * **Sec. 79.** AS 39.30 is amended by adding new sections to read:

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

8 **Sec. 39.30.300. State of Alaska Teachers' and Public Employees' Retiree**
9 **Health Reimbursement Arrangement Plan established.** The State of Alaska
10 Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan is
11 established for teachers who first become members of the defined contribution plan of
12 the teachers' retirement system under AS 14.25.310 - 14.25.590 on or after July 1,
13 2005, and employees of the state, political subdivisions of the state, and public
14 organizations of the state who first become members of the defined contribution plan
15 of the public employees' retirement system under AS 39.35.700 - 39.35.990 on or after
16 July 1, 2005.

17 **Sec. 39.30.310. Purpose and effective date.** (a) The purpose of the plan is to
18 allow medical care expenses to be reimbursed from individual savings accounts
19 established for eligible persons.

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

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

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

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

1 **Sec. 39.30.350. Employer contribution fund.** The fund established under
2 AS 39.30.340 is an employer contribution fund. The value of the fund reflects
3 employer contributions, expenses, and investment gains and losses. Employee
4 contributions to the fund are not permitted.

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

8 **Sec. 39.30.370. Contributions by employers.** For each member of the plan,
9 an employer shall contribute to the teachers' and public employees' retiree health
10 reimbursement arrangement plan trust fund an amount equal to two percent of the
11 employer's average annual employee compensation. The administrator shall maintain
12 a record for each member to account for employer contributions on behalf of that
13 member. The board shall establish by regulation the rate of interest to be applied
14 annually to the amount in a member's individual account.

15 **Sec. 39.30.380. Termination of employment.** A person who terminates
16 employment before meeting the eligibility requirements of AS 14.25.470 or
17 AS 39.35.870 loses any right to the contributions made on behalf of the person to the
18 teachers' and public employees' retiree health reimbursement arrangement trust fund.
19 If a person returns to employment with a participating employer within five years after
20 the date of termination, the person's account balance shall be restored in the amount
21 recorded on the date of termination from the trust, without interest or other adjustment.

22 **Sec. 39.30.390. Eligibility and reimbursement.** Persons who meet the
23 eligibility requirements of AS 14.25.470 and AS 39.35.870 are eligible for
24 reimbursements from the individual account established for a member under the plan.
25 A person who is the dependent child of an eligible member is eligible for
26 reimbursements if the eligible member and surviving spouse have both died so long as
27 the person meets the definition of dependent child.

28 **Sec. 39.30.400. Benefits payable from the individual account.** (a) The
29 administrator may deduct the cost of monthly premiums from the individual account
30 for retiree major medical insurance on behalf of an eligible person who elected retiree
31 major medical insurance under AS 14.25.480 or AS 39.35.880.

1 (b) Upon application of an eligible person, the administrator shall reimburse to
 2 the eligible person the costs for medical care expenses as defined in 26 U.S.C. 213(d).
 3 Reimbursement is limited to the medical expenses of

4 (1) an eligible member, the spouse of an eligible member, and the
 5 dependent children of an eligible member; or

6 (2) a surviving spouse and the dependent children of an eligible
 7 member dependent on the surviving spouse.

8 (c) When the member's individual account balance is exhausted, the insurance
 9 premium deductions under (a) of this section and the reimbursement of medical care
 10 expenses under (b) of this section end.

11 (d) If all eligible persons die before exhausting the member's individual
 12 account, the account balance shall revert to the plan.

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

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

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

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

30 **Sec. 39.30.420. Amendment and termination of plan.** (a) The state has the
 31 right to amend the plan at any time and from time to time, in whole or in part,

1 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

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

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

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

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

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

18 **Sec. 39.30.495. Definitions.** Unless the context requires otherwise, in
19 AS 39.30.300 - 39.30.495

20 (1) "administrator" means the commissioner of administration or the
21 commissioner's designee;

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

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

25 (4) "eligible person" means a person who meets the eligibility
26 requirements of AS 14.25.470 or AS 39.35.870;

27 (5) "dependent child" has the meaning given in AS 39.35.680;

28 (6) "employer" has the meaning given in AS 14.25.590 for employers
29 of teachers in the defined contribution plan established in AS 14.25.310 - 14.25.590
30 and has the meaning given in AS 39.35.990 for employers of public employees in the
31 defined contribution plan established in AS 39.35.700 - 39.35.990;

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

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

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

9 (10) "plan" means the State of Alaska Teachers' and Public Employees'
10 Retiree Health Reimbursement Arrangement Plan established in AS 39.30.300;

11 (11) "qualified domestic relations order" has the meaning given in
12 AS 14.25.220.

13 * **Sec. 80.** AS 39.35 is amended by adding new sections to read:

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

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

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

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

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

26 **Sec. 39.35.004. Powers and duties of the administrator.** (a) The
27 administrator shall

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

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

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

- 1 (4) make payments for the various purposes specified;
- 2 (5) submit periodic reports or statements of account that are needed;
- 3 (6) issue a statement of account to an employee not less than once each
- 4 year showing the amount of the employee's contributions to the applicable plan in the
- 5 system;
- 6 (7) formulate and recommend to the commissioner of administration
- 7 regulations to govern the operation of the system;
- 8 (8) as soon as possible after the close of each fiscal year, and not later
- 9 than six months after the close of each fiscal year, send to the governor and the
- 10 legislature an annual statement on the operations of each of the plans in the system
- 11 containing
- 12 (A) a balance sheet;
- 13 (B) a statement of income and expenditures for the year;
- 14 (C) a report on valuation of trust fund assets;
- 15 (D) a summary of assets held in the trust fund listed by the
- 16 categories of investment, as provided by the Alaska Retirement Management
- 17 Board;
- 18 (E) other statistical financial data that are necessary for proper
- 19 understanding of the financial condition of the system as a whole and each plan
- 20 in the system and the result of its operations;
- 21 (9) engage an independent certified public accountant to conduct an
- 22 annual audit of each plan's accounts and the annual report of the system's financial
- 23 condition and activity;
- 24 (10) report to the Legislative Budget and Audit Committee concerning
- 25 the condition and administration of each plan and distribute the report to the members
- 26 of each plan in the system;
- 27 (11) publish an information handbook for each plan in the system at
- 28 intervals that the administrator considers appropriate;
- 29 (12) meet at least annually with the board to review the condition and
- 30 management of the retirement systems and to review significant changes to policies,
- 31 regulations or benefits; and

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

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

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

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

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

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

18 (d) At least 30 days before the adoption, amendment, or repeal of a regulation
19 under this chapter, the commissioner shall provide notice of the action that is being
20 considered. The notice shall be

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

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

24 (3) mailed to each person or group that has filed a request for notice of
25 proposed action with the commissioner; and

26 (4) furnished to each member of the legislature and to the Legislative
27 Affairs Agency.

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

30 (f) The commissioner may hold a public hearing on a proposed regulation.

31 (g) A regulation adopted under this chapter takes effect 30 days after adoption

1 by the commissioner.

2 (h) Notwithstanding the other provisions of this section, a regulation may be
3 adopted, amended, or repealed, effective immediately, as an emergency regulation by
4 the commissioner. For an emergency regulation to be effective the commissioner
5 must find that the adoption, amendment, or repeal of the regulation is necessary for the
6 immediate preservation of the orderly operation of the system. The commissioner
7 shall, within 10 days after adoption of an emergency regulation, give notice of the
8 adoption under (d) of this section.

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

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

14 **Sec. 39.35.007. Investment management of retirement system funds.** The
15 Alaska Retirement Management Board established under 37.10.210 is the fiduciary of
16 the system funds.

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

18 (1) "commissioner" means the commissioner of administration;

19 (2) "plan" means the retirement plan established in AS 39.35.095 -
20 39.35.680 or the retirement plan established in AS 39.35.700 - 39.35.990;

21 (3) "system" means all retirement plans established under the public
22 employees' retirement system.

23 * **Sec. 81.** AS 39.35 is amended by adding a new section to read:

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

25 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680 to employees first**
26 **hired before July 1, 2005.** The following provisions of this chapter apply only to
27 members first hired before July 1, 2005: AS 39.35.095 - 39.35.680.

28 * **Sec. 82.** AS 39.35.100 is amended to read:

29 **Sec. 39.35.100. Accounting.** (a) The commissioner of administration shall
30 establish and maintain an adequate system of accounts and records for the plan
31 [SYSTEM]. The accounts and records shall be integrated with the accounts, records,

1 and procedures of the employers to the end that they operate most effectively and at
2 minimum expense, and that duplication of records and accounts is avoided.

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

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

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

26 (3) A separate account for each employer shall be maintained. The
27 account shall be credited with contributions of the employer. This account shall be
28 charged with the employer's actuarial charge for pension, death benefits, and other
29 benefits paid under this **plan** [SYSTEM] to or on behalf of the employee of the
30 employer. After an allowance for interest credited to employee contribution accounts
31 and employee savings accounts, the investment income of the pension fund shall be

1 allocated to the retirement reserve account and to each employer asset share account
 2 according to the ratio that the average of the assets in the account as of the beginning
 3 and as of the end of the fiscal year bears to the total of the average balance of the
 4 retirement reserve account and all employer accounts.

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

11 * **Sec. 83.** AS 39.35 is amended by adding a new section to article 1 to read:

12 **Sec. 39.35.115. Defined benefit retirement plan.** (a) A defined benefit
 13 retirement plan for employees of the state, political subdivisions, and public
 14 organizations is created. The plan becomes effective January 1, 1961, at which time
 15 contributions by the employers and members begin.

16 (b) The retirement plan established by AS 39.35.095 - 39.35.680 is intended to
 17 qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified
 18 retirement plan established and maintained by the state for its employees and for the
 19 employees of political subdivisions, public corporations, and public organizations of
 20 the state, and for the employees of other employers whose participation is authorized
 21 by AS 39.35.095 - 39.35.680 and who participate in this plan.

22 (c) An amendment to AS 39.35.095 - 39.35.680 does not provide a person
 23 with a vested right to a benefit if the Internal Revenue Service determines that the
 24 amendment will result in disqualification of the plan under the Internal Revenue Code.

25 * **Sec. 84.** AS 39.35.120 is amended to read:

26 **Sec. 39.35.120. Commencement of participation.** (a) An employee of the
 27 state shall be included in this system upon commencement of employment with the
 28 state, or on January 1, 1961, whichever is later. Unless an employee participates in a
 29 [HAS ELECTED TO PARTICIPATE IN THE OPTIONAL] university retirement
 30 program under AS 14.40.661 - 14.40.799, an employee of a political subdivision or
 31 public organization that becomes an employer shall be included in the system on the

1 effective date of the employer's participation or the date of the employee's
2 commencement of employment with the employer, whichever is later.

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

5 (1) an elected official;

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

7 (3) an employee of the university who **participates in a** [HAS
8 ELECTED TO PARTICIPATE IN THE OPTIONAL] university retirement program
9 under AS 14.40.661 - 14.40.799.

10 * **Sec. 85.** AS 39.35.131 is amended to read:

11 **Sec. 39.35.131. Membership in teachers' and public employees'**
12 **retirement systems.** (a) A person who is employed at least half-time in the **plan**
13 [SYSTEM] during the same period that the person is employed at least half-time in a
14 position in the teachers' retirement **plan** [SYSTEM] under **AS 14.25.009 - 14.25.220**
15 [AS 14.25] 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 **plan** [SYSTEM] during a school year may not exceed the amount necessary, when
18 added to the amount of credited service earned during the school year under the
19 teachers' retirement system, to equal one year of credited service.

20 (b) A person who was employed at least half-time in a position in the teachers'
21 retirement **plan** [SYSTEM] under **AS 14.25.009 - 14.25.220** [AS 14.25] 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 **plan** [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. 86.** AS 39.35.158 is amended to read:

3 **Sec. 39.35.158. Administrative director of courts.** An administrative
4 director of the Alaska court system who withdraws from the judicial retirement system
5 under AS 22.25.012 is eligible for membership in the plan [SYSTEM] and shall
6 receive credited service in the plan [SYSTEM] for service rendered as administrative
7 director. To be eligible for membership in the plan [SYSTEM] under this subsection,
8 the administrative director must contribute to the plan [SYSTEM]

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

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

15 * **Sec. 87.** AS 39.35.160(a) is amended to read:

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

29 * **Sec. 88.** AS 39.35 is amended by adding a new section to read:

30 **Sec. 39.35.162. Calculation of employee contribution rate.** (a) Each peace
31 officer or fire fighter shall contribute a percentage of the peace officer's or fire fighter's

1 compensation to be determined annually in advance by the administrator. Each other
 2 employee shall contribute a percentage of the employee's compensation to be
 3 determined annually in advance by the administrator. The employee contribution rate
 4 is the greater of

5 (1) 7.5 percent for a peace officer or fire fighter;
 6 (2) 6.75 percent for each other employee; or
 7 (3) one-half of the normal cost rate actuarially calculated to fund the
 8 benefits expected to be earned by active members during the fiscal year.

9 (b) The normal cost rate for peace officers or fire fighters and the employee
 10 contribution rate for other employees shall be separately calculated based on the
 11 actuarially calculated costs for each group of employees.

12 (c) Notwithstanding (a) of this section, the employee contribution rate may not
 13 increase more than one-half of a percentage point annually.

14 * **Sec. 89.** AS 39.35.165(a) is amended to read:

15 (a) An employee who is eligible to purchase credited service under
 16 AS 39.35.310, 39.35.330, 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, or
 17 39.35.370, a member who is eligible to purchase credited service under AS 39.35.375,
 18 or an elected public official who is eligible to purchase credited service under
 19 AS 39.35.381 is an employee for purposes of this section. An employee may, in lieu
 20 of making payments directly to the plan, elect to have the employee's employer make
 21 payments as provided in this section.

22 * **Sec. 90.** AS 39.35.165(b) is amended to read:

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

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

30 (2) the employee shall make an irrevocable election under this section
 31 to purchase credited service as permitted in AS 39.35.310, 39.35.330, 39.35.340,

1 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or 39.35.381 and
 2 before the employee's termination of employment; the irrevocable election must
 3 specify the number of payroll periods that deductions will be made from the
 4 employee's compensation and the dollar amount of deductions for each payroll period
 5 during the specified number of payroll periods; the deductions made under this
 6 paragraph cease upon the earlier of the member's termination of employment with the
 7 employer or the member's death; amounts paid by an employer under (f) of this
 8 section may not be applied toward the payment of the dollar amount of the deductions
 9 representing the portion of the credited service that is being purchased by the member
 10 through payroll deduction in accordance with the member's irrevocable election under
 11 this subsection;

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

17 * **Sec. 91.** AS 39.35.165(f) is amended to read:

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

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

30 (2) subject to the limitations prescribed in 26 U.S.C. 408(d)(3)(A)(ii),
 31 accepting from a member conduit rollover contributions that are received by the

1 employee from one or more conduit rollover individual retirement accounts previously
2 established by the member;

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

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

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

14 * **Sec. 92.** AS 39.35.165(g) is amended to read:

15 (g) Payments made under this section shall be applied to reduce the
16 employee's outstanding indebtedness described in AS 39.35.310, 39.35.330,
17 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
18 39.35.381 at the time that the contributions are received by the plan.

19 * **Sec. 93.** AS 39.35.165(i) is amended to read:

20 (i) On satisfaction of the eligibility requirements of AS 39.35.310, 39.35.330,
21 39.35.340, 39.35.341, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
22 39.35.381, the requirements of this section, and the administrative filing requirements
23 specified by the commissioner, the plan shall adjust the employee's credited service
24 history and add any additional service credits acquired.

25 * **Sec. 94.** AS 39.35.200 is amended by adding a new subsection to read:

26 (d) An employee who receives a refund of contributions in accordance with
27 this section forfeits corresponding credited service under AS 39.35.095 - 39.35.680.

28 * **Sec. 95.** AS 39.35.270 is amended to read:

29 **Sec. 39.35.270. Amount of employer's contributions.** The amount of each
30 employer's contributions shall be determined by applying the employer's contribution
31 rate, as certified by the board, to the total compensation paid to the active employees

1 of the employer for each payroll period and by including any adjustments to
 2 contributions required by AS 39.35.520(a). This amount shall be remitted by the
 3 employer to the administrator in accordance with AS 39.35.610.

4 * **Sec. 96.** AS 39.35.270 is amended by adding a new subsection to read:

5 (b) When added to the member contribution rate calculated under
 6 AS 39.35.162, the employer contribution may not be less than the rate required, as
 7 actuarially calculated, to fully fund the future liabilities of active members.

8 * **Sec. 97.** AS 39.35.340(f) is amended to read:

9 (f) An employee **may not** [CANNOT] be credited with a period of active
 10 military service in the armed forces of the United States under this section if credit for
 11 that military service was granted under **AS 14.25.009 - 14.25.220** [AS 14.25].

12 * **Sec. 98.** AS 39.35.340(h) is amended to read:

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

15 * **Sec. 99.** AS 39.35.360(i) is amended to read:

16 (i) An employee who completes three years of credited service with an
 17 employer, for which the employee makes contributions required by **AS 39.35.095 -**
 18 **39.35.680** [THIS CHAPTER], is entitled to credited service on a year-for-year basis
 19 for service credited in the Civil Service Retirement System, rendered as an employee
 20 of an Alaska Bureau of Indian Affairs (BIA) school, other than service as a teacher.
 21 When eligibility for retroactive credited service under this subsection has been
 22 established, an indebtedness of the employee to the **plan** [SYSTEM] shall be
 23 determined as follows: (1) the employee's actual annual compensation, or the
 24 calculated annual compensation for an employee who works fewer than 12 months, for
 25 the most recent calendar year in which service is rendered to an employer before the
 26 calendar year in which the employee first becomes eligible to claim service under this
 27 subsection, multiplied by (2) the number of years of service in Alaska BIA schools
 28 that is credited under this subsection, and this product multiplied by (3) six percent for
 29 employees first eligible to claim this service before January 1, 1987, or eight and one-
 30 half percent for employees first eligible to claim this service on or after January 1,
 31 1987. Interest as prescribed by regulation accrues on the indebtedness beginning on

1 the date the employee may first claim the retroactive credited service. Any
 2 outstanding indebtedness that exists at the time the employee retires requires an
 3 actuarial adjustment to the benefits that are based on retroactive credited service under
 4 this subsection. A retirement benefit payable under this subsection for Alaska BIA
 5 service shall be reduced by an amount equal to the retirement benefits paid to the
 6 member by the United States government for the same service.

7 * **Sec. 100.** AS 39.35.360(l) is amended to read:

8 (l) An administrative director of the Alaska Court System who withdraws
 9 from the judicial retirement system under AS 22.25.012(b) is eligible for membership
 10 in the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] and shall receive
 11 credited service in this plan [SYSTEM] for service rendered as administrative
 12 director. To be eligible for membership in this plan [SYSTEM] under this subsection,
 13 the administrative director must contribute to the plan [SYSTEM]

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

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

20 * **Sec. 101.** AS 39.35.370(g) is amended to read:

21 (g) When an employee who was employed as a dispatcher in a state trooper
 22 office or in a police or fire department in the plan [PUBLIC EMPLOYEES'
 23 RETIREMENT SYSTEM] applies for appointment to retirement, the employee may
 24 convert the credited service for that position to credited service as a peace officer by
 25 claiming the service as peace officer service. An employee who has converted
 26 credited service to peace officer service under this subsection shall be treated as a
 27 peace officer for purposes of AS 39.35.095 - 39.35.680 [THIS CHAPTER]. When the
 28 member claims this credited service as peace officer service, an indebtedness of the
 29 member to the plan [SYSTEM] shall be established. The indebtedness is equal to the
 30 full actuarial cost of the conversion of the credited service to treatment as peace
 31 officer service. Any outstanding indebtedness that exists at the time the member is

1 appointed to retirement **shall** [WILL] require an actuarial adjustment to the benefits
2 payable based upon the conversion of the credited service.

3 * **Sec. 102.** AS 39.35.375(a) is amended to read:

4 (a) An active or inactive member who has never been vested in this **plan**
5 [SYSTEM] or in the teachers' retirement **plan** [SYSTEM] under **AS 14.25.009 -**
6 **14.25.220** [AS 14.25], who has at least two years of credited service in this **plan**
7 [SYSTEM], and who has membership service in the teachers' retirement system may
8 claim credited service in this **plan** [SYSTEM] in an amount equal to the membership
9 service the member has in the teachers' retirement system. The claimed credited
10 service may be added to service earned under **AS 39.35.095 - 39.35.680** [THIS
11 CHAPTER] to enable the member to qualify for a public service benefit under this
12 section. The member may not claim credited service for membership service for
13 which the member has received a refund under AS 14.25.150 unless the member fully
14 pays the indebtedness as established under AS 14.25.063. The member may not claim
15 credited service in this **plan** [SYSTEM] based on unused sick leave under
16 AS 14.25.115.

17 * **Sec. 103.** AS 39.35.375(b) is amended to read:

18 (b) To claim credited service under this section, the member shall file a
19 written request with the administrator when the member applies to retire. The
20 administrator shall determine the full actuarial cost of benefits based on the member's
21 total credited service and shall transfer from the teachers' retirement system to this
22 **plan** [SYSTEM] an amount equal to the sum of the member contributions and any
23 indebtedness payments to the teachers' retirement system and the employer
24 contributions to the teachers' retirement system made on behalf of the employee
25 together with interest earned on those contributions and indebtedness payments. If the
26 amount to be transferred, when combined with the amount of employee contributions
27 and indebtedness payments to this **plan** [SYSTEM] and the amount of employer
28 contributions on behalf of the employee in this **plan** [SYSTEM], and interest earned
29 on contributions and indebtedness payments for the employee, is less than the full
30 actuarial cost computed under this subsection, an indebtedness to the **plan** [SYSTEM]
31 equal to the amount of the difference is established. Interest as prescribed by

1 regulation accrues on the indebtedness. The member must pay any outstanding
 2 indebtedness existing at the time the member applies for retirement in full before the
 3 member is appointed to retirement under this section.

4 * **Sec. 104.** AS 39.35.375(c) is amended to read:

5 (c) A member is entitled to receive a public service benefit under this section
 6 if the member has at least a total of five years credited service under AS 39.35.095 -
 7 39.35.680 [THIS CHAPTER] and credited service from the teachers' retirement **plan**
 8 **under AS 14.25.009 - 14.25.220** [SYSTEM] claimed under this section. A public
 9 service benefit shall be calculated using the higher of the average monthly
 10 compensation for service in this **plan** [SYSTEM] or the average base salary for
 11 service in the teachers' retirement **plan under AS 14.25.009 - 14.25.220** [SYSTEM].
 12 The amount of the benefit shall be calculated in accordance with AS 39.35.370(c).

13 * **Sec. 105.** AS 39.35.375(d) is amended to read:

14 (d) Credited service earned under either this **plan** [SYSTEM] or the teachers'
 15 retirement system that has been claimed for a public service benefit under this section
 16 may not be used for any other purpose. A member who claims credited service under
 17 this section loses all rights to benefits under AS 14.25 based on the claimed credited
 18 service. A member may not claim credited service under this section unless the
 19 member claims all of the membership service the member has in the teachers'
 20 retirement system. A public service benefit does not constitute a normal or early
 21 retirement benefit for purposes of qualifying for a conditional service retirement
 22 benefit under AS 14.25.125 or AS 39.35.385.

23 * **Sec. 106.** AS 39.35.375(f) is amended to read:

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

28 * **Sec. 107.** AS 39.35.375(f) is amended to read:

29 (f) Notwithstanding AS 14.25.063 [AND AS 39.35.350], a former member of
 30 the teachers' retirement system who is an active member or inactive member of this
 31 plan may reinstate, under this section, membership service earned under AS 14.25 for

1 which the member received a refund of contributions.

2 * **Sec. 108.** AS 39.35.375(g) is amended to read:

3 (g) If a member retires under this section and subsequently returns to work for
4 an employer under this **plan** [SYSTEM] or the teachers' retirement system, benefits
5 under this section shall cease during the period of reemployment and shall
6 recommence when the reemployment is ended. The credited service earned during the
7 period of reemployment may not be added to the credited service claimed for a public
8 service benefit under this section. If a member vests and meets the other eligibility
9 requirements under this system or the teachers' retirement system during the
10 reemployment, the member is entitled to a benefit under **AS 14.25.009 - 14.25.220**
11 [AS 14.25] or **39.35.095 - 39.35.680** [AS 39.35], as appropriate.

12 * **Sec. 109.** AS 39.35.375 is amended by adding a new subsection to read:

13 (h) In this section,

14 (1) "teachers' retirement system" and "teachers' retirement system
15 under AS 14.25" means the teachers' retirement plan established in AS 14.25.009 -
16 14.25.220;

17 (2) "membership service earned under AS 14.25" means membership
18 service earned under AS 14.25.009 - 14.25.220.

19 * **Sec. 110.** AS 39.35.381(a) is amended to read:

20 (a) An elected public officer is eligible for a public officer benefit if the officer
21 is retired under **AS 14.25.009 - 14.25.220** [AS 14.25 (TEACHERS' RETIREMENT
22 SYSTEM)]. Only fully paid credited service as an elected public officer of a
23 municipality or other political subdivision, earned while the municipality or political
24 subdivision was an employer under this **plan** [SYSTEM] and while the person was
25 employed full-time under **AS 14.25.009 - 14.25.220** [AS 14.25], may be counted
26 under this section.

27 * **Sec. 111.** AS 39.35.385(f) is amended to read:

28 (f) Subject to AS 39.35.450, an employee is eligible for a normal retirement
29 benefit at age 60 or an early retirement benefit at age 55 if the employee was first
30 hired as a legislative employee before May 30, 1987, and has at least **120** [60] days of
31 credited service as an employee of the legislature, other than as an employee of the

1 Office of the Ombudsman or the office of victims' rights, during each of five
 2 legislative sessions. An employee who was first hired as a legislative employee on or
 3 after May 30, 1987, and is otherwise eligible under this subsection must have at least
 4 **120** [80] days of credited service during each of five legislative sessions to receive
 5 benefits under this subsection.

6 * **Sec. 112.** AS 39.35.410(f) is amended to read:

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

15 * **Sec. 113.** AS 39.35.475(a), as that subsection read following amendment by sec. 34, ch.
 16 146, SLA 1980, until amended by sec. 41, ch. 82, SLA 1986, is amended to read:

17 (a) When the administrator determines that the cost of living has increased and
 18 that the financial condition of the retirement fund permits, **the administrator** [HE]
 19 shall increase benefit payments to persons receiving benefits under this **plan. For**
 20 **purposes of this subsection, the financial condition of the fund would only permit**
 21 **an increase in benefits when the ratio of total fund assets to the accrued liability**
 22 **meets or exceeds 110 percent. In this subsection, "accrued liability" means the**
 23 **present value of all member benefits accrued by member service in this plan**
 24 [SYSTEM].

25 * **Sec. 114.** AS 39.35.485(a) is amended to read:

26 (a) An employee who is eligible for a benefit calculated in accordance with
 27 AS 39.35.370(c) is entitled to a benefit of at least \$25 a month for each year of
 28 credited service, not including adjustments made under AS 39.35.340 for military
 29 service, [AS 39.35.350 FOR REINSTATEMENT OF CREDITED SERVICE,]
 30 AS 39.35.360 for credit for earlier service, AS 39.35.370(c) for early retirement,
 31 AS 39.35.420 for nonoccupational death benefits, AS 39.35.450 for the survivor's

1 option, former AS 39.35.460 for the level income option, AS 39.35.475 for the post-
2 retirement pension adjustment, and AS 39.35.480 for the cost of living.

3 * **Sec. 115.** AS 39.35.680(2) is amended to read:

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

11 * **Sec. 116.** AS 39.35.680(6) is amended to read:

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

14 * **Sec. 117.** AS 39.35.680(21) is amended to read:

15 (21) "member" or "employee"

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

18 (B) includes

19 (i) an active member;

20 (ii) an inactive member;

21 (iii) a vested member;

22 (iv) a deferred vested member;

23 (v) a nonvested member;

24 (vi) a disabled member;

25 (vii) a retired member;

26 (viii) an elected public officer under AS 39.35.381;

27 (C) does not include

28 (i) former members;

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

30 (iii) casual or emergency workers or nonpermanent

31 employees as defined in AS 39.25.200;

1 (iv) persons covered by the Alaska Teachers'
 2 Retirement System except as provided under AS 39.35.131 and
 3 39.35.381, or persons covered by a [THE OPTIONAL] university
 4 retirement program;

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

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

10 (vii) the administrative director of courts appointed
 11 under art. IV, sec. 16 of the state constitution unless the director
 12 becomes a member under AS 39.35.158;

13 (viii) members of the elected public officers' retirement
 14 system (former AS 39.37); and

15 (ix) contractual employees of the legislative branch of
 16 state government under AS 24.10.060(f);

17 (D) may include employees of the division of marine
 18 transportation excluded under (C)(v) of this paragraph provided that

19 (i) the State of Alaska formally agrees to their inclusion
 20 through the process of collective bargaining; and

21 (ii) no collective bargaining agreement has the effect of
 22 obligating contributions made by the state under AS 39.30.150 in the
 23 event the state resumes participation in the federal social security
 24 system;

25 * **Sec. 118.** AS 39.35.680(34) is amended to read:

26 (34) "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 employee contribution account or the benefits payable with respect to an

1 employee;

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

4 (C) sets out the amount or percentage of the employee'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** [SYSTEM] to which the order
10 applies;

11 (F) does not require any type or form of benefit or any option
12 not otherwise provided by AS 39.35.095 - 39.35.680 [THIS CHAPTER];

13 (G) does not require an increase of benefits in excess of the
14 amount provided by AS 39.35.095 - 39.35.680 [THIS CHAPTER], determined
15 on the basis of actuarial value; and

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

19 * **Sec. 119.** AS 39.35.680 is amended by adding new paragraphs to read:

20 (41) "commissioner" means the commissioner of administration;

21 (42) "plan" means the retirement plan established in AS 39.35.095 -
22 39.35.680.

23 * **Sec. 120.** AS 39.35 is amended by adding new sections to read:

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

25 **Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of
26 AS 39.35.700 - 39.35.990 apply only to members first hired on or after July 1, 2005 or
27 to members who transfer into the defined contribution plan under AS 39.35.940.

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

31 (b) The defined contribution retirement plan is a plan in which savings are

1 accumulated in an individual retirement account for the exclusive benefit of the
2 member or beneficiaries. The plan is established effective July 1, 2005, at which time
3 contributions by employers and members begin.

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

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

14 **Sec. 39.35.720. Membership.** An employee who becomes a member on or
15 after July 1, 2005, shall participate in the plan set out in AS 39.35.700 - 39.35.990.

16 **Sec. 39.35.730. Contributions by members.** (a) Each member shall
17 contribute to the member's individual account an amount equal to eight percent of the
18 member's compensation from July 1 to the following June 30.

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

21 (c) The employer shall deduct the contribution from the member's
22 compensation at the end of each payroll period, and the contribution shall be credited
23 by the plan to the member's individual account. The contributions shall be deducted
24 from member's compensation before the computation of applicable federal taxes and
25 shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member may
26 not have the option of making the payroll deduction directly in cash instead of having
27 the contribution picked up by the employer.

28 **Sec. 39.35.740. Employment contributions mandatory.** Contributions of
29 employees shall be made by payroll deductions. Every included employee shall be
30 considered to consent to payroll deductions. It is of no consequence that a payroll
31 deduction may cause the compensation paid in cash to an employee to be reduced

1 below the minimum required by law. Payment of an employee's compensation, less
 2 payroll deductions, is a full and complete discharge and satisfaction of all claims and
 3 demands by the employee relating to remuneration of services during the period
 4 covered by the payment, except with respect to the benefits provided under the plan.

5 **Sec. 39.35.750. Contributions by employers.** (a) An employer shall
 6 contribute to each member's individual account an amount equal to 4.5 percent of the
 7 member's compensation from July 1 to the following June 30.

8 (b) An employer shall also contribute an amount equal to 1.75 percent of each
 9 member's compensation from July 1 to the following June 30 to pay for retiree major
 10 medical insurance. This contribution shall be paid into the group health and life
 11 benefits fund established by the commissioner of administration under AS 39.30.095
 12 and shall be accounted for in accordance with regulations established by the
 13 commissioner.

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

16 **Sec. 39.35.760. Rollover contributions and distributions.** (a) An employee
 17 entering the plan may elect, at the time and in the manner prescribed by the
 18 administrator, to have all or part of a direct rollover distribution from an eligible
 19 retirement plan owned by the member paid directly into the member's individual
 20 account.

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

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

26 (d) In this section,

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

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

1 (3) "eligible retirement plan" means

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

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

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

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

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

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

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

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

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

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

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

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

23 **Sec. 39.35.770. Transmittal of contributions.** All contributions deducted in
24 accordance with AS 39.35.700 - 39.35.990 shall be transmitted to the plan for deposit
25 in the trust fund as soon as administratively feasible, but in no event later than 15 days
26 following the close of the payroll period.

27 **Sec. 39.35.780. Limitations on contributions.** Notwithstanding any other
28 provisions of this plan, the annual additions to each member's individual account
29 under this plan and under all defined contribution plans of the employer required to be
30 aggregated with the contributions from this plan under the provisions of 26 U.S.C. 415
31 may not exceed, for any limitation year, the amount permitted under 26 U.S.C. 415 at

1 any time. If the amount of a member's defined contribution plan contributions exceeds
 2 the limitation of 26 U.S.C. 415(c) for any limitation year, the administrator shall take
 3 any necessary remedial action to correct an excess contribution. The provisions of 26
 4 U.S.C. 415, and the regulations adopted under that statute, as applied to qualified
 5 defined contribution plans of governmental employees are incorporated as part of the
 6 terms and conditions of the plan.

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

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

- 13 (1) 25 percent with two years of service;
- 14 (2) 50 percent with three years of service; and
- 15 (3) 75 percent with four years of service.

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

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

24 (c) A participant may elect to change or transfer all or a portion of the
 25 participant's existing account balance among available investment funds not more
 26 often than once each day in accordance with the rules established by the administrator.
 27 Only the last election received by the administrator before the transmittal of
 28 contributions to the trust fund for allocation to the individual account shall be used to
 29 direct the investment of the contributions received.

30 (d) Except to the extent clearly set out in the terms of the investment plans
 31 offered by the employer to the employee, the employer is not liable to the participant

1 for investment losses if the prudent investment standard has been met.

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

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

10 **Sec. 39.35.810. Distribution election at termination.** (a) A member is
11 eligible to elect distribution of the member's account in accordance with this section
12 60 days after termination of employment.

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

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

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

25 (3) postsecondary education tuition and related educational fees for the
26 next 12-month period for the member, the member's spouse, or a dependent of the
27 member; in this paragraph, "dependent" has the meaning given in 26 U.S.C. 152;

28 (4) prevention of the eviction of the member from the member's
29 principal residence or foreclosure on the mortgage of the member's principal
30 residence; or

31 (5) any need prescribed by the United States Department of the

1 Treasury, Internal Revenue Service, in a revenue ruling, notice, or other document of
 2 general applicability that satisfies the safe harbor definition of hardship under
 3 regulations adopted under 26 U.S.C. 401(k).

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

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

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

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

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

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

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

23 (4) life annuity with a period certain payment, which is an annuity
 24 payable until the later of the first day of the month in which the annuitant's death
 25 occurs, or the date on which the payment of a fixed number of monthly installments is
 26 completed; the period certain for installments is 120 or 180 months;

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

29 (6) joint and survivor annuity payment, which is an annuity payable
 30 monthly to the member until the first of the month in which the member's death
 31 occurs; after the member's death, a survivor annuity equal to 50 percent or 100 percent

1 of the member's benefit, as previously elected by the member, shall be paid monthly to
2 the joint annuitant for the remainder of the survivor's lifetime.

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

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

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

18 **Sec. 39.35.830. Manner of electing distributions.** (a) Any election or any
19 alteration or revocation of a prior election by a participant for any purpose under this
20 plan shall be on forms or made in a manner prescribed for that purpose by the plan
21 administrator. To be effective, the forms required or the required action for any
22 purpose under this plan must be completed and received in accordance with
23 regulations adopted by the commissioner of administration.

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

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

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

31 **Sec. 39.35.840. Distribution requirements.** (a) Payments to a participant

1 shall commence as soon as administratively feasible following the distribution
2 commencement date. The distribution commencement date is the first date on which
3 one of the following occurs:

4 (1) a member meets the requirements of AS 39.35.810 and has made a
5 complete application for payment under AS 39.35.830;

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

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

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

14 (5) notwithstanding (a) of this section, a participant whose account has
15 a balance of \$1,000 or less meets the requirements of AS 39.35.810, at which time the
16 participant must take payment of the participant's account.

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

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

23 (d) If a member has made a distribution election and dies before the
24 distribution of the member's interest begins, distribution of the member's entire interest
25 shall be completed by December 31 of the calendar year containing the fifth
26 anniversary of the member's death. However, if any portion of the member's interest
27 is payable to a designated beneficiary, distributions may be made over the life of the
28 designated beneficiary or over a period certain not greater than the life expectancy of
29 the designated beneficiary, commencing on or before December 31 of the calendar
30 year immediately following the calendar year in which the member died, and, if the
31 designated beneficiary is the member's surviving spouse, the date distributions are

1 required to begin may not be earlier than the later of December 31 of the calendar year
2 (1) immediately following the calendar year in which the member died, or (2) in which
3 the member would have attained 70 1/2 years of age, whichever is earlier. If the
4 surviving spouse dies after the member but before payments to the spouse have begun,
5 the provisions of this subsection apply as if the surviving spouse were the member.
6 An amount paid to a child of the member shall be treated as if it were paid to the
7 surviving spouse if the amount becomes payable to the surviving spouse when the
8 child reaches the age of majority.

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

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

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

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

1 (i) In this section,

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

5 (2) "required beginning date" means the first day of April of the
6 calendar year following the calendar year in which the member either attains 70 1/2
7 years of age or actually terminates employment, whichever is later.

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

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

22 (2) unless the member filed a revocation of beneficiary accompanied
23 by a written consent to the revocation from the present spouse and each person entitled
24 under the order; however, consent of the present spouse is not required if the member
25 and the present spouse had been married for less than one year on the date of the
26 member's death and if the member established when filing the revocation that the
27 member and the present spouse were not cohabiting.

28 (b) Except as provided in (a) of this section, the member may change or
29 revoke the designation without notice to the beneficiary or beneficiaries at any time.
30 If a member designates more than one beneficiary, each shares equally unless the
31 member specifies a different allocation or preference. The designation of a

1 beneficiary, a change or revocation of a beneficiary, and a consent to revocation of a
 2 beneficiary shall be made on a form provided by the administrator and is not effective
 3 until filed with the administrator.

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

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

7 (2) to the surviving children of the member in equal parts or, if there
 8 are none surviving;

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

11 (4) to the estate.

12 (d) A person claiming entitlement to benefits payable under AS 39.35.700 -
 13 39.35.990 as a consequence of a member's death shall provide the administrator with a
 14 marriage certificate, divorce or dissolution judgment, or other evidence of entitlement.
 15 Documents establishing entitlement may be filed with the administrator immediately
 16 after a change in the member's marital status. If the administrator does not receive
 17 notification of a claim before the date 10 days after the member's death, the person
 18 claiming entitlement is not entitled to receive from the division of retirement and
 19 benefits any benefit already paid by the administrator.

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

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

1 **Sec. 39.35.870. Eligibility to elect medical benefits.** (a) A member is
2 eligible to elect the medical benefits under AS 39.35.880 if the member

3 (1) has at least 25 years of service as a peace officer or fire fighter or at
4 least 30 years of service for all other employees; or

5 (2) is 65 years of age and has at least 10 years of service.

6 (b) A member's surviving spouse is eligible to elect medical benefits under
7 AS 39.35.880 if the member had elected, or was eligible to elect medical benefits at
8 the time of the member's death.

9 (c) Members shall elect or reject medical benefits on the forms and in the
10 manner prescribed by the administrator. The decision to elect or reject benefits is
11 irrevocable.

12 (d) Election of the retiree major medical insurance plan is not required in
13 order to elect participation in the health reimbursement arrangement.

14 (e) A person eligible to elect medical benefits is not required to participate in
15 the health reimbursement arrangement in order to elect participation in the retiree
16 major medical insurance plan.

17 (f) An eligible person must make the irrevocable election to participate or not
18 participate in the retiree major medical insurance by reaching 70 1/2 years of age, or
19 upon termination of employment, whichever is later.

20 **Sec. 39.35.880. Medical benefits.** (a) The medical benefits available to
21 eligible persons are access to the retiree major medical insurance plan and to the
22 health reimbursement arrangement under AS 39.30.300. Access to the retiree major
23 medical insurance plan means that an eligible person may not be denied insurance
24 coverage except for failure to pay the required premium.

25 (b) Retiree major medical insurance plan coverage elected by an eligible
26 member under this section covers the eligible member, the spouse of the eligible
27 member, and the dependent children of the eligible member.

28 (c) Retiree major medical insurance plan coverage elected by a surviving
29 spouse of an eligible member under this section covers the surviving spouse and the
30 dependent children of the eligible member who are dependent on the surviving spouse.

31 (d) Major medical insurance coverage takes effect on the first day of the

1 month following the date of the administrator's approval of the election and stops
 2 when the person who elects coverage dies or fails to make a required premium
 3 payment.

4 (e) The coverage for persons 65 years of age or older is the same as that
 5 available for persons under 65 years of age. The benefits payable to those persons 65
 6 years of age or older supplement any benefits provided under the federal old age,
 7 survivors and disability insurance program.

8 (f) The medical and optional insurance premiums owed by the person who
 9 elects coverage may be deducted from the health reimbursement arrangement. If the
 10 amount of the health reimbursement arrangement becomes insufficient to pay the
 11 premiums, the person who elects coverage under (a) of this section shall pay the
 12 premiums directly.

13 (g) The cost of premiums for retiree major medical insurance coverage for an
 14 eligible member or surviving spouse who is

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

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

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

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

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

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

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

28 (h) The eligibility for retiree major medical insurance coverage for an
 29 alternate payee under a qualified domestic relations order shall be determined based
 30 on the eligibility of the member to elect coverage. The alternate payee shall pay the
 31 full monthly premium for retiree major medical insurance coverage.

1 (i) A person who is entitled to retiree major medical insurance coverage shall

2 (1) be informed by the administrator in writing

3 (A) that the health insurance coverage available to retired
4 members may be different from the health insurance coverage provided to
5 employees;

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

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

11 (j) The monthly group premiums for retiree major medical insurance coverage
12 are established by the administrator in accordance with AS 39.30.095. Nothing in
13 AS 39.35.700 - 39.35.990 guarantees a person who elects coverage under (a) of this
14 section a monthly group premium rate for retiree major medical insurance coverage
15 other than the premium in effect for the month in which the premium is due for
16 coverage for that month.

17 (k) In this section, "health reimbursement arrangement" means the plan
18 established in AS 39.30.300.

19 **Sec. 39.35.890. Amendment and termination of plan.** (a) The state has the
20 right to amend the plan at any time and from time to time, in whole or in part,
21 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

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

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

30 (d) Any contribution made by an employer to the plan because of a mistake of
31 fact must be returned to the employer by the administrator within one year after the

1 contribution or discovery, whichever is later.

2 **Sec. 39.35.900. Exclusive benefit.** (a) The corpus or income of the assets
3 held in trust as required by the plan may not be diverted or used for other than the
4 exclusive benefit of the participants.

5 (b) If plan benefits are provided through the distribution of annuity or
6 insurance contracts, any refunds or credits in excess of plan benefits due to dividends,
7 earnings, or other experience rating credits, or surrender or cancellation credits, shall
8 be paid to the trust fund.

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

11 **Sec. 39.35.910. Nonguarantee of returns, rates, or benefit amounts.** The
12 plan created by AS 39.35.700 - 39.35.990 is a defined contribution plan, not a defined
13 benefit plan. The amount of money in the account of a participant depends on the
14 amount of contributions and the rate of return from investments of the account that
15 varies over time. If benefits are paid in the form of an annuity, the benefit amount
16 payable is dependent on the amount of money in the account and the interest rates
17 applied and service fees charged by the annuity payor at the time benefits are first
18 paid. Nothing in this plan guarantees a participant

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

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

24 **Sec. 39.35.920. Nonguarantee of employment.** The provisions of
25 AS 39.35.700 - 39.35.990 are not a contract of employment between an employer and
26 an employee, nor do they confer a right of an employee to be continued in the
27 employment of an employer, nor are they a limitation of the right of an employer to
28 discharge an employee with or without cause.

29 **Sec. 39.35.930. Fraud.** A person who knowingly makes a false statement or
30 falsifies or permits to be falsified a record of this plan in an attempt to defraud the plan
31 is guilty of a class A misdemeanor.

1 **Sec. 39.35.940. Transfer into defined contribution plan by nonvested**
2 **members of defined benefit plan.** (a) Subject to (g) of this section, an active
3 member of the defined benefit retirement plan of the public employees' retirement
4 system is eligible to participate in the defined contribution retirement plan established
5 under AS 39.35.700 - 39.35.990, if that member has not vested. Participation in the
6 defined contribution retirement plan is in lieu of participation in the defined benefit
7 retirement plan established under AS 39.35.095 - 39.35.680.

8 (b) A member who has vested in a defined benefit retirement plan is not
9 eligible to transfer under this section.

10 (c) Each eligible member who elects to participate in the defined contribution
11 retirement plan shall have transferred to a new account the present value of the
12 member contribution account balance held in trust for the member under the defined
13 benefit retirement plan of the public employees' retirement system. A matching
14 employer contribution shall be made on behalf of that employee to the new account.
15 Upon a transfer, all service credit previously earned under the defined benefit
16 retirement plan shall be nullified for purposes of entitlement to a future benefit under
17 the defined benefit retirement plan but shall be credited for purposes of eligibility to
18 elect medical benefits under AS 39.35.870. An eligible member whose accounts are
19 subject to a qualified domestic relations order may not make an election to participate
20 in the defined contribution retirement plan under this subsection unless the qualified
21 domestic relations order is amended or vacated and court-certified copies of the order
22 are received by the administrator.

23 (d) As directed by the participant, the board shall transfer or cause to be
24 transferred the appropriate amounts to the designated account. The board shall
25 establish transfer procedures by regulation, but the actual transfer may not be later
26 than 30 days after the effective date of the member's participation in the defined
27 contribution retirement plan unless the major financial markets for securities available
28 for a transfer are seriously disrupted by an unforeseen event that also causes the
29 suspension of trading on any national securities exchange in the country where the
30 securities were issued. In that event, the 30-day period of time may be extended by a
31 resolution of the board of trustees. Transfers are not commissionable or subject to

1 other fees and may be in the form of securities or cash as determined by the board.
2 Securities shall be valued as of the date of receipt in the participant's account.

3 (e) If the board or the administrator receives notification from the United
4 States Department of the Treasury, Internal Revenue Service, that this section or a
5 portion of this section will cause the retirement system under this chapter, or a portion
6 of the retirement system under this chapter, to be disqualified for tax purposes under
7 the Internal Revenue Code, the portion that will cause the disqualification does not
8 apply, and the board and the administrator shall notify the presiding officers of the
9 legislature.

10 (f) The election to participate in the defined contribution retirement plan must
11 be made in writing on forms and in the manner prescribed by the administrator.
12 Before accepting an election to participate in the defined contribution retirement plan,
13 the administrator must provide the employee planning on making an election to
14 participate in the defined contribution retirement plan with information, including
15 calculations to illustrate the effect of moving the employee's retirement plan from the
16 defined benefit retirement plan to the defined contribution retirement plan as well as
17 other information to clearly inform the employee of the potential consequences of the
18 employee's election. An election made under this subsection to participate in the
19 defined contribution retirement plan is irrevocable. Upon making the election, the
20 participant shall be enrolled as a member of the defined contribution retirement plan,
21 the member's participation in the plan shall be governed by the provisions of
22 AS 39.35.700 - 39.35.990, and the member's participation in the defined benefit
23 retirement plan under AS 39.35.115 shall terminate. The participant's enrollment in
24 the defined contribution retirement plan shall be effective the first day of the month
25 after the administrator receives the completed enrollment forms. An election made by
26 an eligible member who is married is not effective unless the election is signed by the
27 individual's spouse.

28 (g) A member may make an election under this section only if the member's
29 employer participates in both the defined benefits retirement plan and the defined
30 contribution retirement plan and consents to transfers under this section. The
31 employer shall notify the administrator if the employer consents to allowing the

1 employer's members to choose to transfer from the defined benefits retirement plan to
 2 the defined contribution retirement plan under this section. An employer's notice to
 3 allow transfers is irrevocable and applicable to all eligible employees of the employer.

4 (h) In this section,

5 (1) "defined benefit retirement plan" means the retirement plan
 6 established in AS 39.35.095 - 39.35.680;

7 (2) "defined contribution retirement plan" means the retirement plan
 8 established in AS 39.35.700 - 39.35.990.

9 **Sec. 39.35.950. Request by political subdivision to participate and**
 10 **adoption of resolution.** A municipality or other political subdivision of the state may
 11 request to become an employer in this plan. The request shall be made after adoption
 12 of a resolution by the legislative body of the political subdivision and after approval of
 13 the resolution by the person required by law to approve the resolution. A certified
 14 copy of the resolution shall be filed with the administrator. If the administrator
 15 approves the request for participation, the political subdivision is an employer of the
 16 plan.

17 **Sec. 39.35.955. Request by public organization to participate and**
 18 **adoption of resolution.** A public organization may request to become an employer in
 19 this plan. The request shall be made after adoption of a resolution by the governing
 20 body of the public organization. A certified copy of the resolution shall be filed with
 21 the administrator. If the administrator approves the request for participation, the
 22 public organization is an employer of the plan.

23 **Sec. 39.35.960. Membership in teachers' and public employees'**
 24 **retirement systems.** A person who is employed at least half-time in the public
 25 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the
 26 same period that the person is employed at least half-time in a position in the teachers'
 27 defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited
 28 service under each plan for half-time employment. However, the amount of credited
 29 service a person receives under the public employees' defined contribution retirement
 30 plan during a school year may not exceed the amount necessary, when added to the
 31 amount of credited service earned during the school year under the teachers' defined

1 contribution retirement plan, to equal one year of credited service.

2 **Sec. 39.35.965. Army and air national guard employees.** A regular full-
3 time civilian employee of the Alaska Army National Guard and Air National Guard
4 whose entire salary is paid from allotted federal funds is included in the public
5 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) if the
6 federal or state government pays the employer's contributions. If the amount that the
7 federal government may legally contribute to the plan is lower than the required
8 employer's contribution, the state government shall contribute the difference. If the
9 employer's contributions are not paid when due, service credit for the period of
10 delinquency may not be granted until the contributions are paid.

11 **Sec. 39.35.970. North Pacific Fishery Management Council employees.**
12 An employee of the North Pacific Fishery Management Council appointed under 16
13 U.S.C. 1852(f)(1) (Sec. 302(f)(1) of P.L. 94-265) whose compensation is paid from
14 allotted federal funds is included in the public employees' defined contribution
15 retirement plan (AS 39.35.700 - 39.35.990) if the council pays the employer's
16 contributions. If the employer's contributions are not paid when due, credited service
17 for the period of delinquency may not be granted until the contributions are paid.

18 **Sec. 39.35.990. Definitions.** In AS 39.35.700 - 39.35.990, unless the context
19 requires otherwise,

20 (1) "administrator" means the commissioner of administration or the
21 commissioner's designee;

22 (2) "alternate payee" means the person for whom an amount has been
23 separated into an account under a qualified domestic relations order;

24 (3) "annuitant" means a member, beneficiary, or alternate payee who is
25 receiving a benefit under this plan;

26 (4) "beneficiary" means the person or persons entitled under the
27 provisions of this plan to receive benefits after the death of a member or alternate
28 payee;

29 (5) "board" has the meaning given in AS 39.35.680;

30 (6) "calendar year" has the meaning given in AS 39.35.680;

31 (7) "compensation"

1 (A) means

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

6 (ii) the member contribution to the public employees'
7 retirement system under AS 39.35.730, employee deferrals under
8 AS 39.45.010, the wage reduction amount contributed to the Alaska
9 Supplemental Annuity Plan under AS 39.30.150(a), and the wage
10 reduction amount contributed to the Alaska Supplemental Benefit Plan
11 under AS 39.30.150(c), as those statutes may be amended from time to
12 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) notwithstanding (B) of this paragraph, includes any amount
25 that is contributed by the employer under a salary reduction agreement and that
26 is not includible in the gross income of the employee under 26 U.S.C. 125,
27 132(f)(4), 402(e)(3), 402(h)(1)(B) or 403(b) (Internal Revenue Code); the
28 annual compensation limitation for the member, which is so taken into account
29 for those purposes, may not exceed \$200,000, as adjusted for the cost of living
30 in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the
31 limitation for a fiscal year being the limitation in effect for the calendar year

1 within which the fiscal year begins;

2 (8) "dependent child" has the meaning given in AS 39.35.680;

3 (9) "distribution commencement date" has the meaning given in
4 AS 39.35.840(a);

5 (10) "employer" means

6 (A) the State of Alaska; or

7 (B) a political subdivision or public organization of the state
8 that participates in the plan;

9 (11) "fund" means the assets of the plan;

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

15 (13) "Internal Revenue Code" means the Internal Revenue Code of
16 1986, as amended;

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

21 (15) "limitation year" means the year for which contributions are made
22 to a member's individual account as reported to the Internal Revenue Service and as
23 meets the limits described in 26 U.S.C. 415(c);

24 (16) "member" means an employee of an employer or former
25 employee of an employer who retains a right to benefits under the plan;

26 (17) "membership service" means full-time or part-time employment
27 with an employer in the plan;

28 (18) "normal retirement age" means 65 years of age;

29 (19) "participant" means the person who has a vested right to an
30 individual account, such as a member, an alternate payee if the account is subject to a
31 qualified domestic relations order, the member's beneficiary if the member is

1 deceased, or an alternate payee's beneficiary if the alternate payee is deceased;

2 (20) "peace officer" or "fire fighter" has the meaning given in
3 AS 39.35.680;

4 (21) "plan" means the retirement plan established in AS 39.35.700 -
5 39.35.990;

6 (22) "prudent investment standard" means the degree of care, skill,
7 prudence, and diligence under the circumstances then prevailing that a prudent person
8 acting in a like capacity and familiar with such matters would use in the conduct of an
9 enterprise of a like character and with like aims;

10 (23) "qualified domestic relations order" means a divorce or
11 dissolution judgment under AS 25.24, including an order approving a property
12 settlement, that

13 (A) creates or recognizes the existence of an alternate payee's
14 right to, or assigns to an alternate payee the right to, receive all or a portion of
15 an individual account or the benefits payable with respect to a member;

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

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

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

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

24 (F) does not require any type or form of benefit or any option
25 not otherwise provided by AS 39.35.700 - 39.35.990;

26 (G) does not require an increase of benefits in excess of the
27 amount provided by AS 39.35.700 - 39.35.990; and

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

31 (24) "retiree" means an eligible person who has elected to receive

1 medical benefits under AS 39.35.880;

2 (25) "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 (26) "system" has the meaning given in AS 39.35.680;

5 (27) "year of service" means the equivalent of 52 weeks of permanent
6 full-time employment, which may consist of a combination of permanent full-time or
7 permanent part-time membership service; in this paragraph, "permanent full-time" and
8 "permanent part-time" have the meanings given in AS 39.35.680.

9 * **Sec. 121.** 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. 122.** 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. 123.** 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. 124.** 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. 125.** 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. 126.** 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. 127.** 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. 128.** 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. 129.** AS 44.64.030(a) is amended by adding new paragraphs to read:

11 (36) AS 14.25.006 (teachers' retirement system);

12 (37) AS 39.35.006 (public employees' retirement system).

13 * **Sec. 130.** 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, 39.35.520(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. 131.** AS 14.25.061(c), 14.25.062; and AS 39.35.350 are repealed.

19 * **Sec. 132.** 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 MANAGEMENT BOARD. Notwithstanding AS 37.10.210(c), as
 23 repealed and reenacted by sec. 59 of this Act, the terms of the initially appointed trustees of
 24 the Alaska Retirement Management Board who are not commissioners shall be set by the
 25 governor to achieve staggered terms in the manner provided for nine-member boards by
 26 AS 39.05.055(7).

27 * **Sec. 133.** 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 AND THE PUBLIC EMPLOYEES' RETIREMENT BOARD. The terms of all board
 31 members appointed to the Alaska Teachers' Retirement Board, and the Public Employees'

1 Retirement Board expire on the effective date of this section.

2 * **Sec. 134.** The uncodified law of the State of Alaska is amended by adding a new section
3 to read:

4 TERMS OF MEMBERS OF THE ALASKA STATE PENSION INVESTMENT
5 BOARD. The terms of all board members appointed to the Alaska State Pension Investment
6 Board expire on September 30, 2005.

7 * **Sec. 135.** The uncodified law of the State of Alaska is amended by adding a new section
8 to read:

9 TRANSITION OF DUTIES BETWEEN ALASKA STATE PENSION
10 INVESTMENT BOARD AND THE ALASKA RETIREMENT MANAGEMENT BOARD.

11 (a) After the effective date of this section and until September 30, 2005, the Alaska State
12 Pension Investment Board shall continue to exercise the powers and duties assigned in this
13 Act to the Alaska Retirement Management Board. The Alaska State Pension Investment
14 Board shall take actions to facilitate the transition of duties formerly assigned to the Alaska
15 State Pension Investment Board to the duties assigned in this Act to the Alaska Retirement
16 Management Board. A member of the Alaska Retirement Management Board appointed to
17 serve as a trustee before September 30, 2005, shall be invited to observe and train with the
18 Alaska State Pension Investment Board.

19 (b) The Alaska Retirement Management Board may not assume the duties and
20 responsibilities assigned to the Alaska Retirement Management Board in this Act until
21 October 1, 2005.

22 * **Sec. 136.** The uncodified law of the State of Alaska is amended by adding a new section
23 to read:

24 TRANSITION. Hearings and other proceedings pending under a law amended or
25 repealed by this Act or in connection with functions transferred by this Act continue in effect
26 and may be continued and completed notwithstanding a transfer or amendment or repeal
27 provided for in this Act. Orders and regulations issued or adopted under authority of a law
28 amended or repealed by this Act remain in effect for the term issued, or until revoked,
29 vacated, or otherwise modified under the provisions of this Act. Contracts, rights, liabilities,
30 and obligations created by or under a law amended or repealed by this Act, and in effect on
31 the effective date of this section, remain in effect notwithstanding this Act's taking effect.

1 Records, equipment, appropriations, funds, and other property of boards or agencies of the
 2 state whose functions are transferred under this Act shall be transferred to implement the
 3 provisions of this Act.

4 * **Sec. 137.** The uncodified law of the State of Alaska is amended by adding a new section
 5 to read:

6 TRANSITION: REGULATIONS. (a) The Department of Administration and the
 7 Department of Revenue may proceed to develop and adopt regulations required to implement
 8 this Act.

9 (b) Regulations adopted by the Department of Administration and the Department of
 10 Revenue under this Act relate to the internal management of a state agency, and the adoption
 11 of the regulations is not subject to AS 44.62 (Administrative Procedure Act).

12 * **Sec. 138.** The uncodified law of the State of Alaska is amended by adding a new section
 13 to read:

14 REPORT TO THE LEGISLATURE BY ALASKA RETIREMENT MANAGEMENT
 15 BOARD. It is the intent of the legislature that there will be a moratorium after the effective
 16 date of this Act on legislation affecting all public employees' retirement plans until the Alaska
 17 Retirement Management Board can present a report to the legislature containing the board's
 18 assessment and recommendations as provided in this section. The Alaska Retirement
 19 Management Board shall report to the legislature 120 days after all members are appointed to
 20 the board, or 15 days after the first day of the first regular legislative session following the
 21 effective date of this section, whichever is first. The report must include the board's

22 (1) preliminary assessment of the financial health of all public employees'
 23 retirement plans and all teachers' retirement plans;

24 (2) assessment of the actuarial services purchased by the board;

25 (3) recommendations for additional legislative or administrative policy to
 26 improve the financial health of the retirement plans;

27 (4) short-term and long-term recommendations for addressing the unfunded
 28 liability of the retirement plans; and

29 (5) recommendations for legislative procedures regarding fiscal notes for new
 30 legislation affecting the retirement plans.

31 * **Sec. 139.** The uncodified law of the State of Alaska is amended by adding a new section

1 to read:

2 INSTRUCTION REGARDING ALASKA TEACHERS' RETIREMENT SYSTEM
3 BOARD, ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD, AND
4 ALASKA STATE PENSION INVESTMENT BOARD. Wherever in the Alaska Statutes and
5 the Alaska Administrative Code the terms "Alaska Teachers' Retirement System Board,"
6 "Alaska Public Employees' Retirement System Board," or "Alaska State Pension Investment
7 Board" are used, they shall be read as "Alaska Retirement Management Board" when to do so
8 would be consistent with the changes made by this Act.

9 * **Sec. 140.** The uncodified law of the State of Alaska is amended by adding a new section
10 to read:

11 SPECIFIC INSTRUCTIONS TO REVISOR OF STATUTES CONCERNING
12 SPECIFIC REFERENCES. (a) The revisor of statutes shall change references to "this
13 chapter" to "AS 14.25.009 - 14.25.220" in the following statutes: AS 14.25.040(b),
14 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),
15 14.25.105, 14.25.107, 14.25.110(k), 14.25.142, 14.25.150(b), 14.25.153, 14.25.160(h),
16 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
17 in 14.25.220 in each place that the phrase appears.

18 (b) The revisor of statutes shall change the reference to "board" to "administrator" in
19 the following statutes: AS 14.25.075 and 14.25.130(f).

20 (c) The revisor of statutes shall change the reference to "system" to "plan" in the
21 following statutes: AS 14.25.040(b), 14.25.040(c), 14.25.045, 14.25.047, 14.25.055,
22 14.25.060, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.065, 14.25.070, 14.25.075(c),
23 14.25.075(d), 14.25.075(g), 14.25.075(h), 14.25.075(i), 14.25.100(a), 14.25.105(c),
24 14.25.107, 14.25.110, 14.25.125(c), 14.25.143, 14.25.163, 14.25.165(i), 14.25.167(g),
25 14.25.168, 14.25.169, 14.25.173(a), 14.25.173(d), 14.25.181, 14.25.200, 14.25.210,
26 14.25.220(1), 14.25.220(4), 14.25.220(7), 14.25.220(14), 14.25.220(20), 14.25.220(22),
27 14.25.220(23), 14.25.220(31), 14.25.220(34), 14.25.220(36), 14.25.220(37), 14.25.220(42);
28 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),
29 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),
30 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),
31 39.35.342(d), 39.35.345(a), 39.35.345(d), 39.35.360(a), 39.35.360(g), 39.35.360(h),

1 39.35.360(k), 39.35.370(f), 39.35.370(h), 39.35.370(i), 39.35.370(j), 39.35.370(k),
 2 39.35.371(i), 39.35.381(b), 39.35.381(g), 39.35.385(c), 39.35.400(e), 39.35.450(g),
 3 39.35.475(a), 39.35.475(b), 39.35.475(d), 39.35.500(a), 39.35.505, 39.35.520(a),
 4 39.35.520(d), 39.35.522(d), 39.35.527(a), 39.35.527(b), 39.35.530, 39.35.535(a),
 5 39.35.535(d), 39.35.550, 39.35.560, 39.35.570, 39.35.580, 39.35.590, 39.35.600, 39.35.610,
 6 39.35.620(a), 39.35.620(h), 39.35.650, 39.35.670, 39.35.675(a), 39.35.680(1), 39.35.680(5),
 7 39.35.680(9), 39.35.680(12), 39.35.680(15), 39.35.680(16), 39.35.680(17), 39.35.680(20),
 8 39.35.680(21)(A), 39.35.680(29), 39.35.680(32), 39.35.680(33), and 39.35.680(35).

9 (d) The revisor of statutes shall change the reference to "board" to "commissioner" in
 10 the following statutes: AS 39.35.290, 39.35.522(a), 39.35.522(b), and 39.35.522(d).

11 (e) The revisor of statutes shall change references to "this chapter" to "AS 39.35.095 -
 12 39.35.680" in the following statutes: AS 39.35.165, 39.35.200, 39.35.250, 39.35.300,
 13 39.35.340, 39.35.350, 39.35.360, 39.35.370, 39.35.371, 39.35.375, 39.35.381, 39.35.480,
 14 39.35.490, 39.35.495, 39.35.505, 39.35.530, 39.35.546, 39.35.547, 39.35.615(c),
 15 39.35.620(e), 39.35.660, 39.35.675(b), 39.35.677, and 39.35.680.

16 (f) The revisor of statutes shall renumber AS 39.35.690 to follow AS 39.35.990.

17 * **Sec. 141.** The uncodified law of the State of Alaska is amended by adding a new section
 18 to read:

19 IMPLEMENTATION OF SECTIONS 139 AND 140 OF THIS ACT. Under
 20 AS 01.05.031, the revisor of statutes shall implement secs. 139 and 140 of this Act in the
 21 Alaska Statutes, and, under AS 44.62.125(b)(6), the regulations attorney shall implement secs.
 22 139 and 140 of this Act in the administrative code.

23 * **Sec. 142.** Sections 11, 12, 14, 15, 20, 89 - 94, 107, 114, and 131 of this Act take effect
 24 June 30, 2010.

25 * **Sec. 143.** Section 141 of this Act takes effect immediately under AS 01.10.070(c).

26 * **Sec. 144.** Except as provided in secs. 142 and 143 of this Act, this Act takes effect July 1,
 27 2005.