

HOUSE CS FOR CS FOR SENATE BILL NO. 141(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Offered: 4/22/05

Referred: Finance

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

7 LEGISLATIVE INTENT REGARDING RETIREE HEALTH CARE COST
 8 SAVINGS IN SECS. 32 AND 120. It is the intent of the legislature for the division of
 9 retirement and benefits to implement by regulation cost-saving measures appropriate to
 10 current and future retirees in the health care system. This includes using manufacturer's
 11 rebates, co-pay levels, and multi-tiered co-payment structures; mandating the use of generic
 12 drugs; determining the type of drug classes in a formulary; dispensing fees; mandating or
 13 providing incentives for mail order pharmaceuticals; using a reduction in the average
 14 wholesale price; providing case management services for certain users of pharmaceuticals;
 15 capping the number of prescriptions filled each month; and restricting the number of refills
 16 that users can have at one time.

17 * **Sec. 2.** AS 14.25 is amended by adding new sections to read:

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

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

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

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

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

30 **Sec. 14.25.004. Powers and duties of the administrator.** (a) The

1 administrator shall

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

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

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

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

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

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

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

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

17 (A) a balance sheet;

18 (B) a statement of income and expenditures for the previous
19 fiscal year;

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

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

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

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

30 (10) report to the Legislative Budget and Audit Committee concerning
31 the condition and administration of each plan and distribute the report to the members

1 of each plan in the system;

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

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

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

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

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

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

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

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

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

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

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

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

1 (4) furnished to each member of the legislature and to the Legislative
2 Affairs Agency.

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

5 (f) The commissioner of administration may hold a hearing on a proposed
6 regulation.

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

9 (h) Notwithstanding the other provisions of this section, a regulation may be
10 adopted, amended, or repealed, effective immediately, as an emergency regulation by
11 the commissioner of administration. For an emergency regulation to be effective the
12 commissioner must find that the adoption, amendment, or repeal of the regulation is
13 necessary for the immediate preservation of the orderly operation of the system. The
14 commissioner shall, within 10 days after adoption of an emergency regulation, give
15 notice of the adoption under (d) of this section.

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

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

21 **Sec. 14.25.007. Investment management of retirement system funds.** The
22 Alaska Retirement Management Board established under AS 37.10.210 is the
23 fiduciary of the system funds.

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

25 (1) "plan" means the retirement plan established in AS 14.25.009 -
26 14.25.220 or the retirement plan established in AS 14.25.310 - 14.25.590;

27 (2) "system" means all retirement plans established under the teachers'
28 retirement system.

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

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

1 * **Sec. 3.** AS 14.25.010 is amended to read:

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

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

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

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

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

20 * **Sec. 5.** AS 14.25.012 is amended by adding a new subsection to read:

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

23 * **Sec. 6.** AS 14.25.040(a) is amended to read:

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

30 * **Sec. 7.** AS 14.25.040(d) is amended to read:

31 (d) A person who is employed at least half-time in the plan [SYSTEM] during

1 the same period that the person is employed at least half-time in a position in the
 2 public employees' retirement plan [SYSTEM] under AS 39.35.095 - 39.35.680
 3 [AS 39.35] shall receive credited service under each plan [SYSTEM] for half-time
 4 employment. However, the amount of credited service a person receives under the
 5 public employees' retirement plan [SYSTEM] during a school year may not exceed
 6 the amount necessary, when added to the amount of credited service earned during the
 7 school year under the plan [SYSTEM], to equal one year of credited service. A
 8 person who was employed at least half-time in a position in the public employees'
 9 retirement plan [SYSTEM] under AS 39.35.095 - 39.35.680 [AS 39.35] in the same
 10 period that the person was employed at least half-time in a position in this plan
 11 [SYSTEM] may claim credited service in both plans [SYSTEMS] for employment
 12 before May 31, 1989. To obtain this credited service, the person shall claim the
 13 service and verify the period of half-time employment. When eligibility for half-time
 14 service credit has been established, an indebtedness shall be determined to the
 15 retirement plan [SYSTEM] in which the person did not participate. The amount of
 16 the indebtedness is the full actuarial cost of providing benefits for the credited service
 17 claimed. Interest as prescribed by regulation accrues on that indebtedness beginning
 18 on the later of July 1, 1989, or the date on which the member is first eligible to claim
 19 the service. Any outstanding indebtedness existing at the time the person retires will
 20 require an actuarial adjustment to the benefits payable based on that service.

21 * **Sec. 8.** AS 14.25.070 is amended to read:

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

29 * **Sec. 9.** AS 14.25.070 is amended by adding a new subsection to read:

30 (b) When added to the member contribution determined under AS 14.25.050,
 31 the employer contribution may not result in an amount less than the amount required

1 as actuarially calculated to fully fund the future liabilities of active members nor may
 2 the employer contribution percentage under (a) of this section be set at less than 11
 3 percent.

4 * **Sec. 10.** AS 14.25.075(a) is amended to read:

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

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

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

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

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

1 this paragraph;

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

7 * **Sec. 12.** AS 14.25.075(e) is amended to read:

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

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

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

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

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

31 (3) subject to the limitations prescribed in 26 U.S.C. 403(b)(13),

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

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

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

11 * **Sec. 14.** AS 14.25.075(i) is amended to read:

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

17 * **Sec. 15.** AS 14.25.115(a) is amended to read:

18 (a) A teacher in membership service on or after July 1, 1977, who is appointed
 19 to retirement on or after July 1, 1978, may elect to apply unused sick leave credit in
 20 computing the total number of years of credited service under AS 14.25.110(d) except
 21 for sick leave earned while participating in a [THE OPTIONAL] university retirement
 22 program under AS 14.40.661 - 14.40.799. To obtain service credit for unused sick
 23 leave, a teacher must apply to the administrator **not** [NO] later than one year after
 24 appointment to retirement. Unused sick leave shall be credited on a day-for-day basis
 25 in accordance with the table for service after July 1, 1969, contained in
 26 AS 14.25.220(45). Teacher contributions may not be required for credited unused sick
 27 leave.

28 * **Sec. 16.** AS 14.25.143(a), as that subsection read following amendment by sec. 3, ch.
 29 146, SLA 1980, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

30 (a) When the administrator determines that the cost of living has increased and
 31 that the financial condition of the retirement fund permits, the administrator shall

1 increase benefit payments to persons receiving benefits under this **plan**. **For**
 2 **purposes of this subsection, the financial condition of the fund would only permit**
 3 **an increase in benefits when the ratio of total fund assets to the accrued liability**
 4 **meets or exceeds 110 percent. In this subsection, "accrued liability" means the**
 5 **present value of all member benefits accrued by member service in this plan**
 6 [SYSTEM].

7 * **Sec. 17.** AS 14.25.143(a), as that subsection read following amendment by sec. 12, ch.
 8 106, SLA 1988, until amended by sec. 12, ch. 97, SLA 1990, is amended to read:

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

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

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

21 * **Sec. 19.** AS 14.25.150 is amended by adding a new subsection to read:

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

24 * **Sec. 20.** AS 14.25.173(c) is amended to read:

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

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

6 * **Sec. 21.** AS 14.25.175(a) is amended to read:

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

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

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

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

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

20 * **Sec. 22.** AS 14.25.175(b) is amended to read:

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

26 * **Sec. 23.** AS 14.25.175(c) is repealed and reenacted to read:

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

29 * **Sec. 24.** AS 14.25.175(d) is amended to read:

30 (d) The **office of administrative hearings** [BOARD] may **reverse the**
 31 **commissioner of administration's decision to deny a waiver and may** impose

1 conditions on granting a waiver that it considers equitable. These conditions may
 2 include requiring the member or beneficiary to make additional contributions to the
 3 **plan** [SYSTEM].

4 * **Sec. 25.** AS 14.25.210(a) is amended to read:

5 (a) A person who knowingly makes a false statement, or falsifies or permits to
 6 be falsified any record of this **plan** [SYSTEM], in an attempt to defraud this **plan**
 7 [SYSTEM], is guilty of a class A misdemeanor [AND FORFEITS ALL RIGHTS
 8 UNDER THIS CHAPTER].

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

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

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

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

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

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

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

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

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

30 (42) "teacher" and "member" are used interchangeably under this
 31 chapter and mean a person eligible to participate in the system and who is covered by

1 the system, limited to

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

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

14 (C) a state legislator who elects membership under
15 AS 14.25.040(b);

16 **(D) A full-time or part-time instructor of the Department of**
17 **Labor and Workforce Development who has a teaching certificate**
18 **regardless of whether the position as instructor requires a teaching**
19 **certificate as a condition of employment and who has earlier credited**
20 **service in the plan;**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 **Sec. 14.25.345. Employment contributions mandatory.** (a) Contributions

1 of members shall be made by payroll deductions. Each member shall be considered to
 2 consent to payroll deductions. It is of no consequence that a payroll deduction may
 3 cause the compensation paid in cash to a member to be reduced below the minimum
 4 required by law.

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

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

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

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

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

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

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

30 (d) In this section,

31 (1) "direct rollover" means the payment of an eligible rollover

1 distribution by the plan to an eligible retirement plan specified by a distributee who is
2 eligible to elect a direct rollover;

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

5 (3) "eligible retirement plan" means

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

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

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

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

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

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

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

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

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

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

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

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

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

31 **Sec. 14.25.380. Limitations on contributions.** Notwithstanding any other

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

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

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

- 17 (1) 25 percent with two years of service;
- 18 (2) 50 percent with three years of service; and
- 19 (3) 75 percent with four years of service.

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

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

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

1 contributions to the trust fund for allocation to the individual account will be used to
2 direct the investment of the contributions received.

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

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

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

14 **Sec. 14.25.410. Distribution election at termination.** (a) A member is
15 eligible to elect distribution of the member's account in accordance with this section
16 60 days after termination of employment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 (5) single life annuity payment, which is an annuity payable monthly

1 until the first of the month in which the annuitant's death occurs; or

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

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

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

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

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

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

30 (1) the form of payment election;

31 (2) an election to commence benefits; or

1 (3) the joint annuitant designation.

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

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

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

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

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

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

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

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

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

27 (d) If a member has made a distribution election and dies before the
28 distribution of the member's interest begins, distribution of the member's entire interest
29 shall be completed by December 31 of the calendar year containing the fifth
30 anniversary of the member's death. However, if any portion of the member's interest
31 is payable to a designated beneficiary, distributions may be made over the life of the

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

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

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

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

1 precedence over any inconsistent provisions of AS 14.25.310 - 14.25.590.

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

5 (i) In this section,

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

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

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

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

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

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

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

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

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

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

15 (4) to the estate.

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

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

30 (b) The administrator shall determine whether an order meets the requirements
 31 of this section within a reasonable period after receiving an order. The administrator

1 shall notify the member and any alternate payee that an order has been received and
 2 indicate to the member and any alternate payee when the order is accepted. A separate
 3 account for the alternate payee portion shall be established as soon as administratively
 4 feasible after the order has been accepted by the administrator.

5 **Sec. 14.25.470. Retirement.** (a) In order to obtain medical benefits under
 6 AS 14.25.480 a member must retire directly from the plan. A member is eligible to
 7 retire from the plan if the member has been an active member for at least 12 months
 8 before application for retirement and

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

10 (2) the member reaches the normal retirement age and has at least 10
 11 years of service.

12 (b) The normal retirement age is 60 months less than the age set for Medicare
 13 eligibility at the time the member retires.

14 (c) A member must apply to the administrator for appointment to retirement.
 15 Application shall be made on forms and in the manner prescribed by the administrator.

16 (d) A member who continues in the employ of the employer after reaching
 17 normal retirement age shall continue to participate in the plan and to have
 18 contributions allocated to the member's account.

19 **Sec. 14.25.480. Medical benefits.** (a) The medical benefits available to
 20 eligible persons are access to the retiree major medical plan. Access to the retiree
 21 major medical plan means that an eligible person may not be denied medical coverage
 22 except for failure to pay the required premium.

23 (b) The following persons are eligible for the retiree major medical plan
 24 provided under this section and may elect coverage under it:

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

27 (2) the surviving spouse of a member who elected coverage under (1)
 28 of this subsection;

29 (3) a member who reaches the normal retirement age as provided in
 30 AS 14.25.470, has at least 10 years of service, and retires directly from the plan;

31 (4) the surviving spouse of a member who elected coverage under (3)

1 of this subsection.

2 (c) Retiree major medical plan coverage elected by an eligible member under
3 this section covers the eligible member, the spouse of the eligible member, and the
4 dependent children of the eligible member.

5 (d) Retiree major medical plan coverage elected by the surviving spouse of an
6 eligible member under this section covers the surviving spouse and the dependent
7 children of the eligible member who are dependent on the surviving spouse.

8 (e) A person other than an eligible member is not eligible for coverage if,
9 during the time the eligible member was an active member, the person was

10 (1) not married to the member; or

11 (2) not a dependent child of the member.

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

15 (g) The coverage for persons who are eligible for Medicare is the same as that
16 available for persons who are not yet eligible for Medicare. The benefits payable to
17 those Medicare eligible persons supplement any benefits provided under the Medicare
18 program.

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

24 (i) The administrator shall set on an annual basis separate retiree health
25 coverage premiums for participants who are Medicare eligible and for participants
26 who are not yet Medicare eligible. A participant's share of the applicable premium
27 shall be determined according to (j) and (k) of this section.

28 (j) Participants who have not attained normal retirement age are required to
29 pay the full amount of the applicable medical health coverage premium.

30 (k) Participants who have attained normal retirement age are eligible for a
31 subsidy applicable to the cost of the applicable premium. The subsidy percentage

1 applicable to the cost of premiums payable by the participant is 30 percent if the
 2 member had 10 years of service; for each additional year of service after the member's
 3 10th year of service, the discount increases by three percentage points; however, the
 4 maximum discount is 90 percent if the member has 30 or more years of service. The
 5 applicable subsidy percentage shall be applied to the subsidy base to determine the
 6 dollar amount of the subsidy which is applied against the cost of the premium.

7 (l) Participants who are eligible for Medicare will use the subsidy base for
 8 Medicare-eligible premiums. Participants who are not yet eligible for Medicare will
 9 use the subsidy base for non-Medicare eligible premiums.

10 (m) The subsidy base for Medicare-eligible participants will be the same as
 11 the premium amount for Medicare-eligible participants in the first year of this plan and
 12 the subsidy base for non-Medicare eligible participants will be the same as the
 13 premium amount for non-Medicare eligible participants in the first year of this plan.
 14 Each subsidy base will increase five percent each year or the rate at which the actual
 15 premium amount increases for the corresponding aged participants, whichever is less.

16 (n) The eligibility for retiree major medical coverage for an alternate payee
 17 under a qualified domestic relations order shall be determined based on the eligibility
 18 of the member to elect coverage. The alternate payee shall pay the full monthly
 19 premium for retiree major medical coverage.

20 (o) The administrator shall establish monthly group premiums for retiree
 21 major medical coverage. Nothing in AS 14.25.310 - 14.25.590 guarantees a person
 22 who elects coverage under (b) of this section a monthly group premium rate for retiree
 23 major medical coverage other than the premium in effect for the month in which the
 24 premium is due for coverage for that month.

25 (p) A member is eligible to apply for reimbursement from the health
 26 reimbursement arrangement plan after a minimum of 10 years of service and does not
 27 have to retire directly from the system.

28 (q) In this section,

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

31 (2) "retires directly from the plan" means that the member has been an

1 active member for at least 12 consecutive months immediately before the time that the
 2 member applies to the administrator for appointment to retirement and that the
 3 member continues as an active member up through the day before the day the member
 4 is appointed to retirement."

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

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

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

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

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

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

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

28 **Sec. 14.25.510. Nonguarantee of returns, rates, or benefit amounts.** The
 29 plan created by AS 14.25.310 - 14.25.590 is a defined contribution plan, not a defined
 30 benefit plan. The amount of money in the account of a participant depends on the
 31 amount of contributions and the rate of return from investments of the account that

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

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

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

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

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

18 (b) In this section, "knowingly" has the meaning given in AS 11.81.900(a).

19 **Sec. 14.25.540. Transfer into defined contribution retirement plan by**
 20 **nonvested members of defined benefit retirement plan.** (a) Subject to (g) of this
 21 section, an active member of the defined benefit retirement plan of the teachers'
 22 retirement system is eligible to participate in the defined contribution retirement plan
 23 established under AS 14.25.310 - 14.25.590 if that member has not vested.
 24 Participation in the defined contribution retirement plan is in lieu of participation in
 25 the defined benefit retirement plan established under AS 14.25.009 - 14.25.220.

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

28 (c) Each eligible member who elects to participate in the defined contribution
 29 retirement plan shall have transferred to a new account the present value of the
 30 member contribution account balance held in trust for the member under the defined
 31 benefit retirement plan of the teachers' retirement system. A matching employer

1 contribution shall be made on behalf of that employee to the new account. Upon a
2 transfer, all service credit previously earned under the defined benefit retirement plan
3 shall be nullified for purposes of entitlement to a future benefit under the defined
4 benefit retirement plan but shall be credited for purposes of eligibility to elect medical
5 benefits under AS 14.25.470. An eligible member whose accounts are subject to a
6 qualified domestic relations order may not make an election to participate in the
7 defined contribution retirement plan under this subsection unless the qualified
8 domestic relations order is amended or vacated and court-certified copies of the order
9 are received by the administrator.

10 (d) As directed by the participant, the board shall transfer or cause to be
11 transferred the appropriate amounts to the designated account. The board shall
12 establish transfer procedures by regulation, but the actual transfer may not be later
13 than 30 days after the effective date of the member's participation in the defined
14 contribution retirement plan unless the major financial markets for securities available
15 for a transfer are seriously disrupted by an unforeseen event that also causes the
16 suspension of trading on any national securities exchange in the country where the
17 securities were issued. In that event, the 30-day period of time may be extended by a
18 resolution of the board of trustees. Transfers are not commissionable or subject to
19 other fees and may be in the form of securities or cash as determined by the board.
20 Securities shall be valued as of the date of receipt in the participant's account.

21 (e) If the board or the administrator receives notification from the United
22 States Department of the Treasury, Internal Revenue Service, that this section or a
23 portion of this section will cause the retirement system under this chapter, or a portion
24 of the retirement system under this chapter, to be disqualified for tax purposes under
25 the Internal Revenue Code, the portion that will cause the disqualification does not
26 apply, and the board and the administrator shall notify the presiding officers of the
27 legislature.

28 (f) The election to participate in the defined contribution retirement plan must
29 be made in writing on forms and in the manner prescribed by the administrator.
30 Before accepting an election to participate in the defined contribution retirement plan,
31 the administrator must provide the employee planning on making an election to

1 participate in the defined contribution retirement plan with information, including
 2 calculations to illustrate the effect of moving the employee's retirement plan from the
 3 defined benefit retirement plan to the defined contribution retirement plan as well as
 4 other information to clearly inform the employee of the potential consequences of the
 5 employee's election. An election made under this subsection to participate in the
 6 defined contribution retirement plan is irrevocable. Upon making the election, the
 7 participant shall be enrolled as a member of the defined contribution retirement plan,
 8 the member's participation in the plan shall be governed by the provisions of
 9 AS 14.25.310 - 14.25.590, and the member's participation in the defined benefit
 10 retirement plan under AS 14.25.009 - 14.25.220 shall terminate. The participant's
 11 enrollment in the defined contribution retirement plan shall be effective the first day of
 12 the month after the administrator receives the completed enrollment forms. An
 13 election made by an eligible member who is married is not effective unless the
 14 election is signed by the individual's spouse.

15 (g) A member may make an election under this section only if the member's
 16 employer participates in both the defined benefits retirement plan and the defined
 17 contribution retirement plan and consents to transfers under this section. The
 18 employer shall notify the administrator if the employer consents to allowing the
 19 employer's members to choose to transfer from the defined benefits retirement plan to
 20 the defined contribution retirement plan under this section. An employer's notice to
 21 allow transfers is irrevocable and applicable to all eligible employees of the employer.

22 (h) In this section,

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

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

27 **Sec. 14.25.550. Membership in teachers' and public employees'**
 28 **retirement systems.** A person who is employed at least half-time in the public
 29 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the
 30 same period that the person is employed at least half-time in a position in the teachers'
 31 defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited

1 service under each plan for half-time employment. However, the amount of credited
 2 service a person receives under the public employees' defined contribution retirement
 3 plan during a school year may not exceed the amount necessary, when added to the
 4 amount of credited service earned during the school year under the teachers' defined
 5 contribution retirement plan, to equal one year of credited service.

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

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

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

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

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

20 (ii) an amount equal to the difference between the total
 21 employer and state contributions required for a member under
 22 AS 14.25.310 - 14.25.590 and the employer contributions that would be
 23 required under the public employees' defined contribution retirement
 24 plan (AS 39.35.700 - 39.35.990) if the legislator were covered under
 25 that plan; and

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

27 (b) A state legislator is not entitled to elect membership under (a) of this
 28 section if the state legislator is covered for the same period of service under the public
 29 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990). An
 30 election of membership under (a) of this section is retroactive to the date the state
 31 legislator took the oath of office. A state legislator may not receive membership credit

1 under (a) of this section for legislative service performed before the legislative session
 2 during which the state legislator elected membership under (a) of this section. In order
 3 to continue in membership service under (a) of this section, the state legislator must
 4 earn at least 0.3 years of membership service under other sections of AS 14.25.310 -
 5 14.25.590 during each five-year period.

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

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

15 **Sec. 14.25.590. Definitions.** In AS 14.25.310 - 14.25.590, unless the context
 16 requires otherwise,

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

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

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

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

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

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

27 (7) "compensation"

28 (A) means

29 (i) the total remuneration earned by an employee for
 30 personal services rendered, including cost-of-living differentials, as
 31 reported on the employee's Federal Income Tax Withholding Statement

1 (Form W-2) from the employer for the calendar year;

2 (ii) the member contribution to the teachers' retirement
3 system under AS 14.25.340;

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

15 (C) notwithstanding (B) of this paragraph, includes any amount
16 that is contributed by the employer under a salary reduction agreement and that
17 is not includible in the gross income of the employee under 26 U.S.C. 125,
18 132(f)(4), 402(e)(3), 402(h)(1)(B) or 403(b) (Internal Revenue Code); the
19 annual compensation limitation for the member, which is so taken into account
20 for those purposes, may not exceed \$200,000, as adjusted for the cost of living
21 in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the
22 limitation for a fiscal year being the limitation in effect for the calendar year
23 within which the fiscal year begins;

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

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

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

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

31 (12) "individual account" means the total maintained by the plan in an

1 investment account within the trust fund, established for each member for the purposes
 2 of allocation of the member's contributions, employer contributions on behalf of the
 3 member, and earnings credited to each of those contributions, investment gains and
 4 losses, and expenses, as well as reporting of the member's benefit under the plan;

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

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

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

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

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

17 (18) "normal retirement age" means 60 months less than the age set for
 18 Medicare eligibility at the time the member retires;

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

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

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

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

1 (A) creates or recognizes the existence of an alternate payee's
 2 right to, or assigns to an alternate payee the right to, receive all or a portion of
 3 the individual account, or the benefits payable with respect to a member;

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

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

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

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

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

14 (G) does not require an increase of benefits in excess of the
 15 amount provided by AS 14.25.310 - 14.25.590; 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 (23) "retiree" means an eligible person who has elected to receive the
 20 medical benefits under AS 14.25.480;

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

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

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

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

29 (A) a certificated full-time or part-time elementary or
 30 secondary teacher, a certificated school nurse, or a certificated person in a
 31 position requiring a teaching certificate as a condition of employment in a

1 public school of the state, the Department of Education and Early
2 Development, or the Department of Labor and Workforce Development;

3 (B) a full-time or part-time teacher of the University of Alaska
4 or a person occupying a full-time administrative position at the University of
5 Alaska that requires academic standing; the approval of the administrator must
6 be obtained before an administrative position qualifies for membership in the
7 plan; however, a teacher or administrative person at the university who is
8 participating in a university retirement program under AS 14.40.661 -
9 14.40.799 is not a member under this plan;

10 (C) a full-time or part-time instructor of the Department of
11 Labor and Workforce Development who has

12 (i) a teaching certificate regardless of whether the
13 position as instructor requires a teaching certificate as a condition of
14 employment; and

15 (ii) earlier credited service in the plan;

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

18 (A) during any school year,

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

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

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

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

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

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

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

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

27 years;

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

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

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

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

1 shall be credited in proportion to the amount of credit that would have been
2 received for service performed on a full-time basis.

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

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

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

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

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

19 **Sec. 14.40.661. Authority of board.** (a) The board may establish **and**
20 **maintain** [AN OPTIONAL] university retirement **programs** [PROGRAM] for
21 eligible employees in which retirement, **health**, and death benefits are provided
22 through the purchase of annuity contracts, either fixed, variable, or a combination of
23 fixed and variable. Participation in **a university retirement** [THE] program is in
24 place of participation in a state retirement system. **The university may establish**
25 **retirement programs for new employees in a participating position at any time.**
26 **Retirement programs may be optional or mandatory.**

27 (b) The board shall

28 (1) provide for the administration of the **retirement programs**
29 [PROGRAM], including procedures for resolving complaints from participating
30 employees;

31 (2) designate the company or companies to which payment of the

1 contributions required under AS 14.40.691 may be made, after considering the

2 (A) nature and extent of the rights and benefits that the
3 contracts will provide to employees who elect to participate and to their
4 beneficiaries;

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

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

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

12 (E) efficacy of the contracts in the recruitment and retention of
13 faculty and administrators;

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

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

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

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

23 (b) An election **under (a) of this section** to participate in **a university**
24 **retirement** [THE] program is irrevocable. The election shall be made in writing on a
25 form provided by the board and approved for the state by the commissioner of
26 administration. The form must be filed with the **university not** [BOARD NO] later
27 than 30 days after the date on which the employee **is notified by the university that**
28 **the employee is** [FIRST BECOMES] eligible to participate in the program. A copy of
29 the form shall be delivered to the appropriate state retirement system. The election
30 becomes irrevocable on the date it is received by the board.

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

1 (c) **Participation in a university retirement** [THE ELECTION TO
 2 PARTICIPATE IN THE] program constitutes a waiver of all rights and benefits under
 3 the state retirement systems earned on or after the effective date of the election **if the**
 4 **participation is optional, or the effective date of the participation if the**
 5 **participation is mandatory, and** while the employee is participating in **a university**
 6 **retirement** [THE] program.

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

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

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

23 (e) An employee whose rights to transfer assets out of a state retirement
 24 system are subject to a qualified domestic relations order is entitled to transfer assets
 25 from the state retirement system to **a university retirement** [THE] program only if
 26 the requirements for receiving a refund under AS 14.25.150(b), **14.25.360**, [OR]
 27 AS 39.35.200(c), **or 39.35.760**, as appropriate, are met.

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

29 (f) If a vested member of a state retirement system **participates** [ELECTS TO
 30 PARTICIPATE] in **a university retirement** [THE] program, the employee ceases to
 31 be an active member of the **state** retirement system on the effective date of the

1 participation in **a university retirement** [THE] program. The employee retains all
2 benefits accrued in the state retirement system.

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

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

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

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

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

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

16 **Sec. 14.40.681. Retirement system membership.** An [ELIGIBLE] employee
17 **participating** [ELECTING TO PARTICIPATE] in **a university retirement** [THE]
18 program may not participate in a state retirement system during the time the employee
19 is employed in a participating position. If the employee is later employed in a position
20 covered by a state retirement system that is not a participating position, the employee
21 may not continue to participate in **a university retirement** [THE] program and shall
22 begin to participate in the state retirement system.

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

24 (c) The board may specify that contributions required by this section are made
25 by a reduction in salary under **26 U.S.C. 403(b) or** 26 U.S.C. 414(h)(2) (Internal
26 Revenue Code).

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

28 **Sec. 14.40.701. Benefits.** Payment of benefits to participants of the program
29 is the responsibility of the company or companies designated by the board and is not
30 the responsibility of the board, the university, or the state. The benefits are payable to
31 participants or their beneficiaries in accordance with the terms of the **applicable**

1 **retirement plan document** [ANNUITY CONTRACT OR CONTRACTS.
 2 HOWEVER, RETIREMENT BENEFITS MUST BE PAID IN THE FORM OF A
 3 LIFETIME INCOME. EXCEPT FOR DEATH BENEFITS, A SINGLE-SUM CASH
 4 PAYMENT IS NOT PERMITTED UNDER THIS SECTION].

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

6 (3) "contribution account" means the member contribution account
 7 under **AS 14.25.009 - 14.25.220, the individual account under AS 14.25.310 -**
 8 **14.25.590,** [AS 14.25 OR] the employee contribution account under **AS 39.35.095 -**
 9 **39.35.680, or the individual account under AS 39.35.700 - 39.35.990** [AS 39.35],
 10 whichever is appropriate;

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

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

15 (A) A FACULTY APPOINTMENT; OR

16 (B) AN ADMINISTRATOR AND THE POSITION HAS
 17 BEEN DESIGNATED BY THE BOARD FOR INCLUSION IN THE
 18 PROGRAM];

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

20 (6) "program" means **a** [THE OPTIONAL] university retirement
 21 program;

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

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

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

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

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

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

1 pension payments, considering expected mortality and interest earnings on the basis of
 2 assumptions, factors, and methods specified in regulations issued under the system
 3 that are formally adopted [UNDER AS 22.25.027] by the **Alaska Retirement**
 4 **Management Board** [COMMISSIONER OF ADMINISTRATION] that clearly
 5 preclude employer discretion in the determination of the amount of any justice's,
 6 judge's, or member's benefit;

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

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

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

15 (2) administer the system.

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

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

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

22 (f) The board of directors of the Alaska Housing Finance Corporation,
 23 notwithstanding AS 18.56.088, and the board of directors of the Knik Arm Bridge and
 24 Toll Authority under AS 19.75.111, shall adopt regulations under AS 44.62
 25 (Administrative Procedure Act) and the board of trustees of the Alaska **Retirement**
 26 **Management** [STATE PENSION INVESTMENT] Board shall adopt regulations
 27 under AS 37.10.240 to govern the procurement of supplies, services, professional
 28 services, and construction for the respective public corporation and board. The
 29 regulations must reflect competitive bidding principles and provide vendors
 30 reasonable and equitable opportunities to participate in the procurement process and
 31 must include procurement methods to meet emergency and extraordinary

1 circumstances. Notwithstanding the other provisions of this subsection, the Alaska
 2 Housing Finance Corporation, the Knik Arm Bridge and Toll Authority, and the
 3 Alaska **Retirement Management** [STATE PENSION INVESTMENT] Board shall
 4 comply with AS 36.30.170(b).

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

6 (1) "agency"

7 (A) means a department, institution, board, commission,
 8 division, authority, public corporation, the Alaska Pioneers' Home, the Alaska
 9 Veterans' Home, or other administrative unit of the executive branch of state
 10 government;

11 (B) does not include

12 (i) the University of Alaska;

13 (ii) the Alaska Railroad Corporation;

14 (iii) the Alaska Housing Finance Corporation;

15 (iv) a regional Native housing authority created under
 16 AS 18.55.996 or a regional electrical authority created under
 17 AS 18.57.020;

18 (v) the Department of Transportation and Public
 19 Facilities, in regard to the repair, maintenance, and reconstruction of
 20 vessels, docking facilities, and passenger and vehicle transfer facilities
 21 of the Alaska marine highway system;

22 (vi) the Alaska Aerospace Development Corporation;

23 (vii) the Alaska **Retirement Management** [STATE
 24 PENSION INVESTMENT] Board;

25 (viii) the Alaska Seafood Marketing Institute;

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

27 (d) In exercising investment, custodial, or depository powers or duties under
 28 this section, the fiduciary or the fiduciary's designee is liable for a breach of a duty
 29 that is assigned or delegated under this section, or under [AS 14.25.180,]
 30 AS 14.40.255, 14.40.280(c), 14.40.400(b), AS 37.10.070, AS 37.14.110(c), 37.14.160,
 31 **or** 37.14.170 [, OR AS 39.35.080]. However, the fiduciary or the designee is not

1 liable for a breach of a duty that has been delegated to another person if the delegation
 2 is prudent under the applicable standard of prudence set out in statute or if the duty is
 3 assigned by law to another person, except to the extent that the fiduciary or designee

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

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

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

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

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

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

15 **or**

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

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

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

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

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

26 **Sec. 37.10.210. Alaska Retirement Management Board.** (a) The Alaska
 27 Retirement Management Board is established in the Department of Revenue. The
 28 board's primary mission is to serve as the trustee of the assets of the state's retirement
 29 systems, the State of Alaska Supplemental Annuity Plan, and the deferred
 30 compensation program for state employees. Consistent with standards of prudence,
 31 the board has the fiduciary obligation to manage and invest these assets in a manner

1 that is sufficient to meet the liabilities and pension obligations of the systems, plan,
 2 and program. The board may, with the approval of the commissioner of revenue and
 3 upon agreement with the responsible fiduciary, manage and invest other state funds so
 4 long as the activity does not interfere with the board's primary mission. In making
 5 investments, the board shall exercise the powers and duties of a fiduciary of a state
 6 fund under AS 37.10.071.

7 (b) The Alaska Retirement Management Board consists of nine trustees, as
 8 follows:

9 (1) two members, consisting of the commissioner of administration
 10 and the commissioner of revenue;

11 (2) three trustees appointed by the governor who meet the eligibility
 12 requirements for an Alaska permanent fund dividend and who are professionally
 13 credentialed or have recognized competence in investment management, finance,
 14 banking, economics, accounting, pension administration, or actuarial analysis as
 15 follows:

16 (A) one trustee who is a member of the general public; the
 17 trustee appointed under this subparagraph may not hold another state office,
 18 position, or employment and may not be a member or beneficiary of a
 19 retirement system managed by the board;

20 (B) one trustee who is employed as a finance officer for a
 21 political subdivision participating in the public employees' retirement system;

22 (C) one trustee who is employed as a finance officer for a
 23 political subdivision participating in the teachers' retirement system;

24 (3) four trustees, two of whom are members of the public employees'
 25 retirement system elected by members of the public employees' retirement system and
 26 two of whom are members of the teachers' retirement system elected by members of
 27 the teachers' retirement system; elections for the trustees elected under this paragraph
 28 shall be conducted by the board; the candidate for each retirement system who
 29 receives the most votes cast in an election is elected to the applicable seat for that
 30 retirement system; if two seats are to be filled at an election for trustees representing a
 31 retirement system, the candidate who receives the highest number of votes cast is

1 elected to the seat with the longer term, and the candidate who receives the second
 2 highest number of votes cast is elected to the seat with the next longer term; the
 3 governor shall fill a vacancy in an unexpired elective term by appointment for the
 4 period remaining before the next regularly scheduled election held under this
 5 paragraph.

6 (c) The trustees, other than the two commissioners, shall serve for staggered
 7 terms of six years and may be reappointed or elected to the board for a total of two
 8 consecutive terms. A person who has served two consecutive terms may not be
 9 reappointed to the board for at least one year.

10 (d) The governor may, by written notice to the trustee, remove an appointed
 11 trustee for cause. After an appointed trustee receives written notice of removal, the
 12 trustee may not participate in board business and may not be counted for purposes of
 13 establishing a quorum.

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

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

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

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

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

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

31 **Sec. 37.10.215. Attorney general.** The attorney general is the legal counsel

1 for the board and shall advise the board and represent it in a legal proceeding.

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

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

4 (1) hold regular and special meetings at the call of the chair or of at
5 least five members; meetings are open to the public, and the board shall keep a full
6 record of all its proceedings;

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

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

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

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

17 (B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary
18 Annuity Plan);

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

21 (D) AS 39.45.010 - 39.45.060 (public employees' deferred
22 compensation program);

23 (5) establish the rate of interest that shall be annually credited to each
24 member's individual contribution account in accordance with AS 14.25.145 and
25 AS 39.35.100 and the rate of interest that shall be annually credited to each member's
26 account in the health reimbursement arrangement plan under AS 39.30.300 -
27 39.30.495; the rate of interest shall be adopted on the basis of the probable effective
28 rate of interest on a long-term basis, and the rate may be changed from time to time;

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

30 (7) coordinate with the retirement system administrator to have an
31 annual actuarial valuation of each retirement system prepared to determine system

1 assets, accrued liabilities, and funding ratios and to certify to the appropriate
2 budgetary authority of each employer in the system

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

4 (B) an appropriate contribution rate for liquidating any past
5 service liability;

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

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

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

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

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

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

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

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

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

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

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

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

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

3 (14) develop an annual operating budget.

4 (b) The board may

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

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

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

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

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

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

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

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

30 (a) The board **may** [SHALL] appoint an investment advisory council
31 composed of at least three and not more than five members. Members of the council

1 shall possess experience and expertise in financial investments and management of
 2 investment portfolios for public, corporate, or union pension benefit funds,
 3 foundations, or endowments.

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

5 **Sec. 37.10.390. Definitions.** In AS 37.10.210 - 37.10.390, unless the context
 6 otherwise requires,

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

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

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

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

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

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

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

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

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

31 (4) provide reports to the board established under AS 37.14.120 on the

1 condition and investment performance of the fund.

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

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

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

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

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

11 **Sec. 37.14.610. Duties of the commissioner.** The commissioner of revenue
12 has the power and duty to

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

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

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

21 (4) maintain accounting records of the trust in accordance with
22 investment accounting principles;

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

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

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

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

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

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

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

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

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

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

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

20 (C) the commissioner of administration approves the
 21 participation in writing.

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

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

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

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

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

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

29 (10) A person receiving benefits under AS 14.25, AS 22.25, AS 39.35,
30 or former AS 39.37 may obtain auditory, visual, and dental insurance for that person
31 and eligible dependents under this section. The level of coverage for persons over 65

1 shall be the same as that available before reaching age 65 except that the benefits
 2 payable shall be supplemental to any benefits provided under the federal old age,
 3 survivors, and disability insurance program. A person electing to have insurance
 4 under this paragraph shall pay the cost of the insurance. The commissioner of
 5 administration shall adopt regulations implementing this paragraph.

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

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

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

15 (d) If the commissioner of administration determines that there is more money
 16 in the fund than the amount needed to pay premiums, benefits, and administrative
 17 costs for the current fiscal year, the surplus, or so much of it as the commissioner of
 18 administration considers advisable, may be invested by the commissioner of revenue
 19 in the same manner as retirement funds are invested under **AS 37.10.210 and**
 20 **37.10.220** [AS 14.25.180].

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

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

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

31 (2) the bargaining agreement must provide a mechanism for satisfying

1 any residual liabilities that might exist if the state resumes participation in the federal
2 social security system; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 **Sec. 39.30.360. Management and investment of the 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 37.10.220.

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

20 **Sec. 39.30.380. Termination of employment.** A person who terminates
 21 employment before meeting the eligibility requirements of AS 14.25.470 or
 22 AS 39.35.870 loses any right to the contributions made on behalf of the person to the
 23 teachers' and public employees' retiree health reimbursement arrangement trust fund.
 24 If a person returns to employment with a participating employer, the person's account
 25 balance shall be restored in the amount recorded on the date of termination from the
 26 trust, with interest. The earlier period of employment with a participating employer
 27 shall be credited towards eligibility for medical benefits.

28 **Sec. 39.30.390. Eligibility and reimbursement.** Persons who meet the
 29 eligibility requirements of AS 14.25.470 and AS 39.35.870 are eligible for
 30 reimbursements from the individual account established for a member under the plan,
 31 except members do not have to retire directly from the system. A person who is the

1 dependent child of an eligible member is eligible for reimbursements if the eligible
 2 member and surviving spouse have both died so long as the person meets the
 3 definition of dependent child.

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

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

11 (1) an eligible member, the spouse of an eligible member, and the
 12 dependent children of an eligible member; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 (b) The commissioner of administration shall adopt regulations to govern the

1 operation of the system.

2 **Sec. 39.35.004. Powers and duties of the administrator.** (a) The
3 administrator shall

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

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

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

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

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

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

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

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

19 (A) a balance sheet;

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

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

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

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

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

31 (10) report to the Legislative Budget and Audit Committee concerning

1 the condition and administration of each plan and distribute the report to the members
2 of each plan in the system;

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

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

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

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

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

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

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

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

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

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

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

31 (3) mailed to each person or group that has filed a request for notice of

1 proposed action with the commissioner; and

2 (4) furnished to each member of the legislature and to the Legislative
3 Affairs Agency.

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

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

7 (g) A regulation adopted under this chapter takes effect 30 days after adoption
8 by the commissioner.

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

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

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

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

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

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

26 (2) "plan" means the retirement plan established in AS 39.35.095 -
27 39.35.680 or the retirement plan established in AS 39.35.700 - 39.35.990;

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

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

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

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

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

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

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

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

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

1 the retirement reserve account.

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

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

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

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

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

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

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

2 **Sec. 39.35.120. Commencement of participation.** (a) An employee of the
3 state shall be included in this system upon commencement of employment with the
4 state, or on January 1, 1961, whichever is later. Unless an employee **participates in a**
5 **[HAS ELECTED TO PARTICIPATE IN THE OPTIONAL]** university retirement
6 program under AS 14.40.661 - 14.40.799, an employee of a political subdivision or
7 public organization that becomes an employer shall be included in the system on the
8 effective date of the employer's participation or the date of the employee's
9 commencement of employment with the employer, whichever is later.

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

12 (1) an elected official;

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

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

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

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

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

10 **Sec. 39.35.158. Administrative director of courts.** An administrative
 11 director of the Alaska court system who withdraws from the judicial retirement system
 12 under AS 22.25.012 is eligible for membership in the **plan** [SYSTEM] and shall
 13 receive credited service in the **plan** [SYSTEM] for service rendered as administrative
 14 director. To be eligible for membership in the **plan** [SYSTEM] under this subsection,
 15 the administrative director must contribute to the **plan** [SYSTEM]

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

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

22 * **Sec. 87.** AS 39.35.165(a) is amended to read:

23 (a) An employee who is eligible to purchase credited service under
 24 AS 39.35.310, 39.35.330, 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, or
 25 39.35.370, a member who is eligible to purchase credited service under AS 39.35.375,
 26 or an elected public official who is eligible to purchase credited service under
 27 AS 39.35.381 is an employee for purposes of this section. An employee may, in lieu
 28 of making payments directly to the plan, elect to have the employee's employer make
 29 payments as provided in this section.

30 * **Sec. 88.** AS 39.35.165(b) is amended to read:

31 (b) An employee may elect to have the employer make payments for all or any

1 portion of the amounts payable for the employee's purchase of credited service
2 through a salary reduction program as follows:

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

7 (2) the employee shall make an irrevocable election under this section
8 to purchase credited service as permitted in AS 39.35.310, 39.35.330, 39.35.340,
9 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or 39.35.381 and
10 before the employee's termination of employment; the irrevocable election must
11 specify the number of payroll periods that deductions will be made from the
12 employee's compensation and the dollar amount of deductions for each payroll period
13 during the specified number of payroll periods; the deductions made under this
14 paragraph cease upon the earlier of the member's termination of employment with the
15 employer or the member's death; amounts paid by an employer under (f) of this
16 section may not be applied toward the payment of the dollar amount of the deductions
17 representing the portion of the credited service that is being purchased by the member
18 through payroll deduction in accordance with the member's irrevocable election under
19 this subsection;

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

25 * **Sec. 89.** AS 39.35.165(f) is amended to read:

26 (f) The commissioner may accept rollover contributions from a member [AND
27 DIRECT TRANSFERS, AS DESCRIBED IN THIS SUBSECTION, FOR THE
28 PURCHASE, IN WHOLE OR IN PART, OF CREDITED SERVICE FOR THE
29 REINSTATEMENT, IN WHOLE OR IN PART, OF FORFEITED CREDITED
30 SERVICE UNDER AS 39.35.350]. A rollover contribution [OR TRANSFER] as
31 described in this subsection shall also be treated as employer contributions for the

1 purpose of determining tax treatment under the Internal Revenue Code and may be
2 made by any one or a combination of the following methods:

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

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

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

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

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

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

23 (g) Payments made under this section shall be applied to reduce the
24 employee's outstanding indebtedness described in AS 39.35.310, 39.35.330,
25 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
26 39.35.381 at the time that the contributions are received by the plan.

27 * **Sec. 91.** AS 39.35.165(i) is amended to read:

28 (i) On satisfaction of the eligibility requirements of AS 39.35.310, 39.35.330,
29 39.35.340, 39.35.341, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
30 39.35.381, the requirements of this section, and the administrative filing requirements
31 specified by the commissioner, the plan shall adjust the employee's credited service

1 history and add any additional service credits acquired.

2 * **Sec. 92.** AS 39.35.200 is amended by adding a new subsection to read:

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

5 * **Sec. 93.** AS 39.35.270 is amended to read:

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

12 * **Sec. 94.** AS 39.35.270 is amended by adding a new subsection to read:

13 (b) When added to the member contribution determined under AS 39.35.250,
14 the employer contribution may not result in an amount less than the amount required,
15 as actuarially calculated, to fully fund the future liabilities of active members nor may
16 the employer contribution percentage under (a) of this section be set at less than 10
17 percent.

18 * **Sec. 95.** AS 39.35.340(f) is amended to read:

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

22 * **Sec. 96.** AS 39.35.340(h) is amended to read:

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

25 * **Sec. 97.** AS 39.35.360(i) is amended to read:

26 (i) An employee who completes three years of credited service with an
27 employer, for which the employee makes contributions required by **AS 39.35.095 -**
28 **39.35.680** [THIS CHAPTER], is entitled to credited service on a year-for-year basis
29 for service credited in the Civil Service Retirement System, rendered as an employee
30 of an Alaska Bureau of Indian Affairs (BIA) school, other than service as a teacher.
31 When eligibility for retroactive credited service under this subsection has been

1 established, an indebtedness of the employee to the **plan** [SYSTEM] shall be
 2 determined as follows: (1) the employee's actual annual compensation, or the
 3 calculated annual compensation for an employee who works fewer than 12 months, for
 4 the most recent calendar year in which service is rendered to an employer before the
 5 calendar year in which the employee first becomes eligible to claim service under this
 6 subsection, multiplied by (2) the number of years of service in Alaska BIA schools
 7 that is credited under this subsection, and this product multiplied by (3) six percent for
 8 employees first eligible to claim this service before January 1, 1987, or eight and one-
 9 half percent for employees first eligible to claim this service on or after January 1,
 10 1987. Interest as prescribed by regulation accrues on the indebtedness beginning on
 11 the date the employee may first claim the retroactive credited service. Any
 12 outstanding indebtedness that exists at the time the employee retires requires an
 13 actuarial adjustment to the benefits that are based on retroactive credited service under
 14 this subsection. A retirement benefit payable under this subsection for Alaska BIA
 15 service shall be reduced by an amount equal to the retirement benefits paid to the
 16 member by the United States government for the same service.

17 * **Sec. 98.** AS 39.35.360(*l*) is amended to read:

18 (l) An administrative director of the Alaska Court System who withdraws
 19 from the judicial retirement system under AS 22.25.012(b) is eligible for membership
 20 in the **plan** [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] and shall receive
 21 credited service in this **plan** [SYSTEM] for service rendered as administrative
 22 director. To be eligible for membership in this **plan** [SYSTEM] under this subsection,
 23 the administrative director must contribute to the **plan** [SYSTEM]

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

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

30 * **Sec. 99.** AS 39.35.370(*g*) is amended to read:

31 (g) When an employee who was employed as a dispatcher in a state trooper

1 office or in a police or fire department in the **plan** [PUBLIC EMPLOYEES'
 2 RETIREMENT SYSTEM] applies for appointment to retirement, the employee may
 3 convert the credited service for that position to credited service as a peace officer by
 4 claiming the service as peace officer service. An employee who has converted
 5 credited service to peace officer service under this subsection shall be treated as a
 6 peace officer for purposes of **AS 39.35.095 - 39.35.680** [THIS CHAPTER]. When the
 7 member claims this credited service as peace officer service, an indebtedness of the
 8 member to the **plan** [SYSTEM] shall be established. The indebtedness is equal to the
 9 full actuarial cost of the conversion of the credited service to treatment as peace
 10 officer service. Any outstanding indebtedness that exists at the time the member is
 11 appointed to retirement **shall** [WILL] require an actuarial adjustment to the benefits
 12 payable based upon the conversion of the credited service.

13 * **Sec. 100.** AS 39.35.375(a) is amended to read:

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

27 * **Sec. 101.** AS 39.35.375(b) is amended to read:

28 (b) To claim credited service under this section, the member shall file a
 29 written request with the administrator when the member applies to retire. The
 30 administrator shall determine the full actuarial cost of benefits based on the member's
 31 total credited service and shall transfer from the teachers' retirement system to this

1 **plan** [SYSTEM] an amount equal to the sum of the member contributions and any
 2 indebtedness payments to the teachers' retirement system and the employer
 3 contributions to the teachers' retirement system made on behalf of the employee
 4 together with interest earned on those contributions and indebtedness payments. If the
 5 amount to be transferred, when combined with the amount of employee contributions
 6 and indebtedness payments to this **plan** [SYSTEM] and the amount of employer
 7 contributions on behalf of the employee in this **plan** [SYSTEM], and interest earned
 8 on contributions and indebtedness payments for the employee, is less than the full
 9 actuarial cost computed under this subsection, an indebtedness to the **plan** [SYSTEM]
 10 equal to the amount of the difference is established. Interest as prescribed by
 11 regulation accrues on the indebtedness. The member must pay any outstanding
 12 indebtedness existing at the time the member applies for retirement in full before the
 13 member is appointed to retirement under this section.

14 * **Sec. 102.** AS 39.35.375(c) is amended to read:

15 (c) A member is entitled to receive a public service benefit under this section
 16 if the member has at least a total of five years credited service under **AS 39.35.095 -**
 17 **39.35.680** [THIS CHAPTER] and credited service from the teachers' retirement **plan**
 18 **under AS 14.25.009 - 14.25.220** [SYSTEM] claimed under this section. A public
 19 service benefit shall be calculated using the higher of the average monthly
 20 compensation for service in this **plan** [SYSTEM] or the average base salary for
 21 service in the teachers' retirement **plan under AS 14.25.009 - 14.25.220** [SYSTEM].
 22 The amount of the benefit shall be calculated in accordance with AS 39.35.370(c).

23 * **Sec. 103.** AS 39.35.375(d) is amended to read:

24 (d) Credited service earned under either this **plan** [SYSTEM] or the teachers'
 25 retirement system that has been claimed for a public service benefit under this section
 26 may not be used for any other purpose. A member who claims credited service under
 27 this section loses all rights to benefits under AS 14.25 based on the claimed credited
 28 service. A member may not claim credited service under this section unless the
 29 member claims all of the membership service the member has in the teachers'
 30 retirement system. A public service benefit does not constitute a normal or early
 31 retirement benefit for purposes of qualifying for a conditional service retirement

1 benefit under AS 14.25.125 or AS 39.35.385.

2 * **Sec. 104.** AS 39.35.375(f) is amended to read:

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

7 * **Sec. 105.** AS 39.35.375(f) is amended to read:

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

12 * **Sec. 106.** AS 39.35.375(g) is amended to read:

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

22 * **Sec. 107.** AS 39.35.375 is amended by adding a new subsection to read:

23 (h) In this section,

24 (1) "teachers' retirement system" and "teachers' retirement system
25 under AS 14.25" means the teachers' retirement plan established in AS 14.25.009 -
26 14.25.220;

27 (2) "membership service earned under AS 14.25" means membership
28 service earned under AS 14.25.009 - 14.25.220.

29 * **Sec. 108.** AS 39.35.381(a) is amended to read:

30 (a) An elected public officer is eligible for a public officer benefit if the officer
31 is retired under **AS 14.25.009 - 14.25.220** [AS 14.25 (TEACHERS' RETIREMENT

1 SYSTEM)]. Only fully paid credited service as an elected public officer of a
 2 municipality or other political subdivision, earned while the municipality or political
 3 subdivision was an employer under this **plan** [SYSTEM] and while the person was
 4 employed full-time under **AS 14.25.009 - 14.25.220** [AS 14.25], may be counted
 5 under this section.

6 * **Sec. 109.** AS 39.35.385(f) is amended to read:

7 (f) Subject to AS 39.35.450, an employee is eligible for a normal retirement
 8 benefit at age 60 or an early retirement benefit at age 55 if the employee was first
 9 hired as a legislative employee before May 30, 1987, and has at least **120** [60] days of
 10 credited service as an employee of the legislature, other than as an employee of the
 11 Office of the Ombudsman or the office of victims' rights, during each of five
 12 legislative sessions. An employee who was first hired as a legislative employee on or
 13 after May 30, 1987, and is otherwise eligible under this subsection must have at least
 14 **120** [80] days of credited service during each of five legislative sessions to receive
 15 benefits under this subsection.

16 * **Sec. 110.** AS 39.35.410(f) is amended to read:

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

25 * **Sec. 111.** AS 39.35.475(a), as that subsection read following amendment by sec. 34, ch.
 26 146, SLA 1980, until amended by sec. 41, ch. 82, SLA 1986, is amended to read:

27 (a) When the administrator determines that the cost of living has increased and
 28 that the financial condition of the retirement fund permits, **the administrator** [HE]
 29 shall increase benefit payments to persons receiving benefits under this **plan. For**
 30 **purposes of this subsection, the financial condition of the fund would only permit**
 31 **an increase in benefits when the ratio of total fund assets to the accrued liability**

1 meets or exceeds 110 percent. In this subsection, "accrued liability" means the
 2 present value of all member benefits accrued by member service in this plan
 3 [SYSTEM].

4 * **Sec. 112.** AS 39.35.485(a) is amended to read:

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

13 * **Sec. 113.** AS 39.35.520(c) is amended to read:

14 (c) At least quarterly, [AT EACH REGULARLY SCHEDULED MEETING
 15 OF THE PUBLIC EMPLOYEES' RETIREMENT BOARD,] the administrator shall
 16 report to the commissioner of administration [BOARD] on all situations since the
 17 administrator's last report in which an adjustment has been prohibited under (b) of this
 18 section. If the commissioner of administration [BOARD] finds that there is reason
 19 to believe that one or more of the conditions set out in (b) of this section have not been
 20 met, the administrator shall notify the member or beneficiary that an adjustment will
 21 be made to recover the overpayment. A member or beneficiary who receives notice of
 22 adjustment under this subsection may file a request with the commissioner of
 23 administration [APPEAL TO THE BOARD] for a waiver of the adjustment under
 24 AS 39.35.522. An adjustment may not be required while the waiver request
 25 [APPEAL] is pending.

26 * **Sec. 114.** AS 39.35.522(a) is amended to read:

27 (a) Upon request [APPEAL] by an affected member or beneficiary under (b)
 28 of this section, the commissioner of administration [BOARD] may waive an
 29 adjustment or any portion of an adjustment made under AS 39.35.520 if, in the
 30 opinion of the commissioner of administration [BOARD],

31 (1) the adjustment or portion of the adjustment will cause undue

1 hardship to the member or beneficiary;

2 (2) [REPEALED

3 (3) REPEALED

4 (4)] the adjustment was not the result of erroneous information
5 supplied by the member or beneficiary;

6 (3) [(5)] before the adjustment was made, the member or beneficiary
7 received confirmation from the administrator that the employee's or beneficiary's
8 records were correct; and

9 (4) [(6)] the member or beneficiary had no reasonable grounds to
10 believe the employee's or beneficiary's records were incorrect before the adjustment
11 was made.

12 * **Sec. 115.** AS 39.35.680(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 this **plan**
17 [SYSTEM] that are formally adopted [UNDER AS 39.35.042] by the board that
18 clearly preclude employer discretion in the determination of the amount of any
19 member's benefit;

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

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

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

24 (21) "member" or "employee"

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

27 (B) includes

28 (i) an active member;

29 (ii) an inactive member;

30 (iii) a vested member;

31 (iv) a deferred vested member;

1 (v) a nonvested member;

2 (vi) a disabled member;

3 (vii) a retired member;

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

5 (C) does not include

6 (i) former members;

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

8 (iii) casual or emergency workers or nonpermanent
9 employees as defined in AS 39.25.200;

10 (iv) persons covered by the Alaska Teachers'
11 Retirement System except as provided under AS 39.35.131 and
12 39.35.381, or persons covered by a [THE OPTIONAL] university
13 retirement program;

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

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

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

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

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

26 **(x) full-time or part-time instructors of the**
27 **Department of Labor and Workforce Development who have a**
28 **teaching certificate, regardless of whether the position as instructor**
29 **requires a teaching certificate as a condition of employment and**
30 **have earlier credited service under AS 14.25.009 - 14.25.220;**

31 (D) may include employees of the division of marine

1 transportation excluded under (C)(v) of this paragraph provided that

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

4 (ii) no collective bargaining agreement has the effect of
5 obligating contributions made by the state under AS 39.30.150 in the
6 event the state resumes participation in the federal social security
7 system;

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

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

12 (A) creates or recognizes the existence of an alternate payee's
13 right to, or assigns to an alternate payee the right to, receive all or a portion of
14 employee contribution account or the benefits payable with respect to an
15 employee;

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

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

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

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

30 (H) does not require the payment to an alternate payee of
31 benefits that are required to be paid to another alternate payee under another

1 order previously determined to be a qualified domestic relations order;

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

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

4 (42) "plan" means the retirement plan established in AS 39.35.095 -
5 39.35.680.

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

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

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

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

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

18 (c) The retirement plan established by AS 39.35.700 - 39.35.990 is intended to
19 qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified
20 retirement plan established and maintained by the state for its employees, for the
21 employees of political subdivisions, public corporations, and public organizations of
22 the state, and for the employees of other employers whose participation is authorized
23 by AS 39.35.700 - 39.35.990 and who participate in the plan set out in AS 39.35.700 -
24 39.35.990.

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

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

30 **Sec. 39.35.730. Contributions by members.** (a) Each member shall
31 contribute to the member's individual account an amount equal to eight percent of the

1 member's compensation from July 1 to the following June 30.

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

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

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

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

22 (b) An employer shall also contribute an amount equal to 3.5 percent of each
23 member's compensation from July 1 to the following June 30 to pay for retiree major
24 medical insurance. This contribution shall be paid into the group health and life
25 benefits fund established by the commissioner of administration under AS 39.30.095
26 and shall be accounted for in accordance with regulations established by the
27 commissioner.

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

30 **Sec. 39.35.760. Rollover contributions and distributions.** (a) An employee
31 entering the plan may elect, at the time and in the manner prescribed by the

1 administrator, to have all or part of a direct rollover distribution from an eligible
 2 retirement plan owned by the member paid directly into the member's individual
 3 account.

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

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

9 (d) In this section,

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

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

15 (3) "eligible retirement plan" means

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27 (1) 25 percent with two years of service;

28 (2) 50 percent with three years of service; and

29 (3) 75 percent with four years of service.

30 **Sec. 39.35.800. Investment of individual accounts.** (a) The board shall
31 provide a range of investment options and permit a participant to exercise investment

1 control over the participant's assets in the member's individual account as provided in
 2 this section. If a participant exercises control over the assets in the individual account,
 3 the participant is not considered a fiduciary for any reason on the basis of exercising
 4 that control.

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

7 (c) A participant may elect to change or transfer all or a portion of the
 8 participant's existing account balance among available investment funds not more
 9 often than once each day in accordance with the rules established by the administrator.
 10 Only the last election received by the administrator before the transmittal of
 11 contributions to the trust fund for allocation to the individual account shall be used to
 12 direct the investment of the contributions received.

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

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

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

24 **Sec. 39.35.810. Distribution election at termination.** (a) A member is
 25 eligible to elect distribution of the member's account in accordance with this section
 26 60 days after termination of employment.

27 (b) Notwithstanding (a) of this section, distribution of all or a portion of the
 28 individual account of a member may take place before the 60th day after the
 29 termination of employment with the approval of the administrator if the member
 30 makes a written request for a distribution under this subsection. The member's spouse
 31 must consent to the request in writing if the member is married. Distribution of an

1 individual account may only be made on account of an immediate and heavy financial
 2 need of the member for the following reasons and in the amount the need is
 3 demonstrated for

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

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

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

11 (4) prevention of the eviction of the member from the member's
 12 principal residence or foreclosure on the mortgage of the member's principal
 13 residence; or

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

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

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

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

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

31 (1) lump sum payment, which is a single payment of the entire balance

1 in the account;

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

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

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

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

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

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

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

25 (d) If an unmarried member or other participant fails to elect a form of
26 payment before the distribution commencement date, the account shall be paid to a
27 beneficiary in the form of a lump sum to the extent required by the minimum
28 distribution requirements set out in the Internal Revenue Code. If a married member
29 fails to elect a form of payment before the distribution commencement date, the
30 account shall be paid in the form of a 50 percent joint and survivor annuity, with the
31 member's spouse as the joint annuitant.

1 **Sec. 39.35.830. Manner of electing distributions.** (a) Any election or any
 2 alteration or revocation of a prior election by a participant for any purpose under this
 3 plan shall be on forms or made in a manner prescribed for that purpose by the plan
 4 administrator. To be effective, the forms required or the required action for any
 5 purpose under this plan must be completed and received in accordance with
 6 regulations adopted by the commissioner of administration.

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

9 (1) the form of payment election;

10 (2) an election to commence benefits; or

11 (3) the joint annuitant designation.

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

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

18 (1) a member meets the requirements of AS 39.35.810 and has made a
 19 complete application for payment under AS 39.35.830;

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

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

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

28 (5) notwithstanding (a) of this section, a participant whose account has
 29 a balance of \$1,000 or less meets the requirements of AS 39.35.810, at which time the
 30 participant must take payment of the participant's account.

31 (b) The entire interest of a member must be distributed or must begin to be

1 distributed not later than the member's required beginning date.

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

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

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

1 (f) For purposes of (b) of this section, distribution of a member's interest is
 2 considered to begin (1) on the member's required beginning date, or (2) if the
 3 designated beneficiary is the member's surviving spouse and the surviving spouse dies
 4 after the member but before payments to the spouse have begun, on the date
 5 distribution is required to begin to the surviving spouse. If distribution in the form of
 6 an annuity irrevocably commences to the member before the required beginning date,
 7 the date distribution is considered to begin is the date that the distribution actually
 8 commences.

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

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

15 (i) In this section,

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

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

22 **Sec. 39.35.850. Designation of beneficiary.** (a) Each participant shall have
 23 the right to designate a beneficiary and shall have the right, at any time, to revoke the
 24 designation or to substitute another beneficiary, subject to the following limitation: if a
 25 married member elects a nonspouse beneficiary, the value of the benefit payable to the
 26 beneficiary may not exceed 50 percent of the member's portion of the account balance,
 27 and the member's spouse shall automatically be considered the beneficiary for the
 28 remaining 50 percent of the account balance, unless the spouse consents to the
 29 beneficiary designation in a writing that is notarized or witnessed by the administrator.
 30 If the spouse consents in this manner, a married member may designate a nonspouse
 31 beneficiary for the entire benefit or any portion the benefit as part of an available form

1 of payment contained in this plan,

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

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

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

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

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

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

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

25 (4) to the estate.

26 (d) A person claiming entitlement to benefits payable under AS 39.35.700 -
27 39.35.990 as a consequence of a member's death shall provide the administrator with a
28 marriage certificate, divorce or dissolution judgment, or other evidence of entitlement.
29 Documents establishing entitlement may be filed with the administrator immediately
30 after a change in the member's marital status. If the administrator does not receive
31 notification of a claim before the date 10 days after the member's death, the person

1 claiming entitlement is not entitled to receive from the division of retirement and
2 benefits any benefit already paid by the administrator.

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

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

15 **Sec. 39.35.870. Retirement.** (a) In order to obtain medical benefits under
16 AS 39.35.880 an active member must retire directly from the plan. A member is
17 eligible to retire from the plan if the member has been an active member for at least 12
18 months before application for retirement and

19 (1) the member has at least 30 years of membership service; or

20 (2) the member reaches the normal retirement age and has at least 10
21 years of membership service.

22 (b) The normal retirement age is 60 months less than the age set for Medicare
23 eligibility at the time the member retires.

24 (c) A member must apply to the administrator for appointment to retirement.
25 Application shall be made on forms and in the manner prescribed by the administrator.

26 (d) A member who continues in the employ of the employer after reaching
27 normal retirement age shall continue to participate in the plan and to have
28 contributions allocated to the member's account.

29 **Sec. 39.35.880. Medical benefits.** (a) The medical benefits available to
30 eligible persons are access to the retiree major medical plan. Access to the retiree
31 major medical plan means that an eligible person may not be denied medical coverage

1 except for failure to pay the required premium.

2 (b) The following persons are eligible for the retiree major medical insurance
3 plan provided under this section and may elect coverage under it:

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

6 (2) the surviving spouse of a member who elected coverage under (1)
7 of this subsection;

8 (3) a member who reaches the normal retirement age as provided in
9 AS 39.35.860, has at least 10 years of service, and retires directly from the plan;

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

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

15 (d) Retiree major medical plan coverage elected by the surviving spouse of an
16 eligible member under this section covers the surviving spouse and the dependent
17 children of the eligible member who are dependent on the surviving spouse.

18 (e) A person other than an eligible member is not eligible for coverage if,
19 during the time the eligible member was an active member, the person was

20 (1) not married to the member; or

21 (2) not a dependent child of the member.

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

25 (g) The coverage for persons who are eligible for Medicare is the same as that
26 available for persons who are not yet eligible for Medicare. The benefits payable to
27 those Medicare eligible persons supplement any benefits provided under the Medicare
28 program.

29 (h) The medical and optional insurance premiums owed by the person who
30 elects coverage under (b) of this section shall be deducted from the health
31 reimbursement arrangement. If the amount of the health reimbursement arrangement

1 becomes insufficient to pay the premiums, the person who elects coverage under (b) of
2 this section shall pay the premiums directly.

3 (i) The administrator shall set on an annual basis separate retiree health
4 coverage premiums for participants who are Medicare eligible and for participants
5 who are not yet Medicare eligible. A participant's share of the applicable premium
6 shall be determined according to (j) and (k) of this section.

7 (j) Participants who have not attained normal retirement age are required to
8 pay the full amount of the applicable medical health coverage premium.

9 (k) Participants who have attained normal retirement age are eligible for a
10 subsidy applicable to the cost of the applicable premium. The subsidy percentage
11 applicable to the cost of premiums payable by the participant is 30 percent if the
12 member had 10 years of service; for each additional year of service after the member's
13 10th year of service, the discount increases by three percentage points; however, the
14 maximum discount is 90 percent if the member has 30 or more years of service. The
15 applicable subsidy percentage shall be applied to the subsidy base to determine the
16 dollar amount of the subsidy that is applied against the cost of the premium.

17 (l) Participants who are eligible for Medicare will use the subsidy base for
18 Medicare-eligible premiums. Participants who are not yet eligible for Medicare will
19 use the subsidy base for non-Medicare eligible premiums.

20 (m) The subsidy base for Medicare-eligible participants will be the same as
21 the premium amount for Medicare-eligible participants in the first year of this plan and
22 the subsidy base for non-Medicare eligible participants will be the same as the
23 premium amount for non-Medicare-eligible participants in the first year of this plan.
24 Each subsidy base will increase five percent each year or the rate at which the actual
25 premium amount increases for the corresponding aged participants, whichever is less.

26 (n) The eligibility for retiree major medical coverage for an alternate payee
27 under a qualified domestic relations order shall be determined based on the eligibility
28 of the member to elect coverage. The alternate payee shall pay the full monthly
29 premium for retiree major medical coverage.

30 (o) The administrator shall establish the monthly group premiums for retiree
31 major medical coverage. Nothing in AS 39.35.700 - 39.35.895 guarantees a person

1 who elects coverage under (b) of this section a monthly group premium rate for retiree
 2 major medical coverage other than the premium in effect for the month in which the
 3 premium is due for coverage for that month.

4 (p) A member is eligible to apply for reimbursement from the health
 5 reimbursement arrangement plan after a minimum of 10 years of service and does not
 6 have to retire directly from the system.

7 (q) In this section,

8 (1) "health reimbursement arrangement" means the plan established in
 9 AS 39.30.300;

10 (2) "retires directly from the plan" means that the member has been an
 11 active member for at least 12 consecutive months immediately before the time that the
 12 member applies to the administrator for appointment to retirement and that the
 13 member continues as an active member up through the day before the day the member
 14 is appointed to retirement."

15 **Sec. 39.35.890. Amendment and termination of plan.** (a) The state has the
 16 right to amend the plan at any time and from time to time, in whole or in part,
 17 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

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

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

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

29 **Sec. 39.35.900. Exclusive benefit.** (a) The corpus or income of the assets
 30 held in trust as required by the plan may not be diverted or used for other than the
 31 exclusive benefit of the participants.

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

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

7 **Sec. 39.35.910. Nonguarantee of returns, rates, or benefit amounts.** The
 8 plan created by AS 39.35.700 - 39.35.990 is a defined contribution plan, not a defined
 9 benefit plan. The amount of money in the account of a participant depends on the
 10 amount of contributions and the rate of return from investments of the account that
 11 varies over time. If benefits are paid in the form of an annuity, the benefit amount
 12 payable is dependent on the amount of money in the account and the interest rates
 13 applied and service fees charged by the annuity payor at the time benefits are first
 14 paid. Nothing in this plan guarantees a participant

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

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

20 **Sec. 39.35.920. Nonguarantee of employment.** The provisions of
 21 AS 39.35.700 - 39.35.990 are not a contract of employment between an employer and
 22 an employee, nor do they confer a right of an employee to be continued in the
 23 employment of an employer, nor are they a limitation of the right of an employer to
 24 discharge an employee with or without cause.

25 **Sec. 39.35.930. Fraud.** (a) A person who knowingly makes a false statement
 26 or falsifies or permits to be falsified a record of this plan in an attempt to defraud the
 27 plan is guilty of a class A misdemeanor.

28 (b) In this section, "knowingly" has the meaning given in AS 11.81.900(a).

29 **Sec. 39.35.940. Transfer into defined contribution plan by nonvested**
 30 **members of defined benefit plan.** (a) Subject to (g) of this section, an active
 31 member of the defined benefit retirement plan of the public employees' retirement

1 system is eligible to participate in the defined contribution retirement plan established
2 under AS 39.35.700 - 39.35.990, if that member has not vested. Participation in the
3 defined contribution retirement plan is in lieu of participation in the defined benefit
4 retirement plan established under AS 39.35.095 - 39.35.680.

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

7 (c) Each eligible member who elects to participate in the defined contribution
8 retirement plan shall have transferred to a new account the present value of the
9 member contribution account balance held in trust for the member under the defined
10 benefit retirement plan of the public employees' retirement system. A matching
11 employer contribution shall be made on behalf of that employee to the new account.
12 Upon a transfer, all service credit previously earned under the defined benefit
13 retirement plan shall be nullified for purposes of entitlement to a future benefit under
14 the defined benefit retirement plan but shall be credited for purposes of eligibility to
15 elect medical benefits under AS 39.35.870. An eligible member whose accounts are
16 subject to a qualified domestic relations order may not make an election to participate
17 in the defined contribution retirement plan under this subsection unless the qualified
18 domestic relations order is amended or vacated and court-certified copies of the order
19 are received by the administrator.

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

31 (e) If the board or the administrator receives notification from the United

1 States Department of the Treasury, Internal Revenue Service, that this section or a
 2 portion of this section will cause the retirement system under this chapter, or a portion
 3 of the retirement system under this chapter, to be disqualified for tax purposes under
 4 the Internal Revenue Code, the portion that will cause the disqualification does not
 5 apply, and the board and the administrator shall notify the presiding officers of the
 6 legislature.

7 (f) The election to participate in the defined contribution retirement plan must
 8 be made in writing on forms and in the manner prescribed by the administrator.
 9 Before accepting an election to participate in the defined contribution retirement plan,
 10 the administrator must provide the employee planning on making an election to
 11 participate in the defined contribution retirement plan with information, including
 12 calculations to illustrate the effect of moving the employee's retirement plan from the
 13 defined benefit retirement plan to the defined contribution retirement plan as well as
 14 other information to clearly inform the employee of the potential consequences of the
 15 employee's election. An election made under this subsection to participate in the
 16 defined contribution retirement plan is irrevocable. Upon making the election, the
 17 participant shall be enrolled as a member of the defined contribution retirement plan,
 18 the member's participation in the plan shall be governed by the provisions of
 19 AS 39.35.700 - 39.35.990, and the member's participation in the defined benefit
 20 retirement plan under AS 39.35.115 shall terminate. The participant's enrollment in
 21 the defined contribution retirement plan shall be effective the first day of the month
 22 after the administrator receives the completed enrollment forms. An election made by
 23 an eligible member who is married is not effective unless the election is signed by the
 24 individual's spouse.

25 (g) A member may make an election under this section only if the member's
 26 employer participates in both the defined benefits retirement plan and the defined
 27 contribution retirement plan and consents to transfers under this section. The
 28 employer shall notify the administrator if the employer consents to allowing the
 29 employer's members to choose to transfer from the defined benefits retirement plan to
 30 the defined contribution retirement plan under this section. An employer's notice to
 31 allow transfers is irrevocable and applicable to all eligible employees of the employer.

1 (h) In this section,

2 (1) "defined benefit retirement plan" means the retirement plan
3 established in AS 39.35.095 - 39.35.680;

4 (2) "defined contribution retirement plan" means the retirement plan
5 established in AS 39.35.700 - 39.35.990.

6 **Sec. 39.35.950. Request by political subdivision to participate and**
7 **adoption of resolution.** A municipality or other political subdivision of the state may
8 request to become an employer in this plan. The request shall be made after adoption
9 of a resolution by the legislative body of the political subdivision and after approval of
10 the resolution by the person required by law to approve the resolution. A certified
11 copy of the resolution shall be filed with the administrator. If the administrator
12 approves the request for participation, the political subdivision is an employer of the
13 plan.

14 **Sec. 39.35.955. Request by public organization to participate and**
15 **adoption of resolution.** A public organization may request to become an employer in
16 this plan. The request shall be made after adoption of a resolution by the governing
17 body of the public organization. A certified copy of the resolution shall be filed with
18 the administrator. If the administrator approves the request for participation, the
19 public organization is an employer of the plan.

20 **Sec. 39.35.960. Membership in teachers' and public employees'**
21 **retirement systems.** A person who is employed at least half-time in the public
22 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the
23 same period that the person is employed at least half-time in a position in the teachers'
24 defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited
25 service under each plan for half-time employment. However, the amount of credited
26 service a person receives under the public employees' defined contribution retirement
27 plan during a school year may not exceed the amount necessary, when added to the
28 amount of credited service earned during the school year under the teachers' defined
29 contribution retirement plan, to equal one year of credited service.

30 **Sec. 39.35.965. Army and air national guard employees.** A regular full-
31 time civilian employee of the Alaska Army National Guard and Air National Guard

1 whose entire salary is paid from allotted federal funds is included in the public
 2 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) if the
 3 federal or state government pays the employer's contributions. If the amount that the
 4 federal government may legally contribute to the plan is lower than the required
 5 employer's contribution, the state government shall contribute the difference. If the
 6 employer's contributions are not paid when due, service credit for the period of
 7 delinquency may not be granted until the contributions are paid.

8 **Sec. 39.35.970. North Pacific Fishery Management Council employees.**

9 An employee of the North Pacific Fishery Management Council appointed under 16
 10 U.S.C. 1852(f)(1) (Sec. 302(f)(1) of P.L. 94-265) whose compensation is paid from
 11 allotted federal funds is included in the public employees' defined contribution
 12 retirement plan (AS 39.35.700 - 39.35.990) if the council pays the employer's
 13 contributions. If the employer's contributions are not paid when due, credited service
 14 for the period of delinquency may not be granted until the contributions are paid.

15 **Sec. 39.35.990. Definitions.** In AS 39.35.700 - 39.35.990, unless the context
 16 requires otherwise,

17 (1) "administrator" means the commissioner of administration or the
 18 commissioner's designee;

19 (2) "alternate payee" means the person for whom an amount has been
 20 separated into an account under a qualified domestic relations order;

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

23 (4) "beneficiary" means the person or persons entitled under the
 24 provisions of this plan to receive benefits after the death of a member or alternate
 25 payee;

26 (5) "board" has the meaning given in AS 39.35.680;

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

28 (7) "compensation"

29 (A) means

30 (i) the total remuneration earned by an employee for
 31 personal services rendered, including cost-of-living differentials, as

1 reported on the employee's Federal Income Tax Withholding Statement
2 (Form W-2) from the employer for the calendar year;

3 (ii) the member contribution to the public employees'
4 retirement system under AS 39.35.730, employee deferrals under
5 AS 39.45.010, the wage reduction amount contributed to the Alaska
6 Supplemental Annuity Plan under AS 39.30.150(a), and the wage
7 reduction amount contributed to the Alaska Supplemental Benefit Plan
8 under AS 39.30.150(c), as those statutes may be amended from time to
9 time;

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

21 (C) notwithstanding (B) of this paragraph, includes any amount
22 that is contributed by the employer under a salary reduction agreement and that
23 is not includible in the gross income of the employee under 26 U.S.C. 125,
24 132(f)(4), 402(e)(3), 402(h)(1)(B) or 403(b) (Internal Revenue Code); the
25 annual compensation limitation for the member, which is so taken into account
26 for those purposes, may not exceed \$200,000, as adjusted for the cost of living
27 in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the
28 limitation for a fiscal year being the limitation in effect for the calendar year
29 within which the fiscal year begins;

30 (8) "dependent child" has the meaning given in AS 39.35.680;

31 (9) "distribution commencement date" has the meaning given in

1 AS 39.35.840(a);

2 (10) "employer" means

3 (A) the State of Alaska; or

4 (B) a political subdivision or public organization of the state
5 that participates in the plan;

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

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

12 (13) "Internal Revenue Code" means the Internal Revenue Code of
13 1986, as amended;

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

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

21 (16) "member" means an employee of an employer or former
22 employee of an employer who retains a right to benefits under the plan, but does not
23 include full-time or part-time instructors of the Department of Labor and Workforce
24 Development who have a teaching certificate, regardless of whether the position as
25 instructor requires a teaching certificate as a condition of employment and who have
26 earlier credited service under AS 14.25.310 - 14.25.590;

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

29 (18) "normal retirement age" means 60 months less than the age set for
30 Medicare eligibility at the time the member retires;

31 (19) "participant" means the person who has a vested right to an

1 individual account, such as a member, an alternate payee if the account is subject to a
 2 qualified domestic relations order, the member's beneficiary if the member is
 3 deceased, or an alternate payee's beneficiary if the alternate payee is deceased;

4 (20) "peace officer" or "fire fighter" has the meaning given in
 5 AS 39.35.680;

6 (21) "plan" means the retirement plan established in AS 39.35.700 -
 7 39.35.990;

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

12 (23) "qualified domestic relations order" means a divorce or
 13 dissolution judgment under AS 25.24, including an order approving a property
 14 settlement, that

15 (A) creates or recognizes the existence of an alternate payee's
 16 right to, or assigns to an alternate payee the right to, receive all or a portion of
 17 an individual account or the benefits payable with respect to a member;

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

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

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

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

26 (F) does not require any type or form of benefit or any option
 27 not otherwise provided by AS 39.35.700 - 39.35.990;

28 (G) does not require an increase of benefits in excess of the
 29 amount provided by AS 39.35.700 - 39.35.990; and

30 (H) does not require the payment to an alternate payee of
 31 benefits that are required to be paid to another alternate payee under another

1 order previously determined to be a qualified domestic relations order;

2 (24) "retiree" means an eligible person who has elected to receive
3 medical benefits under AS 39.35.880;

4 (25) "surviving spouse" means the spouse of an employee who has
5 been married to the employee for at least one year at the time of the employee's death;

6 (26) "system" has the meaning given in AS 39.35.680;

7 (27) "year of service" means the equivalent of 52 weeks of permanent
8 full-time employment, which may consist of a combination of permanent full-time or
9 permanent part-time membership service; in this paragraph, "permanent full-time" and
10 "permanent part-time" have the meanings given in AS 39.35.680.

11 * **Sec. 121.** AS 39.45.030(a) is amended to read:

12 (a) The Alaska **Retirement Management** [STATE PENSION
13 INVESTMENT] Board is authorized, subject to contracts with individual employees,
14 to invest the funds held under a deferred compensation program. The board has the
15 same powers and duties concerning the management and investment in regard to those
16 funds as are provided under **AS 37.10.220** [AS 14.25.180].

17 * **Sec. 122.** AS 39.45.030(g) is amended to read:

18 (g) In this section, "board" means the Alaska **Retirement Management**
19 [STATE PENSION INVESTMENT] Board.

20 * **Sec. 123.** AS 39.45.060 is amended by adding a new paragraph to read:

21 (2) "board" means the trustees of the Alaska Retirement Management
22 Board established under AS 37.10.210.

23 * **Sec. 124.** AS 39.50.200(a)(9) is amended to read:

24 (9) "public official" means

25 (A) a judicial officer;

26 (B) the governor or the lieutenant governor;

27 (C) a person hired or appointed in a department in the
28 executive branch as

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

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

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

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

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

(E) the chair or a member of a state commission or board [OTHER THAN PHYSICIAN MEMBERS OR ALTERNATES OF THE ALASKA TEACHERS' RETIREMENT BOARD APPOINTED UNDER AS 14.25.035(a)(2) OR OF THE PUBLIC EMPLOYEES' RETIREMENT BOARD APPOINTED UNDER AS 39.35.030(d);]

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

(G) [REPEALED

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

(H) [(I)] the executive director of the Alaska Workforce Investment Board; and

(I) [(J)] each appointed or elected municipal officer;

* **Sec. 125.** AS 39.50.200(b)(54) is amended to read:

(54) Alaska **Retirement Management** [STATE PENSION INVESTMENT] Board (AS 37.10.210);

* **Sec. 126.** AS 44.25.020(2) is amended to read:

(2) collect, account for, have custody of, invest, and manage all state funds and all revenues of the state except revenues incidental to a program of licensing and regulation carried on by another state department, funds managed and invested by the Alaska **Retirement Management** [STATE PENSION INVESTMENT] Board, and as otherwise provided by law;

* **Sec. 127.** AS 44.25.028(a) is amended to read:

(a) The commissioner of revenue may designate employees of the Department of Revenue who are subject to the provisions of AS 39.50 because of their responsibility for participating in the management or investment of the funds for which the Alaska **Retirement Management** [STATE PENSION INVESTMENT] Board is responsible.

1 * **Sec. 128.** AS 44.25.028(b) is amended to read:

2 (b) If an officer or employee of the Department of Revenue with responsibility
3 for funds for which the Alaska **Retirement Management** [STATE PENSION
4 INVESTMENT] Board is responsible acquires, owns, or controls an interest, direct or
5 indirect, in an entity or project in which assets under the control of the board are
6 invested, the officer or employee shall immediately disclose the interest to the board.
7 The disclosure is a matter of public record and shall be included in the minutes of the
8 board meeting next following the disclosure. The commissioner shall adopt
9 regulations to restrict officers and employees of the department from having a
10 substantial interest in an entity or project in which assets under the control of the board
11 are invested.

12 * **Sec. 129.** AS 44.64.030(a) is amended by adding new paragraphs to read:

13 (36) AS 14.25.006 (teachers' retirement system);

14 (37) AS 39.35.006 (public employees' retirement system).

15 * **Sec. 130.** AS 14.25.012(a), 14.25.015, 14.25.020, 14.25.022, 14.25.030, 14.25.035,
16 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);
17 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,
18 39.35.080, 39.35.090, 39.35.520(c), 39.35.522(c), 39.35.522(e); AS 39.45.025;
19 AS 39.50.200(b)(23), and 39.50.200(b)(29) are repealed.

20 * **Sec. 131.** AS 14.25.061(c), 14.25.062; and AS 39.35.350 are repealed.

21 * **Sec. 132.** The uncodified law of the State of Alaska is amended by adding a new section
22 to read:

23 TRANSITION: INITIAL STAGGERED TERMS OF TRUSTEES OF THE
24 ALASKA RETIREMENT MANAGEMENT BOARD. Notwithstanding AS 37.10.210(c), as
25 repealed and reenacted by sec. 59 of this Act, the terms of the initially appointed trustees of
26 the Alaska Retirement Management Board who are not commissioners shall be set by the
27 governor to achieve staggered terms in the manner provided for nine-member boards by
28 AS 39.05.055(7). Notwithstanding AS 39.05.055(7), the terms of the two finance officers
29 appointed under AS 37.10.210(b)(2)(B) and 37.10.210(b)(2)(C), as repealed and reenacted by
30 sec. 59 of this Act, shall be set so that the term of one of the finance officers expires three
31 years apart from the term of the other finance officer, and the terms of each of the two

1 members of the two retirement systems appointed under AS 37.10.210(b)(3), as repealed and
 2 reenacted by sec. 59 of this Act, shall be set so that the term of one of each of the members in
 3 each system expires three years apart from the term of the other member representing that
 4 system.

5 * **Sec. 133.** The uncodified law of the State of Alaska is amended by adding a new section
 6 to read:

7 TERMS OF MEMBERS OF THE ALASKA TEACHERS' RETIREMENT BOARD,
 8 AND THE PUBLIC EMPLOYEES' RETIREMENT BOARD. The terms of all board
 9 members appointed to the Alaska Teachers' Retirement Board, and the Public Employees'
 10 Retirement Board expire on the effective date of this section.

11 * **Sec. 134.** The uncodified law of the State of Alaska is amended by adding a new section
 12 to read:

13 TERMS OF MEMBERS OF THE ALASKA STATE PENSION INVESTMENT
 14 BOARD. The terms of all board members appointed to the Alaska State Pension Investment
 15 Board expire on September 30, 2005.

16 * **Sec. 135.** The uncodified law of the State of Alaska is amended by adding a new section
 17 to read:

18 TRANSITION OF DUTIES BETWEEN ALASKA STATE PENSION
 19 INVESTMENT BOARD AND THE ALASKA RETIREMENT MANAGEMENT BOARD.

20 (a) After the effective date of this section and until September 30, 2005, the Alaska State
 21 Pension Investment Board shall continue to exercise the powers and duties assigned in this
 22 Act to the Alaska Retirement Management Board. The Alaska State Pension Investment
 23 Board shall take actions to facilitate the transition of duties formerly assigned to the Alaska
 24 State Pension Investment Board to the duties assigned in this Act to the Alaska Retirement
 25 Management Board. A member of the Alaska Retirement Management Board appointed to
 26 serve as a trustee before September 30, 2005, shall be invited to observe and train with the
 27 Alaska State Pension Investment Board.

28 (b) The Alaska Retirement Management Board may not assume the duties and
 29 responsibilities assigned to the Alaska Retirement Management Board in this Act until
 30 October 1, 2005.

31 * **Sec. 136.** The uncodified law of the State of Alaska is amended by adding a new section

1 to read:

2 TRANSITION. Hearings and other proceedings pending under a law amended or
3 repealed by this Act or in connection with functions transferred by this Act continue in effect
4 and may be continued and completed notwithstanding a transfer or amendment or repeal
5 provided for in this Act. Orders and regulations issued or adopted under authority of a law
6 amended or repealed by this Act remain in effect for the term issued, or until revoked,
7 vacated, or otherwise modified under the provisions of this Act. Contracts, rights, liabilities,
8 and obligations created by or under a law amended or repealed by this Act, and in effect on
9 the effective date of this section, remain in effect notwithstanding this Act's taking effect.
10 Records, equipment, appropriations, funds, and other property of boards or agencies of the
11 state whose functions are transferred under this Act shall be transferred to implement the
12 provisions of this Act.

13 * **Sec. 137.** The uncodified law of the State of Alaska is amended by adding a new section
14 to read:

15 TRANSITION: REGULATIONS. (a) The Department of Administration and the
16 Department of Revenue may proceed to develop and adopt regulations required to implement
17 this Act.

18 (b) Regulations adopted by the Department of Administration and the Department of
19 Revenue under this Act relate to the internal management of a state agency, and the adoption
20 of the regulations is not subject to AS 44.62 (Administrative Procedure Act).

21 * **Sec. 138.** The uncodified law of the State of Alaska is amended by adding a new section
22 to read:

23 REPORT TO THE LEGISLATURE BY ALASKA RETIREMENT MANAGEMENT
24 BOARD. It is the intent of the legislature that there will be a moratorium after the effective
25 date of this Act on legislation affecting all public employees' retirement plans until the Alaska
26 Retirement Management Board can present a report to the legislature containing the board's
27 assessment and recommendations as provided in this section. The Alaska Retirement
28 Management Board shall report to the legislature 120 days after all members are appointed to
29 the board, or 15 days after the first day of the first regular legislative session following the
30 effective date of this section, whichever is first. The report must include the board's

31 (1) preliminary assessment of the financial health of all public employees'

1 retirement plans and all teachers' retirement plans;

2 (2) assessment of the actuarial services purchased by the board;

3 (3) recommendations for additional legislative or administrative policy to
4 improve the financial health of the retirement plans;

5 (4) short-term and long-term recommendations for addressing the unfunded
6 liability of the retirement plans; and

7 (5) recommendations for legislative procedures regarding fiscal notes for new
8 legislation affecting the retirement plans.

9 * **Sec. 139.** The uncodified law of the State of Alaska is amended by adding a new section
10 to read:

11 REPORT TO THE LEGISLATURE BY THE DIVISION OF RETIREMENT AND
12 BENEFITS. The division of retirement and benefits will provide an annual report to the
13 legislature regarding the cost savings measures it has implemented by regulation as described
14 in sec. 1 of this Act.

15 * **Sec. 140.** The uncodified law of the State of Alaska is amended by adding a new section
16 to read:

17 INSTRUCTION REGARDING ALASKA TEACHERS' RETIREMENT SYSTEM
18 BOARD, ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD, AND
19 ALASKA STATE PENSION INVESTMENT BOARD. Wherever in the Alaska Statutes and
20 the Alaska Administrative Code the terms "Alaska Teachers' Retirement System Board,"
21 "Alaska Public Employees' Retirement System Board," or "Alaska State Pension Investment
22 Board" are used, they shall be read as "Alaska Retirement Management Board" when to do so
23 would be consistent with the changes made by this Act.

24 * **Sec. 141.** The uncodified law of the State of Alaska is amended by adding a new section
25 to read:

26 SPECIFIC INSTRUCTIONS TO REVISOR OF STATUTES CONCERNING
27 SPECIFIC REFERENCES. (a) The revisor of statutes shall change references to "this
28 chapter" to "AS 14.25.009 - 14.25.220" in the following statutes: AS 14.25.040(b),
29 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),
30 14.25.105, 14.25.107, 14.25.110(k), 14.25.142, 14.25.150(b), 14.25.153, 14.25.160(h),
31 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

1 in 14.25.220 in each place that the phrase appears.

2 (b) The revisor of statutes shall change the reference to "board" to "administrator" in
3 the following statutes: AS 14.25.075 and 14.25.130(f).

4 (c) The revisor of statutes shall change the reference to "system" to "plan" in the
5 following statutes: AS 14.25.040(b), 14.25.040(c), 14.25.045, 14.25.047, 14.25.050(a),
6 14.25.055, 14.25.060, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.065, 14.25.070,
7 14.25.075(c), 14.25.075(d), 14.25.075(g), 14.25.075(h), 14.25.075(i), 14.25.100(a),
8 14.25.105(c), 14.25.107, 14.25.110, 14.25.125(c), 14.25.143, 14.25.163, 14.25.165(i),
9 14.25.167(g), 14.25.168, 14.25.169, 14.25.173(a), 14.25.173(d), 14.25.181, 14.25.200,
10 14.25.210, 14.25.220(1), 14.25.220(4), 14.25.220(7), 14.25.220(14), 14.25.220(20),
11 14.25.220(22), 14.25.220(23), 14.25.220(31), 14.25.220(34), 14.25.220(36), 14.25.220(37),
12 14.25.220(42); AS 39.35.120, 39.35.125, 39.35.160, 39.35.165(a), 39.35.165(c),
13 39.35.165(d), 39.35.165(e), 39.35.165(g), 39.35.165(h), 39.35.165(i), 39.35.170, 39.35.180,
14 39.35.195(b), 39.35.195(c), 39.35.250, 39.35.280, 39.35.300(c), 39.35.310(a), 39.35.310(c),
15 39.35.340(a), 39.35.342(a), 39.35.342(d), 39.35.345(a), 39.35.345(d), 39.35.360(a),
16 39.35.360(g), 39.35.360(h), 39.35.360(k), 39.35.370(f), 39.35.370(h), 39.35.370(i),
17 39.35.370(j), 39.35.370(k), 39.35.371(i), 39.35.381(b), 39.35.381(g), 39.35.385(c),
18 39.35.400(e), 39.35.450(g), 39.35.475(a), 39.35.475(b), 39.35.475(d), 39.35.500(a),
19 39.35.505, 39.35.520(a), 39.35.520(d), 39.35.522(d), 39.35.527(a), 39.35.527(b), 39.35.530,
20 39.35.535(a), 39.35.535(d), 39.35.550, 39.35.560, 39.35.570, 39.35.580, 39.35.590,
21 39.35.600, 39.35.610, 39.35.620(a), 39.35.620(h), 39.35.650, 39.35.670, 39.35.675(a),
22 39.35.680(1), 39.35.680(5), 39.35.680(9), 39.35.680(12), 39.35.680(15), 39.35.680(16),
23 39.35.680(17), 39.35.680(20), 39.35.680(21)(A), 39.35.680(29), 39.35.680(32),
24 39.35.680(33), and 39.35.680(35).

25 (d) The revisor of statutes shall change the reference to "board" to "commissioner" in
26 the following statutes: AS 39.35.290, 39.35.522(a), 39.35.522(b), and 39.35.522(d).

27 (e) The revisor of statutes shall change references to "this chapter" to "AS 39.35.095 -
28 39.35.680" in the following statutes: AS 39.35.165, 39.35.200, 39.35.250, 39.35.300,
29 39.35.340, 39.35.350, 39.35.360, 39.35.370, 39.35.371, 39.35.375, 39.35.381, 39.35.480,
30 39.35.490, 39.35.495, 39.35.505, 39.35.530, 39.35.546, 39.35.547, 39.35.615(c),
31 39.35.620(e), 39.35.660, 39.35.675(b), 39.35.677, and 39.35.680.

1 (f) The revisor of statutes shall renumber AS 39.35.690 to follow AS 39.35.990.

2 * **Sec. 142.** The uncodified law of the State of Alaska is amended by adding a new section
3 to read:

4 IMPLEMENTATION OF SECTIONS 140 AND 141 OF THIS ACT. Under
5 AS 01.05.031, the revisor of statutes shall implement secs. 140 and 141 of this Act in the
6 Alaska Statutes, and, under AS 44.62.125(b)(6), the regulations attorney shall implement secs.
7 139 and 140 of this Act in the administrative code.

8 * **Sec. 143.** Sections 10, 11, 13, 14, 19, 87 - 92, 105, 112, and 131 of this Act take effect
9 June 30, 2010.

10 * **Sec. 144.** Section 142 of this Act takes effect immediately under AS 01.10.070(c).

11 * **Sec. 145.** Except as provided in secs. 143 and 144 of this Act, this Act takes effect July 1,
12 2005.