

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

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 5/3/05

Referred: Today's Calendar

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the teachers' and public employees' retirement systems and creating**
2 **defined contribution and health reimbursement plans for members of the teachers'**
3 **retirement system and the public employees' retirement system who are first hired after**
4 **July 1, 2005; relating to university retirement programs; establishing the Alaska**
5 **Retirement Management Board to replace the Alaska State Pension Investment Board,**
6 **the Alaska Teachers' Retirement Board, and the Public Employees' Retirement Board;**
7 **allowing members in the defined contribution plan of the public employees' retirement**
8 **system who are not employees of participating employers to make wage reductions to**
9 **purchase supplemental death or disability benefits in the Alaska Supplemental Annuity**
10 **Plan; adding appeals of the decisions of the administrator of the teachers' and public**
11 **employees' retirement systems to the jurisdiction of the office of administrative**
12 **hearings; providing for nonvested members of the teachers' retirement system defined**

1 **benefit plans to transfer into the teachers' retirement system defined contribution plan**
 2 **and for nonvested members of the public employees' retirement system defined benefit**
 3 **plans to transfer into the public employees' retirement system defined contribution**
 4 **plan; providing for political subdivisions and public organizations to request to**
 5 **participate in the public employees' defined contribution retirement plan; and providing**
 6 **for an effective date."**

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

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

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

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

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

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

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

21 **Sec. 14.25.004. Powers and duties of the administrator.** (a) The
 22 administrator shall

- 23 (1) establish and maintain an adequate system of accounts;
 24 (2) transmit the funds deposited in the system to the retirement fund
 25 established and maintained by the Alaska Retirement Management Board;
 26 (3) approve or disapprove claims for retirement benefits;
 27 (4) make payments for the various purposes specified;
 28 (5) submit periodic reports or statements of account that are needed;
 29 (6) issue a statement of account to an employee not less than once each

1 year showing the amount of the employee's contributions to the applicable plan in the
2 system;

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

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

9 (A) a balance sheet;

10 (B) a statement of income and expenditures for the previous
11 fiscal year;

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

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

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

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

22 (10) report to the Legislative Budget and Audit Committee concerning
23 the condition and administration of each plan and distribute the report to the members
24 of each plan in the system;

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

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

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

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

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

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

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

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

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

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

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

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

24 (4) furnished to each member of the legislature and to the Legislative
25 Affairs Agency.

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

28 (f) The commissioner of administration may hold a hearing on a proposed
29 regulation.

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

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

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

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

13 **Sec. 14.25.007. Investment management of retirement system funds.** The
 14 Alaska Retirement Management Board established under AS 37.10.210 is the
 15 fiduciary of the system funds.

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

17 (1) "plan" means the retirement plan established in AS 14.25.009 -
 18 14.25.220 or the retirement plan established in AS 14.25.310 - 14.25.590;

19 (2) "system" means all retirement plans established under the teachers'
 20 retirement system.

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

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

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

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

28 (b) The retirement plan [SYSTEM] established by AS 14.25.009 - 14.25.220
 29 [THIS CHAPTER] is intended to qualify under 26 U.S.C. 401(a) and 414(d) (Internal
 30 Revenue Code) as a qualified retirement plan established and maintained by the state
 31 for its employees, for the employees of school districts and regional educational

1 attendance areas in the state, and for the employees of other employers whose
 2 participation is authorized by AS 14.25.009 - 14.25.220 [THIS CHAPTER] and who
 3 participate in this **plan** [SYSTEM].

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

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

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

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

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

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

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

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

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

1 retirement **plan** [SYSTEM] under **AS 39.35.095 - 39.35.680** [AS 39.35] in the same
 2 period that the person was employed at least half-time in a position in this **plan**
 3 [SYSTEM] may claim credited service in both **plans** [SYSTEMS] for employment
 4 before May 31, 1989. To obtain this credited service, the person shall claim the
 5 service and verify the period of half-time employment. When eligibility for half-time
 6 service credit has been established, an indebtedness shall be determined to the
 7 retirement **plan** [SYSTEM] in which the person did not participate. The amount of
 8 the indebtedness is the full actuarial cost of providing benefits for the credited service
 9 claimed. Interest as prescribed by regulation accrues on that indebtedness beginning
 10 on the later of July 1, 1989, or the date on which the member is first eligible to claim
 11 the service. Any outstanding indebtedness existing at the time the person retires will
 12 require an actuarial adjustment to the benefits payable based on that service.

13 * **Sec. 7.** AS 14.25.070 is amended to read:

14 **Sec. 14.25.070. Contributions by employer.** An employer shall contribute to
 15 the **plan** [SYSTEM] an amount equal to the percentage, as certified by the **board**
 16 [ADMINISTRATOR], of the sum total of the base salaries of all members that is
 17 required in addition to member contributions to provide the benefits of **AS 14.25.009 -**
 18 **14.25.220** [THIS CHAPTER] times the sum total of the base salaries paid to members,
 19 including any adjustments to contributions required by AS 14.25.173(a), by the
 20 employer.

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

22 (b) When added to the member contribution determined under AS 14.25.050,
 23 the employer contribution may not result in an amount less than the amount required
 24 as actuarially calculated to fully fund the future liabilities of active members nor may
 25 the employer contribution percentage under (a) of this section be set at less than 11
 26 percent.

27 * **Sec. 9.** AS 14.25.075(a) is amended to read:

28 (a) An employee who is eligible to purchase credited service under
 29 AS 14.25.047 or 14.25.048, a member who is eligible to purchase credited service
 30 under AS 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, or
 31 14.25.107, or a teacher who is eligible to purchase credited service under

1 AS 14.20.345, AS 14.25.050, [14.25.062,] or 14.25.105, in lieu of making payments
 2 directly to the plan, may elect to have the member's employer make payments as
 3 provided in this section.

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

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

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

12 (2) the member shall make an irrevocable election under this
 13 subsection to purchase credited service as permitted in AS 14.20.345, AS 14.25.047,
 14 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, 14.25.105, or
 15 14.25.107 before the member's termination of employment; the irrevocable election
 16 must specify the number of payroll periods that deductions will be made from the
 17 member's compensation and the dollar amount of deductions for each payroll period
 18 during the specified number of payroll periods; the deductions made under this
 19 paragraph cease upon the earlier of the member's termination of employment with the
 20 employer or the member's death; amounts paid by an employer under (f) of this
 21 section may not be applied toward the payment of the dollar amount of the deductions
 22 representing the portion of the credited service that is being purchased by the member
 23 through payroll deduction in accordance with the member's irrevocable election under
 24 this paragraph;

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

30 * **Sec. 11.** AS 14.25.075(e) is amended to read:

31 (e) Contributions to the plan [SYSTEM] to purchase credited service under

1 this section do not qualify for treatment under this section if recognition of that service
 2 would cause a member to receive a retirement benefit for the same service from the
 3 **plan** [SYSTEM] and from one or more other retirement plans or systems of the state.

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

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

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

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

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

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

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

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

3 * **Sec. 13.** AS 14.25.075(i) is amended to read:

4 (i) On satisfaction of the eligibility requirements of AS 14.20.345,
5 AS 14.25.047, 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100,
6 14.25.105, or 14.25.107, the requirements of this section, and the administrative filing
7 requirements specified by the administrator, the plan shall adjust the member's
8 credited service history and add any additional service credits acquired.

9 * **Sec. 14.** AS 14.25.115(a) is amended to read:

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

20 * **Sec. 15.** AS 14.25.143(a), as that subsection read following amendment by sec. 3, ch.
21 146, SLA 1980, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

22 (a) When the administrator determines that the cost of living has increased and
23 that the financial condition of the retirement fund permits, the administrator shall
24 increase benefit payments to persons receiving benefits under this **plan. For**
25 **purposes of this subsection, the financial condition of the fund would only permit**
26 **an increase in benefits when the ratio of total fund assets to the accrued liability**
27 **meets or exceeds 105 percent. In this subsection, "accrued liability" means the**
28 **present value of all member benefits accrued by member service in this plan**
29 [SYSTEM].

30 * **Sec. 16.** AS 14.25.143(a), as that subsection read following amendment by sec. 12, ch.
31 106, SLA 1988, until amended by sec. 12, ch. 97, SLA 1990, is amended to read:

1 (a) When the administrator determines that the cost of living has increased and
 2 that the financial condition of the **retirement fund** [SYSTEM] permits, the
 3 administrator shall increase benefit payments to persons receiving benefits under this
 4 **plan. For purposes of this subsection, the financial condition of the fund would**
 5 **only permit an increase in benefits when the ratio of total fund assets to the**
 6 **accrued liability meets or exceeds 105 percent. In this subsection, "accrued**
 7 **liability" means the present value of all member benefits accrued by member**
 8 **service in this plan** [SYSTEM].

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

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

13 * **Sec. 18.** AS 14.25.150 is amended by adding a new subsection to read:

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

16 * **Sec. 19.** AS 14.25.168(a) is repealed and reenacted to read:

17 (a) Except as provided in (c) of this section, the following persons are entitled
 18 to major medical insurance coverage under this section:

19 (1) for teachers first hired before July 1, 1990,

20 (A) a teacher who is receiving a monthly benefit from the plan
 21 and who has elected coverage;

22 (B) the spouse and dependent children of the teacher described
 23 in (A) of this paragraph;

24 (C) the surviving spouse of a deceased teacher who is receiving
 25 a monthly benefit from the plan and who has elected coverage;

26 (D) the dependent children of a deceased teacher who are
 27 dependent on the surviving spouse described in (C) of this paragraph;

28 (2) for teachers first hired on or after July 1, 1990,

29 (A) a teacher who is receiving a monthly benefit from the plan
 30 and who has elected coverage for the teacher;

31 (B) the spouse of the teacher described in (A) of this paragraph

1 if the teacher elected coverage for the spouse;

2 (C) the dependent children of the teacher described in (A) of
3 this paragraph if the teacher elected coverage for the dependent children;

4 (D) the surviving spouse of a deceased teacher who is receiving
5 a monthly benefit from the plan and who has elected coverage;

6 (E) the dependent children of a deceased teacher who are
7 dependent on the surviving spouse described in (D) of this paragraph if the
8 surviving spouse has elected coverage for the dependent children.

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

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

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

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

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

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

31 (3) before the adjustment was made, the member or beneficiary

1 received confirmation from the administrator that the member's or beneficiary's
2 records were correct; and

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

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

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

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

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

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

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

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

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

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

26 (2) "actuarial adjustment" means the adjustment necessary to obtain
27 equality in value of the aggregate expected payments under two different forms of
28 pension payments, considering expected mortality and interest earnings on the basis of
29 assumptions, factors, and methods specified in regulations issued under the **plan**
30 [SYSTEM] that are formally adopted [UNDER AS 14.25.022] by the board and that
31 clearly preclude employer discretion in the determination of the amount of any

1 member's benefit;

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

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

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

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

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

10 (40) "supplemental contribution account" means the account
11 maintained by the plan [SYSTEM] to record the supplemental contributions of each
12 member, including interest and adjustments to the account [IN ACCORDANCE
13 WITH AS 14.25.170];

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

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

18 (A) a certificated full-time or part-time elementary or
19 secondary teacher, a certificated school nurse, or a certificated person in a
20 position requiring a teaching certificate as a condition of employment in a
21 public school of the state, the Department of Education and Early
22 Development, or the Department of Labor and Workforce Development;

23 (B) a full-time or part-time teacher of the University of Alaska
24 or a person occupying a full-time administrative position at the University of
25 Alaska that requires academic standing; the approval of the administrator must
26 be obtained before an administrative position qualifies for membership in the
27 system; however, a teacher or administrative person at the university who is
28 participating in a [THE OPTIONAL] university retirement program under
29 AS 14.40.661 - 14.40.799 is not a member under this system;

30 (C) a state legislator who elects membership under
31 AS 14.25.040(b);

1 **(D) A full-time or part-time instructor of the Department of**
 2 **Labor and Workforce Development who has a teaching certificate**
 3 **regardless of whether the position as instructor requires a teaching**
 4 **certificate as a condition of employment and who has earlier credited**
 5 **service in the plan;**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 **Sec. 14.25.345. Employment contributions mandatory.** (a) Contributions
 17 of members shall be made by payroll deductions. Each member shall be considered to
 18 consent to payroll deductions. It is of no consequence that a payroll deduction may
 19 cause the compensation paid in cash to a member to be reduced below the minimum
 20 required by law.

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

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

28 (b) An employer shall also contribute an amount equal to 2.5 percent of each
 29 member's compensation from July 1 to the following June 30 to pay for retiree major
 30 medical insurance. This contribution shall be paid into the group health and life
 31 benefits fund established by the commissioner of administration under AS 39.30.095

1 and shall be accounted for in accordance with regulations established by the
2 commissioner.

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

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

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

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

15 (d) In this section,

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

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

21 (3) "eligible retirement plan" means

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

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

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

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

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

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

30 (A) a distribution that is one of a series of substantially equal
31 installments payable not less frequently than annually over the life expectancy

1 of the distributee or the joint and last survivor life expectancy of the distributee
2 and the distributee's designated beneficiary, as defined in 26 U.S.C. 401(a)(9);

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

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

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

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

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

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

16 **Sec. 14.25.380. Limitations on contributions.** Notwithstanding any other
17 provisions of this plan, the annual additions to each member's individual account
18 under this plan and under all defined contribution plans of the employer required to be
19 aggregated with the contributions from this plan under the provisions of 26 U.S.C. 415
20 may not exceed, for any limitation year, the amount permitted under 26 U.S.C. 415 at
21 any time. If the amount of a member's defined contribution plan contributions exceeds
22 the limitation of 26 U.S.C. 415(c) for any limitation year, the administrator shall take
23 any necessary remedial action to correct an excess contribution. The provisions of 26
24 U.S.C. 415, and the regulations adopted under that statute, as applied to qualified
25 defined contribution plans of governmental employees are incorporated as part of the
26 terms and conditions of the plan.

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

29 (b) A member is fully vested in the employer contributions made on that
30 member's behalf, and related earnings, after five years of service. A member is
31 partially vested in the employer contributions made on that member's behalf, and the

1 related earnings, in the ratio of

- 2 (1) 25 percent with two years of service;
 3 (2) 50 percent with three years of service; and
 4 (3) 75 percent with four years of service.

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

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

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

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

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

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

30 **Sec. 14.25.410. Distribution election at termination.** (a) A member is
 31 eligible to elect distribution of the member's account in accordance with this section

1 60 days after termination of employment.

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

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

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

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

17 (4) prevention of the eviction of the member from the member's
18 principal residence or foreclosure on the mortgage of the member's principal
19 residence; or

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

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

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

30 (e) Distributions that are being paid to a member may not be affected by the
31 member's subsequent reemployment with the employer. Upon reemployment, a new

1 individual account shall be established for the member to which any future
 2 contributions shall be allocated. Upon subsequent termination of employment, the
 3 member's new individual account shall be distributed in accordance with this section.

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

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

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

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

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

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

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

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

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

31 (d) If an unmarried member or other participant fails to elect a form of

1 payment before the distribution commencement date, the account shall be paid to a
 2 beneficiary in the form of a lump sum to the extent required by the minimum
 3 distribution requirements set out in the Internal Revenue Code. If a married member
 4 fails to elect a form of payment before the distribution commencement date, the
 5 account shall be paid in the form of a 50 percent joint and survivor annuity, with the
 6 member's spouse as the joint annuitant.

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

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

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

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

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

- 24 (1) a member meets the requirements of AS 14.25.410 and has made a
 25 complete application for payment under AS 14.25.430;
- 26 (2) a participant has elected to defer receipt of the account to a date
 27 specified, the date has been attained, and the participant has made a complete
 28 application for payment;
- 29 (3) a member attains normal retirement age and has not made an
 30 application for payment or elected to defer receipt of the account to a date later than
 31 normal retirement age;

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

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

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

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

12 (d) If a member has made a distribution election and dies before the
13 distribution of the member's interest begins, distribution of the member's entire interest
14 shall be completed by December 31 of the calendar year containing the fifth
15 anniversary of the member's death. However, if any portion of the member's interest
16 is payable to a designated beneficiary, distributions may be made over the life of the
17 designated beneficiary or over a period certain not greater than the life expectancy of
18 the designated beneficiary, commencing on or before December 31 of the calendar
19 year immediately following the calendar year in which the member died, and, if the
20 designated beneficiary is the member's surviving spouse, the date distributions are
21 required to begin may not be earlier than the later of December 31 of the calendar year
22 (1) immediately following the calendar year in which the member died, or (2) in which
23 the member would have attained 70 1/2 years of age, whichever is earlier. If the
24 surviving spouse dies after the member but before payments to the spouse have begun,
25 the provisions of this subsection apply as if the surviving spouse were the member.
26 An amount paid to a child of the member shall be treated as if it were paid to the
27 surviving spouse if the amount becomes payable to the surviving spouse when the
28 child reaches the age of majority.

29 (e) If a member has not made a distribution election before the member's
30 death, the member's designated beneficiary must elect the method of distribution not
31 later than December 31 of the calendar year (1) in which distributions would be

1 required to begin under this section, or (2) that contains the fifth anniversary of the
2 date of death of the member, whichever is earlier. If the member does not have a
3 designated beneficiary or if the designated beneficiary does not elect a method of
4 distribution, distribution of the member's entire interest must be completed by
5 December 31 of the calendar year containing the fifth anniversary of the member's
6 death.

7 (f) For purposes of (b) of this section, distribution of a member's interest is
8 considered to begin (1) on the member's required beginning date, or (2) if the
9 designated beneficiary is the member's surviving spouse and the surviving spouse dies
10 after the member but before payments to the spouse have begun, on the date
11 distribution is required to begin to the surviving spouse. If distribution in the form of
12 an annuity irrevocably commences to the member before the required beginning date,
13 the date distribution is considered to begin is the date that the distribution actually
14 commences.

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

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

21 (i) In this section,

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

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

28 **Sec. 14.25.450. Designation of beneficiary.** (a) Each participant shall have
29 the right to designate a beneficiary and shall have the right, at any time, to revoke the
30 designation or to substitute another beneficiary, subject to the following limitation: if
31 a married member elects a nonspouse beneficiary, the value of the benefit payable to

1 the beneficiary may not exceed 50 percent of the member's portion of the account
 2 balance, and the member's spouse shall automatically be considered the beneficiary for
 3 the remaining 50 percent of the account balance, unless the spouse consents to the
 4 beneficiary designation in a writing that is notarized or witnessed by the administrator.
 5 If the spouse consents in this manner, a married member may designate a nonspouse
 6 beneficiary for the entire benefit or any portion of the benefit as part of an available
 7 form of payment contained in this plan,

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

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

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

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

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

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

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

31 (4) to the estate.

1 (d) A person claiming entitlement to benefits payable under AS 14.25.310 -
 2 14.25.590 as a consequence of a member's death shall provide the administrator with a
 3 marriage certificate, divorce or dissolution judgment, or other evidence of entitlement.
 4 Documents establishing entitlement may be filed with the administrator immediately
 5 after a change in the member's marital status. If the administrator does not receive
 6 notification of a claim before the date 10 days after the member's death, the person
 7 claiming entitlement is not entitled to receive from the division of retirement and
 8 benefits any benefit already paid by the administrator.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27 (f) The coverage for persons who are eligible for Medicare is the same as that
 28 available for persons who are not yet eligible for Medicare. The benefits payable to
 29 those Medicare eligible persons supplement any benefits provided under the Medicare
 30 program.

31 (g) The medical and optional insurance premiums owed by the person who

1 elects coverage under (b) of this section shall be deducted from the health
2 reimbursement arrangement. If the amount of the health reimbursement arrangement
3 becomes insufficient to pay the premiums, the person who elects coverage under (b) of
4 this section shall pay the premiums directly.

5 (h) The administrator shall set on an annual basis separate retiree health
6 coverage premiums for participants who are Medicare eligible and for participants
7 who are not yet Medicare eligible. A participant's share of the applicable premium
8 shall be determined according to (i), (j), and (m) of this section.

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

11 (j) Participants who have attained normal retirement age are eligible for a
12 subsidy applicable to the cost of the applicable premium. The subsidy percentage
13 applicable to the cost of premiums payable by the participant is 30 percent if the
14 member had 10 years of service; for each additional year of service after the member's
15 10th year of service, the discount increases by three percentage points; however, the
16 maximum discount is 90 percent if the member has 30 or more years of service. The
17 applicable subsidy percentage shall be applied to the subsidy base to determine the
18 dollar amount of the subsidy which is applied against the cost of the premium.

19 (k) Participants who are eligible for Medicare are eligible for benefits as
20 provided in (m) of this section. Participants who are not yet eligible for Medicare
21 shall use the subsidy base for non-Medicare eligible premiums.

22 (l) The subsidy base for non-Medicare eligible participants shall be the same
23 as the premium amount for non-Medicare eligible participants in the first year of this
24 plan. The subsidy base shall increase five percent each year or the rate at which the
25 actual premium amount increases for the corresponding aged participants, whichever
26 is less.

27 (m) The cost of premiums for a participant who is eligible for Medicare is the
28 following percentage of the premium amount:

29 (1) 30 percent if the member has 10 or more, but less than 15 years of
30 service;

31 (2) 25 percent if the member has 15 or more, but less than 20 years of

1 service;

2 (3) 20 percent if the member has 20 or more, but less than 30 years of
3 service;

4 (4) 10 percent if the member has 30 or more years of service.

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

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

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

17 (q) In this section,

18 (1) "health reimbursement arrangement" means the plan established in
19 AS 39.30.300;

20 (2) "retires directly from the plan" means that the member has been an
21 active member for at least 12 consecutive months immediately before the time that the
22 member applies to the administrator for appointment to retirement and that the
23 member continues as an active member up through the day before the day the member
24 is appointed to retirement.

25 **Sec. 14.25.485. Cost-saving measures in retiree health care system.** The
26 division of retirement and benefits shall implement by regulation cost-saving measures
27 appropriate to the retirees health care system. This includes using manufacturer's
28 rebates, copay levels, and multi-tiered copayment structures; mandating the use of
29 generic drugs; determining the type of drug classes in a formulary; dispensing fees;
30 mandating or providing incentives for mail order pharmaceuticals; using a reduction in
31 the average wholesale price; providing case management services for certain users of

1 pharmaceuticals; capping the number of prescriptions filled each month; and
 2 restricting the number of refills that users can have at one time.

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

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

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

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

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

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

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

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

1 applied and service fees charged by the annuity payor at the time benefits are first
2 paid. Nothing in this plan guarantees a participant

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

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

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

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

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

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

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

26 (c) Each eligible member who elects to participate in the defined contribution
27 retirement plan shall have transferred to a new account the present value of the
28 member contribution account balance held in trust for the member under the defined
29 benefit retirement plan of the teachers' retirement system. A matching employer
30 contribution shall be made on behalf of that employee to the new account. Upon a
31 transfer, all service credit previously earned under the defined benefit retirement plan

1 shall be nullified for purposes of entitlement to a future benefit under the defined
2 benefit retirement plan but shall be credited for purposes of eligibility to elect medical
3 benefits under AS 14.25.470. An eligible member whose accounts are subject to a
4 qualified domestic relations order may not make an election to participate in the
5 defined contribution retirement plan under this subsection unless the qualified
6 domestic relations order is amended or vacated and court-certified copies of the order
7 are received by the administrator.

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

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

26 (f) The election to participate in the defined contribution retirement plan must
27 be made in writing on forms and in the manner prescribed by the administrator.
28 Before accepting an election to participate in the defined contribution retirement plan,
29 the administrator must provide the employee planning on making an election to
30 participate in the defined contribution retirement plan with information, including
31 calculations to illustrate the effect of moving the employee's retirement plan from the

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

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

20 (h) In this section,

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

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

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

1 plan during a school year may not exceed the amount necessary, when added to the
 2 amount of credited service earned during the school year under the teachers' defined
 3 contribution retirement plan, to equal one year of credited service.

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

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

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

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

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

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

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

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

1 to continue in membership service under (a) of this section, the state legislator must
 2 earn at least 0.3 years of membership service under other sections of AS 14.25.310 -
 3 14.25.590 during each five-year period.

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

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

13 **Sec. 14.25.590. Definitions.** In AS 14.25.310 - 14.25.590, unless the context
 14 requires otherwise,

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

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

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

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

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

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

25 (7) "compensation"

26 (A) means

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

31 (ii) the member contribution to the teachers' retirement

1 system under AS 14.25.340;

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

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

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

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

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

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

29 (12) "individual account" means the total maintained by the plan in an
30 investment account within the trust fund, established for each member for the purposes
31 of allocation of the member's contributions, employer contributions on behalf of the

1 member, and earnings credited to each of those contributions, investment gains and
 2 losses, and expenses, as well as reporting of the member's benefit under the plan;

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

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

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

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

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

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

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

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

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

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

30 (A) creates or recognizes the existence of an alternate payee's
 31 right to, or assigns to an alternate payee the right to, receive all or a portion of

1 the individual account, or the benefits payable with respect to a member;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13 (ii) earlier credited service in the plan;

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

16 (A) during any school year,

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

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

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

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

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

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

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

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

25 years;

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

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

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

29 (B) service performed on a part-time basis of half time or more
 30 shall be credited in proportion to the amount of credit that would have been
 31 received for service performed on a full-time basis.

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

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

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

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

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

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

25 (b) The board shall

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

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

31 (A) nature and extent of the rights and benefits that the

1 contracts will provide to employees who elect to participate and to their
2 beneficiaries;

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

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

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

10 (E) efficacy of the contracts in the recruitment and retention of
11 faculty and administrators;

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

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

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

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

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

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

30 (c) **Participation in a university retirement** [THE ELECTION TO
31 PARTICIPATE IN THE] program constitutes a waiver of all rights and benefits under

1 the state retirement systems earned on or after the effective date of the election **if the**
 2 **participation is optional, or the effective date of the participation if the**
 3 **participation is mandatory, and** while the employee is participating in **a university**
 4 **retirement** [THE] program.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 **Sec. 14.40.701. Benefits.** Payment of benefits to participants of the program
 27 is the responsibility of the company or companies designated by the board and is not
 28 the responsibility of the board, the university, or the state. The benefits are payable to
 29 participants or their beneficiaries in accordance with the terms of the **applicable**
 30 **retirement plan document** [ANNUITY CONTRACT OR CONTRACTS.
 31 HOWEVER, RETIREMENT BENEFITS MUST BE PAID IN THE FORM OF A

1 LIFETIME INCOME. EXCEPT FOR DEATH BENEFITS, A SINGLE-SUM CASH
2 PAYMENT IS NOT PERMITTED UNDER THIS SECTION].

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

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

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

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

13 (A) A FACULTY APPOINTMENT; OR

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

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

18 (6) "program" means a [THE OPTIONAL] university retirement
19 program;

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

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

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

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

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

28 (1) "actuarial equivalent" means the adjustment necessary to obtain
29 equality in value of the aggregate expected payments under two different forms of
30 pension payments, considering expected mortality and interest earnings on the basis of
31 assumptions, factors, and methods specified in regulations issued under the system

1 that are formally adopted [UNDER AS 22.25.027] by the **Alaska Retirement**
 2 **Management Board** [COMMISSIONER OF ADMINISTRATION] that clearly
 3 preclude employer discretion in the determination of the amount of any justice's,
 4 judge's, or member's benefit;

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

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

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

13 (2) administer the system.

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

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

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

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

1 Alaska **Retirement Management** [STATE PENSION INVESTMENT] Board shall
 2 comply with AS 36.30.170(b).

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

4 (1) "agency"

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

9 (B) does not include

10 (i) the University of Alaska;

11 (ii) the Alaska Railroad Corporation;

12 (iii) the Alaska Housing Finance Corporation;

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

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

20 (vi) the Alaska Aerospace Development Corporation;

21 (vii) the Alaska **Retirement Management** [STATE
 22 PENSION INVESTMENT] Board;

23 (viii) the Alaska Seafood Marketing Institute;

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

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

1 assigned by law to another person, except to the extent that the fiduciary or designee

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

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

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

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

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

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

13 **or**

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

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

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

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

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

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

1 upon agreement with the responsible fiduciary, manage and invest other state funds so
 2 long as the activity does not interfere with the board's primary mission. In making
 3 investments, the board shall exercise the powers and duties of a fiduciary of a state
 4 fund under AS 37.10.071.

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

7 (1) two members, consisting of the commissioner of administration
 8 and the commissioner of revenue;

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

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

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

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

22 (D) two trustees who are members of the public employees'
 23 retirement system, selected from a list of three nominees submitted by public
 24 employees' retirement system bargaining units;

25 (E) two trustees who are members of the teachers' retirement
 26 system selected from a list of three nominees submitted by teachers' retirement
 27 system bargaining units.

28 (c) The trustees, other than the two commissioners, shall serve for staggered
 29 terms of six years and may be reappointed to the board for a total of two consecutive
 30 terms. A person who has served two consecutive terms may not be reappointed to the
 31 board for at least one year.

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

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

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

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

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

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

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

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

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

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

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

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

31 (3) determine the appropriate investment objectives for the defined

1 benefit plans established under the teachers' retirement system under AS 14.25 and the
2 public employees' retirement system under AS 39.35;

3 (4) assist in prescribing the policies for the proper operation of the
4 systems and take other actions necessary to carry out the intent and purpose of the
5 systems in accordance with AS 37.10.210 - 37.10.390;

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

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

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

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

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

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

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

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

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

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

31 (9) annually review the status of the retiree health insurance fund

1 established for members of the defined contribution plans under AS 14.25.310 -
 2 14.25.590 and AS 39.35.700 - 39.35.990 to ensure that the medical cost rate
 3 established for employers under AS 14.25.350(b) and AS 39.35.750(b) is sufficient to
 4 fully fund the employers' required share of the premiums established for the retiree
 5 major medical insurance plan; the board shall notify the legislature immediately if the
 6 board determines the rates established by statute are insufficient and make
 7 recommendations on rates that are sufficient;

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

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

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

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

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

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

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

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

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

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

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

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

3 (15) submit quarterly updates of the investment performance reports to
4 the Legislative Budget and Audit Committee; and

5 (16) develop an annual operating budget.

6 (b) The board may

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

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

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

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

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

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

19 **Sec. 37.10.250. Compensation of trustees.** Trustees, other than trustees who
20 are employees of the state, [OR] a political subdivision of the state, **or a school**
21 **district or regional educational attendance area in the state,** receive an honorarium
22 of **\$400** [\$150] for each day spent at a meeting of the board or at a meeting of a
23 subcommittee of the board or at a public meeting as a representative of the board,
24 **including a day in which a trustee travels to or from a meeting.** Trustees who are
25 state employees are entitled to administrative leave for service as a trustee. Trustees
26 who are employees of a political subdivision of the state **or a school district or**
27 **regional educational attendance area in the state** are entitled to leave benefits
28 provided by their employers comparable to those provided to state employees for
29 service as a trustee. Trustees are entitled to per diem and travel expenses authorized
30 for boards and commissions under AS 39.20.180.

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

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

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

7 **Sec. 37.10.390. Definitions.** In AS 37.10.210 - 37.10.390, unless the context
 8 otherwise requires,

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

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

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

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

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

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

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

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

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

1 principal and income of the fund;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 proper in administering the assets of the trust.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 * **Sec. 70.** AS 39.30.090 is amended by adding a new subsection to read:

17 (c) The Department of Administration shall implement by regulation cost-
 18 saving measures appropriate applicable to group insurance obtained under (a) of this
 19 section. This includes using manufacturer's rebates, copay levels, and multi-tiered
 20 copayment structures; mandating the use of generic drugs; determining the type of
 21 drug classes in a formulary; dispensing fees; mandating or providing incentives for
 22 mail order pharmaceuticals; using a reduction in the average wholesale price;
 23 providing case management services for certain users of pharmaceuticals; capping the
 24 number of prescriptions filled each month; and restricting the number of refills that
 25 users may have at one time.

26 * **Sec. 71.** AS 39.30.095(d) is amended to read:

27 (d) If the commissioner of administration determines that there is more money
 28 in the fund than the amount needed to pay premiums, benefits, and administrative
 29 costs for the current fiscal year, the surplus, or so much of it as the commissioner of
 30 administration considers advisable, may be invested by the commissioner of revenue
 31 in the same manner as retirement funds are invested under **AS 37.10.210 and**

1 **37.10.220** [AS 14.25.180].

2 * **Sec. 72.** AS 39.30.150(b) is amended to read:

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

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

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

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

19 * **Sec. 73.** AS 39.30.150 is amended by adding a new subsection to read:

20 (d) A member of the defined contribution plan of AS 14.25.310 - 14.25.590 or
21 AS 39.35.700 - 39.35.990 may voluntarily elect additional wage reductions to be paid
22 into a special individual employee benefit account in the Department of
23 Administration. The employer shall transmit these wage reductions to the Department
24 of Administration. Money in a special individual employee account may only be used
25 to purchase benefits selected by the employee under AS 39.30.160(a)(2) and (3).

26 * **Sec. 74.** AS 39.30 is amended by adding a new section to read:

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

29 * **Sec. 75.** AS 39.30 is amended by adding a new section to read:

30 **Sec. 39.30.154. Powers and duties of the administrator.** The administrator
31 has the same powers and duties with regard to the plan as those set out in

1 AS 14.25.004.

2 * **Sec. 76.** AS 39.30.155 is repealed and reenacted to read:

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

6 * **Sec. 77.** AS 39.30.160(a) is amended to read:

7 (a) The Department of Administration shall, in accordance with policies
8 prescribed by regulations of the Alaska Retirement Management [PUBLIC
9 EMPLOYEES RETIREMENT] Board, provide to employees for whom special
10 individual employee benefit accounts are established under AS 39.30.150(c) or (d)
11 [AS 39.30.150] the following benefit options:

- 12 (1) supplemental health benefits; [,]
13 (2) supplemental death benefits; [,]
14 (3) supplemental disability benefits; [,] and
15 (4) supplemental dependent care benefits.

16 * **Sec. 78.** AS 39.30.160(b) is amended to read:

17 (b) An employee may select the types and amounts of supplemental benefits to
18 be purchased with the money deposited in the employee's special individual employee
19 benefit accounts under AS 39.30.150. The selection for employees described in

20 (1) AS 39.30.150(a) must be from the benefit options listed in (a) of this
21 section;

22 (2) AS 39.30.150(d) must be from the benefit options listed in (a)(2) and
23 (3) of this section.

24 * **Sec. 79.** AS 39.30.160(e) is amended to read:

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

28 * **Sec. 80.** AS 39.30.175(a) is amended to read:

29 (a) The board [ALASKA STATE PENSION INVESTMENT BOARD] is the
30 fiduciary of the mandatory receipts, under AS 39.30.150(a), of the employee benefits
31 program established under AS 39.30.150 - 39.30.180 and has the same powers and

1 duties concerning the management and investment in regard to those receipts as are
2 provided under **AS 37.10.210** [AS 14.25.180].

3 * **Sec. 81.** AS 39.30.180 is amended by adding a new paragraph to read:

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

6 * **Sec. 82.** AS 39.30 is amended by adding new sections to read:

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

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

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

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

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

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

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

1 fund as provided in AS 14.25.004.

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

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

9 **Sec. 39.30.370. Contributions by employers.** For each member of the plan,
10 an employer shall contribute to the teachers' and public employees' retiree health
11 reimbursement arrangement plan trust fund an amount equal to 2.5 percent of the
12 employer's average annual employee compensation. The administrator shall maintain
13 a record for each member to account for employer contributions on behalf of that
14 member. The board shall establish by regulation the rate of interest to be applied
15 annually to the amount in a member's individual account.

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

24 **Sec. 39.30.390. Eligibility and reimbursement.** Persons who meet the
25 eligibility requirements of AS 14.25.470 and AS 39.35.870 are eligible for
26 reimbursements from the individual account established for a member under the plan,
27 except members do not have to retire directly from the system. A person who is the
28 dependent child of an eligible member is eligible for reimbursements if the eligible
29 member and surviving spouse have both died so long as the person meets the
30 definition of dependent child.

31 **Sec. 39.30.400. Benefits payable from the individual account.** (a) The

1 administrator may deduct the cost of monthly premiums from the individual account
 2 for retiree major medical insurance on behalf of an eligible person who elected retiree
 3 major medical insurance under AS 14.25.480 or AS 39.35.880.

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

7 (1) an eligible member, the spouse of an eligible member, and the
 8 dependent children of an eligible member; or

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

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

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

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

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

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

30 (b) Notwithstanding AS 09.38.065, contributions and other amounts held in
 31 the plan and benefits payable under this plan are exempt from garnishment, execution,

1 or levy.

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

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

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

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

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

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

21 **Sec. 39.30.495. Definitions.** Unless the context requires otherwise, in
22 AS 39.30.300 - 39.30.495

23 (1) "administrator" means the commissioner of administration or the
24 commissioner's designee;

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

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

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

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

31 (6) "employer" has the meaning given in AS 14.25.590 for employers

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

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

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

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

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

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

16 * **Sec. 83.** AS 39.35 is amended by adding new sections to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15 (A) a balance sheet;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 does not invalidate an action taken by the commissioner.

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

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

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

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

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

17 **Sec. 39.35.007. Investment management of retirement system funds.** The
18 Alaska Retirement Management Board established under 37.10.210 is the fiduciary of
19 the system funds.

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

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

22 (2) "plan" means the retirement plan established in AS 39.35.095 -
23 39.35.680 or the retirement plan established in AS 39.35.700 - 39.35.990;

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

26 * **Sec. 84.** AS 39.35 is amended by adding a new section to read:

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

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

31 * **Sec. 85.** AS 39.35.100 is amended to read:

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

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

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

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

29 (3) A separate account for each employer shall be maintained. The
 30 account shall be credited with contributions of the employer. This account shall be
 31 charged with the employer's actuarial charge for pension, death benefits, and other

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

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

14 * **Sec. 86.** AS 39.35 is amended by adding a new section to article 1 to read:

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

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

25 (c) An amendment to AS 39.35.095 - 39.35.680 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. 87.** AS 39.35.120 is amended to read:

29 **Sec. 39.35.120. Commencement of participation.** (a) An employee of the
 30 state shall be included in this system upon commencement of employment with the
 31 state, or on January 1, 1961, whichever is later. Unless an employee participates in a

1 [HAS ELECTED TO PARTICIPATE IN THE OPTIONAL] university retirement
 2 program under AS 14.40.661 - 14.40.799, an employee of a political subdivision or
 3 public organization that becomes an employer shall be included in the system on the
 4 effective date of the employer's participation or the date of the employee's
 5 commencement of employment with the employer, whichever is later.

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

8 (1) an elected official;

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

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

13 * **Sec. 88.** AS 39.35.131 is amended to read:

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

23 (b) A person who was employed at least half-time in a position in the teachers'
 24 retirement **plan** [SYSTEM] under **AS 14.25.009 - 14.25.220** [AS 14.25] in the same
 25 period that the person was employed at least half-time in a position in this **plan**
 26 [SYSTEM] may claim credited service in both **plan** [SYSTEMS] for employment
 27 before May 31, 1989. To obtain this credited service, the person shall claim the
 28 service and verify the period of half-time employment. When eligibility for half-time
 29 service credit has been established, an indebtedness shall be determined to the
 30 retirement **plan** [SYSTEM] in which the person did not participate. The amount of
 31 the indebtedness is the full actuarial cost of providing benefits for the credited service

1 claimed. Interest as prescribed by regulation accrues on that indebtedness beginning
 2 on the later of July 1, 1989, or the date on which the member is first eligible to claim
 3 the service. Any outstanding indebtedness existing at the time the person retires will
 4 require an actuarial adjustment to the benefits payable based on that service.

5 * **Sec. 89.** AS 39.35.158 is amended to read:

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

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

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

18 * **Sec. 90.** AS 39.35.165(a) is amended to read:

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

26 * **Sec. 91.** AS 39.35.165(b) is amended to read:

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

30 (1) the amounts paid under a salary reduction program are in lieu of
 31 contributions by the employee making the election; the electing employee's salary or

1 other compensation shall be reduced by the amount paid by the employer under this
2 subsection;

3 (2) the employee shall make an irrevocable election under this section
4 to purchase credited service as permitted in AS 39.35.310, 39.35.330, 39.35.340,
5 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or 39.35.381 and
6 before the employee's termination of employment; the irrevocable election must
7 specify the number of payroll periods that deductions will be made from the
8 employee's compensation and the dollar amount of deductions for each payroll period
9 during the specified number of payroll periods; the deductions made under this
10 paragraph cease upon the earlier of the member's termination of employment with the
11 employer or the member's death; amounts paid by an employer under (f) of this
12 section may not be applied toward the payment of the dollar amount of the deductions
13 representing the portion of the credited service that is being purchased by the member
14 through payroll deduction in accordance with the member's irrevocable election under
15 this subsection;

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

21 * **Sec. 92.** AS 39.35.165(f) is amended to read:

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

30 (1) subject to the limitations prescribed in 26 U.S.C. 401(a)(3) and 26
31 U.S.C. 402(c), accepting eligible rollover distributions directly from one or more

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

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

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

11 (4) subject to the limitations prescribed in 26 U.S.C. 457(e)(17),
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 an eligible deferred compensation plan of a
14 tax-exempt organization or a state or local government described in 26 U.S.C. 457(b);

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

18 * **Sec. 93.** AS 39.35.165(g) is amended to read:

19 (g) Payments made under this section shall be applied to reduce the
20 employee's outstanding indebtedness described in AS 39.35.310, 39.35.330,
21 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
22 39.35.381 at the time that the contributions are received by the plan.

23 * **Sec. 94.** AS 39.35.165(i) is amended to read:

24 (i) On satisfaction of the eligibility requirements of AS 39.35.310, 39.35.330,
25 39.35.340, 39.35.341, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
26 39.35.381, the requirements of this section, and the administrative filing requirements
27 specified by the commissioner, the plan shall adjust the employee's credited service
28 history and add any additional service credits acquired.

29 * **Sec. 95.** AS 39.35.200 is amended by adding a new subsection to read:

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

1 * **Sec. 96.** AS 39.35.270 is amended to read:

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

8 * **Sec. 97.** AS 39.35.270 is amended by adding a new subsection to read:

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

14 * **Sec. 98.** AS 39.35.340(f) is amended to read:

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

18 * **Sec. 99.** AS 39.35.340(h) is amended to read:

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

21 * **Sec. 100.** AS 39.35.360(i) is amended to read:

22 (i) An employee who completes three years of credited service with an
23 employer, for which the employee makes contributions required by **AS 39.35.095 -**
24 **39.35.680** [THIS CHAPTER], is entitled to credited service on a year-for-year basis
25 for service credited in the Civil Service Retirement System, rendered as an employee
26 of an Alaska Bureau of Indian Affairs (BIA) school, other than service as a teacher.
27 When eligibility for retroactive credited service under this subsection has been
28 established, an indebtedness of the employee to the **plan** [SYSTEM] shall be
29 determined as follows: (1) the employee's actual annual compensation, or the
30 calculated annual compensation for an employee who works fewer than 12 months, for
31 the most recent calendar year in which service is rendered to an employer before the

1 calendar year in which the employee first becomes eligible to claim service under this
 2 subsection, multiplied by (2) the number of years of service in Alaska BIA schools
 3 that is credited under this subsection, and this product multiplied by (3) six percent for
 4 employees first eligible to claim this service before January 1, 1987, or eight and one-
 5 half percent for employees first eligible to claim this service on or after January 1,
 6 1987. Interest as prescribed by regulation accrues on the indebtedness beginning on
 7 the date the employee may first claim the retroactive credited service. Any
 8 outstanding indebtedness that exists at the time the employee retires requires an
 9 actuarial adjustment to the benefits that are based on retroactive credited service under
 10 this subsection. A retirement benefit payable under this subsection for Alaska BIA
 11 service shall be reduced by an amount equal to the retirement benefits paid to the
 12 member by the United States government for the same service.

13 * **Sec. 101.** AS 39.35.360(l) is amended to read:

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

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

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

26 * **Sec. 102.** AS 39.35.370(g) is amended to read:

27 (g) When an employee who was employed as a dispatcher in a state trooper
 28 office or in a police or fire department in the plan [PUBLIC EMPLOYEES'
 29 RETIREMENT SYSTEM] applies for appointment to retirement, the employee may
 30 convert the credited service for that position to credited service as a peace officer by
 31 claiming the service as peace officer service. An employee who has converted

1 credited service to peace officer service under this subsection shall be treated as a
 2 peace officer for purposes of AS 39.35.095 - 39.35.680 [THIS CHAPTER]. When the
 3 member claims this credited service as peace officer service, an indebtedness of the
 4 member to the plan [SYSTEM] shall be established. The indebtedness is equal to the
 5 full actuarial cost of the conversion of the credited service to treatment as peace
 6 officer service. Any outstanding indebtedness that exists at the time the member is
 7 appointed to retirement shall [WILL] require an actuarial adjustment to the benefits
 8 payable based upon the conversion of the credited service.

9 * **Sec. 103.** AS 39.35.375(a) is amended to read:

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

23 * **Sec. 104.** AS 39.35.375(b) is amended to read:

24 (b) To claim credited service under this section, the member shall file a
 25 written request with the administrator when the member applies to retire. The
 26 administrator shall determine the full actuarial cost of benefits based on the member's
 27 total credited service and shall transfer from the teachers' retirement system to this
 28 plan [SYSTEM] an amount equal to the sum of the member contributions and any
 29 indebtedness payments to the teachers' retirement system and the employer
 30 contributions to the teachers' retirement system made on behalf of the employee
 31 together with interest earned on those contributions and indebtedness payments. If the

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

10 * **Sec. 105.** AS 39.35.375(c) is amended to read:

11 (c) A member is entitled to receive a public service benefit under this section
 12 if the member has at least a total of five years credited service under AS 39.35.095 -
 13 39.35.680 [THIS CHAPTER] and credited service from the teachers' retirement plan
 14 under AS 14.25.009 - 14.25.220 [SYSTEM] claimed under this section. A public
 15 service benefit shall be calculated using the higher of the average monthly
 16 compensation for service in this plan [SYSTEM] or the average base salary for
 17 service in the teachers' retirement plan under AS 14.25.009 - 14.25.220 [SYSTEM].
 18 The amount of the benefit shall be calculated in accordance with AS 39.35.370(c).

19 * **Sec. 106.** AS 39.35.375(d) is amended to read:

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

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

30 (f) Notwithstanding AS 14.25.063 and AS 39.35.350, a former member of the
 31 teachers' retirement system who is an active member or inactive member of this plan

1 [SYSTEM] may reinstate, under this section, membership service earned under
2 AS 14.25 for which the member received a refund of contributions.

3 * **Sec. 108.** AS 39.35.375(f) is amended to read:

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

8 * **Sec. 109.** AS 39.35.375(g) is amended to read:

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

18 * **Sec. 110.** AS 39.35.375 is amended by adding a new subsection to read:

19 (h) In this section,

20 (1) "teachers' retirement system" and "teachers' retirement system
21 under AS 14.25" means the teachers' retirement plan established in AS 14.25.009 -
22 14.25.220;

23 (2) "membership service earned under AS 14.25" means membership
24 service earned under AS 14.25.009 - 14.25.220.

25 * **Sec. 111.** AS 39.35.381(a) is amended to read:

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

1 under this section.

2 * **Sec. 112.** AS 39.35.385(f) is amended to read:

3 (f) Subject to AS 39.35.450, an employee is eligible for a normal retirement
4 benefit at age 60 or an early retirement benefit at age 55 if the employee was first
5 hired as a legislative employee before May 30, 1987, and has at least **100** [60] days of
6 credited service as an employee of the legislature, other than as an employee of the
7 Office of the Ombudsman or the office of victims' rights, during each of five
8 legislative sessions. An employee who was first hired as a legislative employee on or
9 after May 30, 1987, and is otherwise eligible under this subsection must have at least
10 **100** [80] days of credited service during each of five legislative sessions to receive
11 benefits under this subsection.

12 * **Sec. 113.** AS 39.35.410(f) is amended to read:

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

21 * **Sec. 114.** AS 39.35.475(a), as that subsection read following amendment by sec. 34, ch.
22 146, SLA 1980, until amended by sec. 41, ch. 82, SLA 1986, is amended to read:

23 (a) When the administrator determines that the cost of living has increased and
24 that the financial condition of the retirement fund permits, **the administrator** [HE]
25 shall increase benefit payments to persons receiving benefits under this **plan. For**
26 **purposes of this subsection, the financial condition of the fund would only permit**
27 **an increase in benefits when the ratio of total fund assets to the accrued liability**
28 **meets or exceeds 105 percent. In this subsection, "accrued liability" means the**
29 **present value of all member benefits accrued by member service in this plan**
30 [SYSTEM].

31 * **Sec. 115.** AS 39.35.485(a) is amended to read:

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

9 * **Sec. 116.** AS 39.35.520(c) is amended to read:

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

22 * **Sec. 117.** AS 39.35.522(a) is amended to read:

23 (a) Upon **request** [APPEAL] by an affected member or beneficiary under (b)
 24 of this section, the **commissioner of administration** [BOARD] may waive an
 25 adjustment or any portion of an adjustment made under AS 39.35.520 if, in the
 26 opinion of the **commissioner of administration** [BOARD],

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

29 (2) [REPEALED]

30 (3) REPEALED

31 (4) the adjustment was not the result of erroneous information

1 supplied by the member or beneficiary;

2 (3) [(5)] before the adjustment was made, the member or beneficiary
3 received confirmation from the administrator that the employee's or beneficiary's
4 records were correct; and

5 (4) [(6)] the member or beneficiary had no reasonable grounds to
6 believe the employee's or beneficiary's records were incorrect before the adjustment
7 was made.

8 * **Sec. 118.** AS 39.35.535(a) is repealed and reenacted to read:

9 (a) Except as provided in (d) of this section, the following persons are entitled
10 to major medical insurance coverage under this section:

11 (1) for employees first hired before July 1, 1986,

12 (A) an employee who is receiving a monthly benefit from the
13 plan and who has elected coverage;

14 (B) the spouse and dependent children of the employee
15 described in (A) of this paragraph;

16 (C) the surviving spouse of a deceased employee who is
17 receiving a monthly benefit from the plan and who has elected coverage;

18 (D) the dependent children of a deceased employee who are
19 dependent on the surviving spouse described in (C) of this paragraph;

20 (2) for members first hired on or after July 1, 1986,

21 (A) an employee who is receiving a monthly benefit from the
22 plan and who has elected coverage for the employee;

23 (B) the spouse of the employee described in (A) of this
24 paragraph if the employee elected coverage for the spouse;

25 (C) the dependent children of the employee described in (A) of
26 this paragraph if the employee elected coverage for the dependent children;

27 (D) the surviving spouse of a deceased employee who is
28 receiving a monthly benefit from the plan and who has elected coverage;

29 (E) the dependent children of a deceased employee who are
30 dependent on the surviving spouse described in (D) of this paragraph if the
31 surviving spouse has elected coverage for the dependent children.

1 * **Sec. 119.** AS 39.35.680(2) is amended to read:

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

9 * **Sec. 120.** AS 39.35.680(6) is amended to read:

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

12 * **Sec. 121.** AS 39.35.680(21) is amended to read:

13 (21) "member" or "employee"

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

16 (B) includes

17 (i) an active member;

18 (ii) an inactive member;

19 (iii) a vested member;

20 (iv) a deferred vested member;

21 (v) a nonvested member;

22 (vi) a disabled member;

23 (vii) a retired member;

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

25 (C) does not include

26 (i) former members;

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

28 (iii) casual or emergency workers or nonpermanent
29 employees as defined in AS 39.25.200;

30 (iv) persons covered by the Alaska Teachers'
31 Retirement System except as provided under AS 39.35.131 and

1 39.35.381, or persons covered by a [THE OPTIONAL] university
2 retirement program;

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

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

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

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

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

15 **(x) full-time or part-time instructors of the**
16 **Department of Labor and Workforce Development who have a**
17 **teaching certificate, regardless of whether the position as instructor**
18 **requires a teaching certificate as a condition of employment and**
19 **have earlier credited service under AS 14.25.009 - 14.25.220;**

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

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

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

28 * **Sec. 122.** AS 39.35.680(34) is amended to read:

29 (34) "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 employee contribution account or the benefits payable with respect to an
 4 employee;

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

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

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

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

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

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

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

22 * **Sec. 123.** AS 39.35.680 is amended by adding new paragraphs to read:

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

24 (42) "plan" means the retirement plan established in AS 39.35.095 -
 25 39.35.680.

26 * **Sec. 124.** AS 39.35 is amended by adding new sections to read:

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

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

31 **Sec. 39.35.710. Defined contribution retirement plan established; federal**

1 **qualification requirements.** (a) A defined contribution retirement plan is established
2 for employees of the state or a political subdivision or public organization of the state.

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

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

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

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

19 **Sec. 39.35.730. 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 39.35.780, 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 plan to the member's individual account. The contributions shall be deducted
27 from member's compensation before the computation of applicable federal taxes and
28 shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member may
29 not have the option of making the payroll deduction directly in cash instead of having
30 the contribution picked up by the employer.

31 **Sec. 39.35.740. Employment contributions mandatory.** Contributions of

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

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

11 (b) An employer shall also contribute an amount equal to 2.5 percent of each
 12 member's compensation from July 1 to the following June 30 to pay for retiree major
 13 medical insurance. This contribution shall be paid into the group health and life
 14 benefits fund established by the commissioner of administration under AS 39.30.095
 15 and shall be accounted for in accordance with regulations established by the
 16 commissioner.

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

19 (d) An employer shall make annual contributions to the plan in an amount
 20 determined by the board to be actuarially required to fully fund the cost of providing
 21 occupational disability and occupational death benefits under AS 39.35.890 and
 22 39.35.892.

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

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

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

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

2 (d) In this section,

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

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

8 (3) "eligible retirement plan" means

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

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

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

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

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

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

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

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

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

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

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

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

30 **Sec. 39.35.770. Transmittal of contributions.** All contributions deducted in
31 accordance with AS 39.35.700 - 39.35.990 shall be transmitted to the plan for deposit

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

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

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

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

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

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

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

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

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

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

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

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

17 **Sec. 39.35.810. Distribution election at termination.** (a) A member is
 18 eligible to elect distribution of the member's account in accordance with this section
 19 60 days after termination of employment.

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

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

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

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

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

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

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

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

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

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

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

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

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

30 (4) life annuity with a period certain payment, which is an annuity
 31 payable until the later of the first day of the month in which the annuitant's death

1 occurs, or the date on which the payment of a fixed number of monthly installments is
2 completed; the period certain for installments is 120 or 180 months;

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

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

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

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

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

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

31 (b) At any time, but not less than seven days before the benefit

1 commencement date, a member, alternate payee, or beneficiary may change

2 (1) the form of payment election;

3 (2) an election to commence benefits; or

4 (3) the joint annuitant designation.

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

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

11 (1) a member meets the requirements of AS 39.35.810 and has made a
12 complete application for payment under AS 39.35.830;

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

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

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

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

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

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

30 (d) If a member has made a distribution election and dies before the
31 distribution of the member's interest begins, distribution of the member's entire interest

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

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

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

1 commences.

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

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

8 (i) In this section,

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

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

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

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

29 (2) unless the member filed a revocation of beneficiary accompanied
30 by a written consent to the revocation from the present spouse and each person entitled
31 under the order; however, consent of the present spouse is not required if the member

1 and the present spouse had been married for less than one year on the date of the
 2 member's death and if the member established when filing the revocation that the
 3 member and the present spouse were not cohabiting.

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

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

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

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

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

18 (4) to the estate.

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

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

1 accepted by the administrator.

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

8 **Sec. 39.35.870. Retirement.** (a) In order to obtain medical benefits under
9 AS 39.35.880 an active member must retire directly from the plan. A member is
10 eligible to retire from the plan if the member has been an active member for at least 12
11 months before application for retirement and

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

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

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

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

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

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

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

30 (1) a member with at least 25 years of membership service as a peace
31 officer or fire fighter or at least 30 years of membership service for all other

1 employees and who retires directly from the plan;

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

4 (3) a member who reaches the normal retirement age as provided in
5 AS 39.35.860, has at least 10 years of service, and retires directly from the plan;

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

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

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

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

16 (1) not married to the member; or

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

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

21 (g) The coverage for persons who are eligible for Medicare is the same as that
22 available for persons who are not yet eligible for Medicare. The benefits payable to
23 those Medicare eligible persons supplement any benefits provided under the Medicare
24 program.

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

30 (i) The administrator shall set on an annual basis separate retiree health
31 coverage premiums for participants who are Medicare eligible and for participants

1 who are not yet Medicare eligible. A participant's share of the applicable premium
2 shall be determined according to (j), (k), and (n) of this section.

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

5 (k) Participants who have attained normal retirement age are eligible for a
6 subsidy applicable to the cost of the applicable premium. The subsidy percentage
7 applicable to the cost of premiums payable by the participant is 30 percent if the
8 member had 10 years of service; for each additional year of service after the member's
9 10th year of service, the discount increases by three percentage points; however, the
10 maximum discount is 90 percent if the member has 30 or more years of service. The
11 applicable subsidy percentage shall be applied to the subsidy base to determine the
12 dollar amount of the subsidy that is applied against the cost of the premium.

13 (l) Participants who are eligible for Medicare are eligible for benefits as
14 provided in (n) of this section. Participants who are not yet eligible for Medicare shall
15 use the subsidy base for non-Medicare eligible premiums.

16 (m) The subsidy base for non-Medicare eligible participants shall be the same
17 as the premium amount for non-Medicare-eligible participants in the first year of this
18 plan. The subsidy base shall increase five percent each year or the rate at which the
19 actual premium amount increases for the corresponding aged participants, whichever
20 is less.

21 (n) The cost of premiums for a participant who is eligible for Medicare is the
22 following percentage of the premium amount:

23 (1) 30 percent if the member has 10 or more, but less than 15 years of
24 service;

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

27 (3) 20 percent if the member has 20 or more, but less than 30 years of
28 service;

29 (4) 10 percent if the member has 30 or more years of service.

30 (o) The eligibility for retiree major medical coverage for an alternate payee
31 under a qualified domestic relations order shall be determined based on the eligibility

1 of the member to elect coverage. The alternate payee shall pay the full monthly
2 premium for retiree major medical coverage.

3 (p) The administrator shall establish the monthly group premiums for retiree
4 major medical coverage. Nothing in AS 39.35.700 - 39.35.895 guarantees a person
5 who elects coverage under (b) of this section a monthly group premium rate for retiree
6 major medical coverage other than the premium in effect for the month in which the
7 premium is due for coverage for that month.

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

11 (r) In this section,

12 (1) "health reimbursement arrangement" means the plan established in
13 AS 39.30.300;

14 (2) "retires directly from the plan" means that the member has been an
15 active member for at least 12 consecutive months immediately before the time that the
16 member applies to the administrator for appointment to retirement and that the
17 member continues as an active member up through the day before the day the member
18 is appointed to retirement.

19 **Sec. 39.35.885. Cost-saving measures in retiree health care system.** The
20 division of retirement and benefits shall implement by regulation cost-saving measures
21 appropriate to the retirees health care system. This includes using manufacturer's
22 rebates, copay levels, and multi-tiered copayment structures; mandating the use of
23 generic drugs; determining the type of drug classes in a formulary; dispensing fees;
24 mandating or providing incentives for mail order pharmaceuticals; using a reduction in
25 the average wholesale price; providing case management services for certain users of
26 pharmaceuticals; capping the number of prescriptions filled each month; and
27 restricting the number of refills that users can have at one time.

28 **Sec. 39.35.890. Occupational disability benefits and reemployment of**
29 **disabled employees.** (a) An employee is eligible for an occupational disability
30 benefit if employment is terminated because of a total and apparently permanent
31 occupational disability before the employee's normal retirement date.

1 (b) The occupational disability benefits accrue beginning the first day of the
 2 month following termination of employment as a result of the disability and are
 3 payable the last day of the month. If a final determination granting the benefit is not
 4 made in time to pay the benefit when due, a retroactive payment shall be made to
 5 cover the period of deferment. The last payment shall be for the first month in which
 6 the disabled employee

7 (1) dies;

8 (2) recovers from the disability;

9 (3) fails to meet the requirements under (f) or (j) of this section; or

10 (4) reaches normal retirement age.

11 (c) If the disabled employee becomes ineligible to receive occupational
 12 disability benefits before the normal retirement date, the disabled employee shall then
 13 be entitled to receive retirement benefits if the employee would have been eligible for
 14 the benefit had employment continued during the period of disability. The period of
 15 disability constitutes membership service in regard to determining eligibility for
 16 retirement.

17 (d) The monthly amount of an occupational disability benefit is 40 percent of
 18 the disabled employee's gross monthly compensation at the time of termination due to
 19 disability. While an employee is receiving disability benefits, based on the disabled
 20 employee's gross monthly compensation at the time of termination due to disability,
 21 the employer shall make contributions

22 (1) to the employee's individual account under AS 39.35.730 on behalf
 23 of the employee, without deduction from the employee's disability payments; and

24 (2) on behalf of the employee under AS 39.35.750.

25 (e) An employee is not entitled to an occupational disability benefit unless the
 26 employee files an application for an occupational disability benefit with the
 27 administrator within 90 days after the date of terminating employment. If the
 28 employee is unable to meet a filing requirement of this subsection, the filing
 29 requirement may be waived by the administrator if there are extraordinary
 30 circumstances that resulted in the employee's inability to meet the filing requirement.

31 (f) A disabled employee receiving an occupational disability benefit shall

1 undergo a medical examination as often as the administrator considers advisable, but
 2 not more frequently than once each year. The administrator shall determine the place
 3 of the examination and engage the physician or physicians. If, in the judgment of the
 4 administrator, the examination indicates that the retired employee is no longer
 5 incapacitated because of a total and apparently permanent occupational disability, the
 6 administrator may not issue further disability benefits to the employee.

7 (g) A disabled employee's occupational disability benefit terminates when the
 8 disabled employee first attains eligibility for normal retirement. At that time, the
 9 employee's retirement benefit shall be determined under the provisions of
 10 AS 39.35.840 and 39.35.870. An employee receiving disability benefits up until
 11 eligibility for retirement shall be considered to have retired directly from the plan.

12 (h) Notwithstanding (g) of this section, at the time a peace officer or fire
 13 fighter receiving occupational disability benefits under this section first attains
 14 eligibility for normal retirement, the employee shall irrevocably elect to receive
 15 retirement benefits in the amount calculated as the

16 (1) monthly occupational disability benefit calculated under (d) of this
 17 section; or

18 (2) employee's retirement benefit calculated under the provisions of
 19 AS 39.35.370(c).

20 (i) Notwithstanding (b)(3) of this section, a peace officer or fire fighter who
 21 retires under (h) of this section is not subject to the requirements of (f) or (j) of this
 22 section during retirement.

23 (j) An employee appointed to disability benefits shall apply to the division of
 24 vocational rehabilitation within 30 days after the date disability benefits commence.
 25 The employee shall be enrolled in a rehabilitation program if the employee meets the
 26 eligibility requirements of the division of vocational rehabilitation. Unless the
 27 employee demonstrates cause, benefits shall terminate at the end of the first month in
 28 which a disabled employee

29 (1) fails to report to the division of vocational rehabilitation;

30 (2) is certified by the division of vocational rehabilitation as failing to
 31 cooperate in a vocational rehabilitation program;

1 (3) fails to interview for a job; or

2 (4) fails to accept a position offered.

3 (k) Upon the death of a disabled employee who is receiving or is entitled to
 4 receive an occupational disability benefit, the administrator shall pay the surviving
 5 spouse a surviving spouse's pension, equal to 40 percent of the employee's monthly
 6 compensation at the termination of employment because of occupational disability. If
 7 there is no surviving spouse, the administrator shall pay the survivor's pension in equal
 8 parts to the dependent children of the employee. The first payment of the surviving
 9 spouse's pension or of a dependent child's pension shall accrue from the first day of
 10 the month following the employee's death and is payable the last day of the month.
 11 The last payment shall be made for the last month in which there is an eligible
 12 surviving spouse or child. On the date the normal retirement of the employee would
 13 have occurred if the employee had lived, the retirement benefit shall be determined
 14 under the provisions of AS 39.35.840 and 39.35.870. An employee who died while
 15 receiving disability benefits shall be considered to have retired directly from the plan
 16 on the date the normal retirement of the employee would have occurred if the
 17 employee had lived.

18 (l) In this section, "occupational disability" has the meaning given in
 19 AS 39.35.680.

20 **Sec. 39.35.892. Occupational death benefit.** (a) If (1) the death of an
 21 employee occurs before the employee's retirement and before the employee's normal
 22 retirement date, (2) the proximate cause of death is a bodily injury sustained or a
 23 hazard undergone while in the performance and within the scope of the employee's
 24 duties, and (3) the injury or hazard is not the proximate result of wilful negligence of
 25 the employee, a monthly survivor's pension shall be paid to the surviving spouse. If
 26 there is no surviving spouse or if the spouse later dies, the monthly survivor's pension
 27 shall be paid in equal parts to the dependent children of the employee.

28 (b) The first payment of the surviving spouse's pension or of a dependent
 29 child's pension shall be made for the month following the month in which the
 30 employee dies, and payment shall cease to be made beginning with the month in
 31 which the employee would have first qualified for retirement.

1 (c) The monthly survivor's pension in (b) of this section for survivors of
 2 employees who were not peace officers or fire fighters is 40 percent of the employee's
 3 monthly compensation in the month in which the employee dies. The monthly
 4 survivor's pension in (b) of this section for survivors of employees who were peace
 5 officers or fire fighters is 50 percent of the monthly compensation in the month in
 6 which the employee dies. While the monthly survivor's pension is being paid, the
 7 employer shall make contributions on behalf of the employee's beneficiaries based on
 8 the deceased employee's gross monthly compensation at the time of occupational
 9 death

10 (1) to the employee's individual account under AS 39.35.730, without
 11 deduction from the survivor's pension; and

12 (2) to the appropriate accounts and funds under AS 39.35.750.

13 (d) If an employee's death is caused by an act of assault, assassination, or
 14 terrorism directly related to the person's status as an employee, whether the act occurs
 15 on or off the employee's job site, the death shall be considered to have occurred in the
 16 performance of and within the scope of the employee's duties for purposes of (a)(2) of
 17 this section. If the expressed or apparent motive and intent of the perpetrator of the
 18 harm inflicted upon the employee was due to the performance of the employee's job
 19 duties or employment, the death shall be considered to be directly related to the
 20 employee's status as an employee. An employee's job duties are those performed
 21 within the course and scope of the person's employment with an employer.

22 (e) On the date the normal retirement of the employee would have occurred if
 23 the employee had lived, the retirement benefit shall be determined under the
 24 provisions of AS 39.35.840 and 39.35.870. An employee who died and whose
 25 survivors receive occupational death benefits under this section shall be considered to
 26 have retired directly from the plan on the date the normal retirement of the employee
 27 would have occurred if the employee had lived.

28 **Sec. 39.35.895. Amendment and termination of plan.** (a) The state has the
 29 right to amend the plan at any time and from time to time, in whole or in part,
 30 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

31 (b) The plan administrator may not modify or amend the plan retroactively in

1 such a manner as to reduce the benefits of any member accrued to date under the plan
 2 by reason of contributions made before the modification or amendment except to the
 3 extent that the reduction is permitted by the Internal Revenue Code.

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

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

11 **Sec. 39.35.900. Exclusive benefit.** (a) The corpus or income of the assets
 12 held in trust as required by the plan may not be diverted or used for other than the
 13 exclusive benefit of the participants.

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

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

20 **Sec. 39.35.910. Nonguarantee of returns, rates, or benefit amounts.** The
 21 plan created by AS 39.35.700 - 39.35.990 is a defined contribution plan, not a defined
 22 benefit plan. The amount of money in the account of a participant depends on the
 23 amount of contributions and the rate of return from investments of the account that
 24 varies over time. If benefits are paid in the form of an annuity, the benefit amount
 25 payable is dependent on the amount of money in the account and the interest rates
 26 applied and service fees charged by the annuity payor at the time benefits are first
 27 paid. Nothing in this plan guarantees a participant

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

30 (2) an annuity based on interest rates or service charges other than
 31 interest rates available from and service charges by the annuity payor in effect at the

1 time the annuity is paid.

2 **Sec. 39.35.920. Nonguarantee of employment.** The provisions of
3 AS 39.35.700 - 39.35.990 are not a contract of employment between an employer and
4 an employee, nor do they confer a right of an employee to be continued in the
5 employment of an employer, nor are they a limitation of the right of an employer to
6 discharge an employee with or without cause.

7 **Sec. 39.35.930. Fraud.** (a) A person who knowingly makes a false statement
8 or falsifies or permits to be falsified a record of this plan in an attempt to defraud the
9 plan is guilty of a class A misdemeanor.

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

11 **Sec. 39.35.940. Transfer into defined contribution plan by nonvested**
12 **members of defined benefit plan.** (a) Subject to (g) of this section, an active
13 member of the defined benefit retirement plan of the public employees' retirement
14 system is eligible to participate in the defined contribution retirement plan established
15 under AS 39.35.700 - 39.35.990, if that member has not vested. Participation in the
16 defined contribution retirement plan is in lieu of participation in the defined benefit
17 retirement plan established under AS 39.35.095 - 39.35.680.

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

20 (c) Each eligible member who elects to participate in the defined contribution
21 retirement plan shall have transferred to a new account the present value of the
22 member contribution account balance held in trust for the member under the defined
23 benefit retirement plan of the public employees' retirement system. A matching
24 employer contribution shall be made on behalf of that employee to the new account.
25 Upon a transfer, all service credit previously earned under the defined benefit
26 retirement plan shall be nullified for purposes of entitlement to a future benefit under
27 the defined benefit retirement plan but shall be credited for purposes of eligibility to
28 elect medical benefits under AS 39.35.870. An eligible member whose accounts are
29 subject to a qualified domestic relations order may not make an election to participate
30 in the defined contribution retirement plan under this subsection unless the qualified
31 domestic relations order is amended or vacated and court-certified copies of the order

1 are received by the administrator.

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

13 (e) If the board or the administrator receives notification from the United
14 States Department of the Treasury, Internal Revenue Service, that this section or a
15 portion of this section will cause the retirement system under this chapter, or a portion
16 of the retirement system under this chapter, to be disqualified for tax purposes under
17 the Internal Revenue Code, the portion that will cause the disqualification does not
18 apply, and the board and the administrator shall notify the presiding officers of the
19 legislature.

20 (f) The election to participate in the defined contribution retirement plan must
21 be made in writing on forms and in the manner prescribed by the administrator.
22 Before accepting an election to participate in the defined contribution retirement plan,
23 the administrator must provide the employee planning on making an election to
24 participate in the defined contribution retirement plan with information, including
25 calculations to illustrate the effect of moving the employee's retirement plan from the
26 defined benefit retirement plan to the defined contribution retirement plan as well as
27 other information to clearly inform the employee of the potential consequences of the
28 employee's election. An election made under this subsection to participate in the
29 defined contribution retirement plan is irrevocable. Upon making the election, the
30 participant shall be enrolled as a member of the defined contribution retirement plan,
31 the member's participation in the plan shall be governed by the provisions of

1 AS 39.35.700 - 39.35.990, and the member's participation in the defined benefit
 2 retirement plan under AS 39.35.115 shall terminate. The participant's enrollment in
 3 the defined contribution retirement plan shall be effective the first day of the month
 4 after the administrator receives the completed enrollment forms. An election made by
 5 an eligible member who is married is not effective unless the election is signed by the
 6 individual's spouse.

7 (g) A member may make an election under this section only if the member's
 8 employer participates in both the defined benefits retirement plan and the defined
 9 contribution retirement plan and consents to transfers under this section. The
 10 employer shall notify the administrator if the employer consents to allowing the
 11 employer's members to choose to transfer from the defined benefits retirement plan to
 12 the defined contribution retirement plan under this section. An employer's notice to
 13 allow transfers is irrevocable and applicable to all eligible employees of the employer.

14 (h) In this section,

15 (1) "defined benefit retirement plan" means the retirement plan
 16 established in AS 39.35.095 - 39.35.680;

17 (2) "defined contribution retirement plan" means the retirement plan
 18 established in AS 39.35.700 - 39.35.990.

19 **Sec. 39.35.950. Request by political subdivision to participate and**
 20 **adoption of resolution.** A municipality or other political subdivision of the state may
 21 request to become an employer in this plan. The request shall be made after adoption
 22 of a resolution by the legislative body of the political subdivision and after approval of
 23 the resolution by the person required by law to approve the resolution. A certified
 24 copy of the resolution shall be filed with the administrator. If the administrator
 25 approves the request for participation, the political subdivision is an employer of the
 26 plan.

27 **Sec. 39.35.955. Request by public organization to participate and**
 28 **adoption of resolution.** A public organization may request to become an employer in
 29 this plan. The request shall be made after adoption of a resolution by the governing
 30 body of the public organization. A certified copy of the resolution shall be filed with
 31 the administrator. If the administrator approves the request for participation, the

1 public organization is an employer of the plan.

2 **Sec. 39.35.960. Membership in teachers' and public employees'**
 3 **retirement systems.** A person who is employed at least half-time in the public
 4 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the
 5 same period that the person is employed at least half-time in a position in the teachers'
 6 defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited
 7 service under each plan for half-time employment. However, the amount of credited
 8 service a person receives under the public employees' defined contribution retirement
 9 plan during a school year may not exceed the amount necessary, when added to the
 10 amount of credited service earned during the school year under the teachers' defined
 11 contribution retirement plan, to equal one year of credited service.

12 **Sec. 39.35.965. Army and air national guard employees.** A regular full-
 13 time civilian employee of the Alaska Army National Guard and Air National Guard
 14 whose entire salary is paid from allotted federal funds is included in the public
 15 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) if the
 16 federal or state government pays the employer's contributions. If the amount that the
 17 federal government may legally contribute to the plan is lower than the required
 18 employer's contribution, the state government shall contribute the difference. If the
 19 employer's contributions are not paid when due, service credit for the period of
 20 delinquency may not be granted until the contributions are paid.

21 **Sec. 39.35.970. North Pacific Fishery Management Council employees.**
 22 An employee of the North Pacific Fishery Management Council appointed under 16
 23 U.S.C. 1852(f)(1) (Sec. 302(f)(1) of P.L. 94-265) whose compensation is paid from
 24 allotted federal funds is included in the public employees' defined contribution
 25 retirement plan (AS 39.35.700 - 39.35.990) if the council pays the employer's
 26 contributions. If the employer's contributions are not paid when due, credited service
 27 for the period of delinquency may not be granted until the contributions are paid.

28 **Sec. 39.35.990. Definitions.** In AS 39.35.700 - 39.35.990, unless the context
 29 requires otherwise,

30 (1) "administrator" means the commissioner of administration or the
 31 commissioner's designee;

1 (2) "alternate payee" means the person for whom an amount has been
2 separated into an account under a qualified domestic relations order;

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

5 (4) "beneficiary" means the person or persons entitled under the
6 provisions of this plan to receive benefits after the death of a member or alternate
7 payee;

8 (5) "board" has the meaning given in AS 39.35.680;

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

10 (7) "compensation"

11 (A) means

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

16 (ii) the member contribution to the public employees'
17 retirement system under AS 39.35.730, employee deferrals under
18 AS 39.45.010, the wage reduction amount contributed to the Alaska
19 Supplemental Annuity Plan under AS 39.30.150(a), and the wage
20 reduction amount contributed to the Alaska Supplemental Benefit Plan
21 under AS 39.30.150(c), as those statutes may be amended from time to
22 time;

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

1 any remuneration paid by the employer in excess of the Social Security
2 Taxable Wage Base for the calendar year;

3 (C) notwithstanding (B) of this paragraph, includes any amount
4 that is contributed by the employer under a salary reduction agreement and that
5 is not includible in the gross income of the employee under 26 U.S.C. 125,
6 132(f)(4), 402(e)(3), 402(h)(1)(B) or 403(b) (Internal Revenue Code); the
7 annual compensation limitation for the member, which is so taken into account
8 for those purposes, may not exceed \$200,000, as adjusted for the cost of living
9 in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the
10 limitation for a fiscal year being the limitation in effect for the calendar year
11 within which the fiscal year begins;

12 (8) "dependent child" has the meaning given in AS 39.35.680;

13 (9) "distribution commencement date" has the meaning given in
14 AS 39.35.840(a);

15 (10) "employer" means

16 (A) the State of Alaska; or

17 (B) a political subdivision or public organization of the state
18 that participates in the plan;

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

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

25 (13) "Internal Revenue Code" means the Internal Revenue Code of
26 1986, as amended;

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

31 (15) "limitation year" means the year for which contributions are made

1 to a member's individual account as reported to the Internal Revenue Service and as
2 meets the limits described in 26 U.S.C. 415(c);

3 (16) "member" means an employee of an employer or former
4 employee of an employer who retains a right to benefits under the plan, but does not
5 include full-time or part-time instructors of the Department of Labor and Workforce
6 Development who have a teaching certificate, regardless of whether the position as
7 instructor requires a teaching certificate as a condition of employment and who have
8 earlier credited service under AS 14.25.310 - 14.25.590;

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

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

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

17 (20) "peace officer" or "fire fighter" has the meaning given in
18 AS 39.35.680;

19 (21) "plan" means the retirement plan established in AS 39.35.700 -
20 39.35.990;

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

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

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

31 (B) sets out the name and last known mailing address, if any, of

1 the member and of each alternate payee covered by the order;

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

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

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

8 (F) does not require any type or form of benefit or any option
9 not otherwise provided by AS 39.35.700 - 39.35.990;

10 (G) does not require an increase of benefits in excess of the
11 amount provided by AS 39.35.700 - 39.35.990; and

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

15 (24) "retiree" means an eligible person who has elected to receive
16 medical benefits under AS 39.35.880;

17 (25) "surviving spouse" means the spouse of an employee who has
18 been married to the employee for at least one year at the time of the employee's death;

19 (26) "system" has the meaning given in AS 39.35.680;

20 (27) "year of service" means the equivalent of 52 weeks of permanent
21 full-time employment, which may consist of a combination of permanent full-time or
22 permanent part-time membership service; in this paragraph, "permanent full-time" and
23 "permanent part-time" have the meanings given in AS 39.35.680.

24 * **Sec. 125.** AS 39.45.030(a) is amended to read:

25 (a) The Alaska **Retirement Management** [STATE PENSION
26 INVESTMENT] Board is authorized, subject to contracts with individual employees,
27 to invest the funds held under a deferred compensation program. The board has the
28 same powers and duties concerning the management and investment in regard to those
29 funds as are provided under **AS 37.10.220** [AS 14.25.180].

30 * **Sec. 126.** AS 39.45.030(g) is amended to read:

31 (g) In this section, "board" means the Alaska **Retirement Management**

1 [STATE PENSION INVESTMENT] Board.

2 * **Sec. 127.** AS 39.45.060 is amended by adding a new paragraph to read:

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

5 * **Sec. 128.** AS 39.50.200(a)(9) is amended to read:

6 (9) "public official" means

7 (A) a judicial officer;

8 (B) the governor or the lieutenant governor;

9 (C) a person hired or appointed in a department in the
10 executive branch as

11 (i) the head or deputy head of the department;

12 (ii) the director or deputy director of a division;

13 (iii) a special assistant to the head of the department;

14 (iv) a person serving as the legislative liaison for the

15 department;

16 (D) an assistant to the governor or the lieutenant governor;

17 (E) the chair or a member of a state commission or board
18 [OTHER THAN PHYSICIAN MEMBERS OR ALTERNATES OF THE
19 ALASKA TEACHERS' RETIREMENT BOARD APPOINTED UNDER
20 AS 14.25.035(a)(2) OR OF THE PUBLIC EMPLOYEES' RETIREMENT
21 BOARD APPOINTED UNDER AS 39.35.030(d);]

22 (F) state investment officers and the state comptroller in the
23 Department of Revenue;

24 (G) [REPEALED

25 (H)] the chief procurement officer appointed under
26 AS 36.30.010;

27 **(H)** [(I)] the executive director of the Alaska Workforce
28 Investment Board; and

29 **(I)** [(J)] each appointed or elected municipal officer;

30 * **Sec. 129.** AS 39.50.200(b)(54) is amended to read:

31 (54) Alaska **Retirement Management** [STATE PENSION

1 INVESTMENT] Board (AS 37.10.210);

2 * **Sec. 130.** AS 44.25.020(2) is amended to read:

3 (2) collect, account for, have custody of, invest, and manage all state
4 funds and all revenues of the state except revenues incidental to a program of licensing
5 and regulation carried on by another state department, funds managed and invested by
6 the Alaska **Retirement Management** [STATE PENSION INVESTMENT] Board,
7 and as otherwise provided by law;

8 * **Sec. 131.** AS 44.25.028(a) is amended to read:

9 (a) The commissioner of revenue may designate employees of the Department
10 of Revenue who are subject to the provisions of AS 39.50 because of their
11 responsibility for participating in the management or investment of the funds for
12 which the Alaska **Retirement Management** [STATE PENSION INVESTMENT]
13 Board is responsible.

14 * **Sec. 132.** AS 44.25.028(b) is amended to read:

15 (b) If an officer or employee of the Department of Revenue with responsibility
16 for funds for which the Alaska **Retirement Management** [STATE PENSION
17 INVESTMENT] Board is responsible acquires, owns, or controls an interest, direct or
18 indirect, in an entity or project in which assets under the control of the board are
19 invested, the officer or employee shall immediately disclose the interest to the board.
20 The disclosure is a matter of public record and shall be included in the minutes of the
21 board meeting next following the disclosure. The commissioner shall adopt
22 regulations to restrict officers and employees of the department from having a
23 substantial interest in an entity or project in which assets under the control of the board
24 are invested.

25 * **Sec. 133.** AS 44.64.030(a) is amended by adding new paragraphs to read:

26 (36) AS 14.25.006 (teachers' retirement system);

27 (37) AS 39.35.006 (public employees' retirement system).

28 * **Sec. 134.** AS 14.25.012(a), 14.25.015, 14.25.020, 14.25.022, 14.25.030, 14.25.035,
29 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);
30 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,
31 39.35.080, 39.35.090, 39.35.520(c), 39.35.522(c), 39.35.522(e); AS 39.45.025;

1 AS 39.50.200(b)(23), and 39.50.200(b)(29) are repealed.

2 * **Sec. 135.** AS 14.25.061(c), 14.25.062; and AS 39.35.350 are repealed.

3 * **Sec. 136.** The uncodified law of the State of Alaska is amended by adding a new section
4 to read:

5 TRANSITION: INITIAL STAGGERED TERMS OF TRUSTEES OF THE
6 ALASKA RETIREMENT MANAGEMENT BOARD. Notwithstanding AS 37.10.210(c), as
7 repealed and reenacted by sec. 59 of this Act, the terms of the initially appointed trustees of
8 the Alaska Retirement Management Board who are not commissioners shall be set by the
9 governor to achieve staggered terms in the manner provided for nine-member boards by
10 AS 39.05.055(7). Notwithstanding AS 39.05.055(7), the terms of the two finance officers
11 appointed under AS 37.10.210(b)(2)(B) and 37.10.210(b)(2)(C), as repealed and reenacted by
12 sec. 59 of this Act, shall be set so that the term of one of the finance officers expires three
13 years apart from the term of the other finance officer, and the terms of each of the two
14 members of the two retirement systems appointed under AS 37.10.210(b)(2)(D) and
15 37.10.210(b)(2)(E), as repealed and reenacted by sec. 59 of this Act, shall be set so that the
16 term of one of each of the members in each system expires three years apart from the term of
17 the other member representing that system.

18 * **Sec. 137.** The uncodified law of the State of Alaska is amended by adding a new section
19 to read:

20 TERMS OF MEMBERS OF THE ALASKA TEACHERS' RETIREMENT BOARD,
21 AND THE PUBLIC EMPLOYEES' RETIREMENT BOARD. The terms of all board
22 members appointed to the Alaska Teachers' Retirement Board, and the Public Employees'
23 Retirement Board expire on the effective date of this section.

24 * **Sec. 138.** The uncodified law of the State of Alaska is amended by adding a new section
25 to read:

26 TERMS OF MEMBERS OF THE ALASKA STATE PENSION INVESTMENT
27 BOARD. The terms of all board members appointed to the Alaska State Pension Investment
28 Board expire on September 30, 2005.

29 * **Sec. 139.** The uncodified law of the State of Alaska is amended by adding a new section
30 to read:

31 TRANSITION OF DUTIES BETWEEN ALASKA STATE PENSION

1 INVESTMENT BOARD AND THE ALASKA RETIREMENT MANAGEMENT BOARD.

2 (a) After the effective date of this section and until September 30, 2005, the Alaska State
3 Pension Investment Board shall continue to exercise the powers and duties assigned in this
4 Act to the Alaska Retirement Management Board. The Alaska State Pension Investment
5 Board shall take actions to facilitate the transition of duties formerly assigned to the Alaska
6 State Pension Investment Board to the duties assigned in this Act to the Alaska Retirement
7 Management Board. A member of the Alaska Retirement Management Board appointed to
8 serve as a trustee before September 30, 2005, shall be invited to observe and train with the
9 Alaska State Pension Investment Board.

10 (b) The Alaska Retirement Management Board may not assume the duties and
11 responsibilities assigned to the Alaska Retirement Management Board in this Act until
12 October 1, 2005.

13 * **Sec. 140.** The uncodified law of the State of Alaska is amended by adding a new section
14 to read:

15 TRANSITION. Hearings and other proceedings pending under a law amended or
16 repealed by this Act or in connection with functions transferred by this Act continue in effect
17 and may be continued and completed notwithstanding a transfer or amendment or repeal
18 provided for in this Act. Orders and regulations issued or adopted under authority of a law
19 amended or repealed by this Act remain in effect for the term issued, or until revoked,
20 vacated, or otherwise modified under the provisions of this Act. Contracts, rights, liabilities,
21 and obligations created by or under a law amended or repealed by this Act, and in effect on
22 the effective date of this section, remain in effect notwithstanding this Act's taking effect.
23 Records, equipment, appropriations, funds, and other property of boards or agencies of the
24 state whose functions are transferred under this Act shall be transferred to implement the
25 provisions of this Act.

26 * **Sec. 141.** The uncodified law of the State of Alaska is amended by adding a new section
27 to read:

28 TRANSITION: REGULATIONS. (a) The Department of Administration and the
29 Department of Revenue may proceed to develop and adopt regulations required to implement
30 this Act.

31 (b) Regulations adopted by the Department of Administration and the Department of

1 Revenue under this Act relate to the internal management of a state agency, and the adoption
2 of the regulations is not subject to AS 44.62 (Administrative Procedure Act).

3 * **Sec. 142.** The uncodified law of the State of Alaska is amended by adding a new section
4 to read:

5 REPORT TO THE LEGISLATURE BY ALASKA RETIREMENT MANAGEMENT
6 BOARD. It is the intent of the legislature that there will be a moratorium after the effective
7 date of this Act on legislation affecting all public employees' retirement plans until the Alaska
8 Retirement Management Board can present a report to the legislature containing the board's
9 assessment and recommendations as provided in this section. The Alaska Retirement
10 Management Board shall report to the legislature 120 days after all members are appointed to
11 the board, or 15 days after the first day of the first regular legislative session following the
12 effective date of this section, whichever is first. The report must include the board's

13 (1) preliminary assessment of the financial health of all public employees'
14 retirement plans and all teachers' retirement plans;

15 (2) assessment of the actuarial services purchased by the board;

16 (3) recommendations for additional legislative or administrative policy to
17 improve the financial health of the retirement plans;

18 (4) short-term and long-term recommendations for addressing the unfunded
19 liability of the retirement plans; and

20 (5) recommendations for legislative procedures regarding fiscal notes for new
21 legislation affecting the retirement plans.

22 * **Sec. 143.** The uncodified law of the State of Alaska is amended by adding a new section
23 to read:

24 REPORT TO THE LEGISLATURE ON HEALTH CARE COST-SAVING
25 MEASURES. The division of retirement and benefits will provide an annual report to the
26 legislature regarding the cost-saving measures it has implemented by regulation as described
27 in AS 14.25.485, enacted by sec. 32 of this Act, and AS 39.35.885, enacted by sec. 124 of this
28 Act. The Department of Administration will provide an annual report to the legislature
29 regarding the cost-saving measures it has implemented by regulation as described in
30 AS 39.30.090(c), enacted by sec. 70 of this Act.

31 * **Sec. 144.** The uncodified law of the State of Alaska is amended by adding a new section

1 to read:

2 INSTRUCTION REGARDING ALASKA TEACHERS' RETIREMENT SYSTEM
3 BOARD, ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD, AND
4 ALASKA STATE PENSION INVESTMENT BOARD. Wherever in the Alaska Statutes and
5 the Alaska Administrative Code the terms "Alaska Teachers' Retirement System Board,"
6 "Alaska Public Employees' Retirement System Board," or "Alaska State Pension Investment
7 Board" are used, they shall be read as "Alaska Retirement Management Board" when to do so
8 would be consistent with the changes made by this Act.

9 * **Sec. 145.** The uncodified law of the State of Alaska is amended by adding a new section
10 to read:

11 SPECIFIC INSTRUCTIONS TO REVISOR OF STATUTES CONCERNING
12 SPECIFIC REFERENCES. (a) The revisor of statutes shall change references to "this
13 chapter" to "AS 14.25.009 - 14.25.220" in the following statutes: AS 14.25.040(b),
14 14.25.040(c), 14.25.045(a), 14.25.047, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.075(c),
15 14.25.105, 14.25.107, 14.25.110(k), 14.25.142, 14.25.150(b), 14.25.153, 14.25.160(h),
16 14.25.165(f), 14.25.166, 14.25.177, 14.25.195, 14.25.200(b), 14.25.205, and 14.25.210, and
17 in 14.25.220 in each place that the phrase appears.

18 (b) The revisor of statutes shall change the reference to "board" to "administrator" in
19 the following statutes: AS 14.25.075 and 14.25.130(f).

20 (c) The revisor of statutes shall change the reference to "system" to "plan" in the
21 following statutes: AS 14.25.040(b), 14.25.040(c), 14.25.045, 14.25.047, 14.25.050(a),
22 14.25.055, 14.25.060, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.065, 14.25.070,
23 14.25.075(c), 14.25.075(d), 14.25.075(g), 14.25.075(h), 14.25.075(i), 14.25.100(a),
24 14.25.105(c), 14.25.107, 14.25.110, 14.25.125(c), 14.25.143, 14.25.163, 14.25.165(i),
25 14.25.167(g), 14.25.168, 14.25.169, 14.25.173(a), 14.25.173(d), 14.25.181, 14.25.200,
26 14.25.210, 14.25.220(1), 14.25.220(4), 14.25.220(7), 14.25.220(14), 14.25.220(20),
27 14.25.220(22), 14.25.220(23), 14.25.220(31), 14.25.220(34), 14.25.220(36), 14.25.220(37),
28 14.25.220(42); AS 39.35.120, 39.35.125, 39.35.160, 39.35.165(a), 39.35.165(c),
29 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,
30 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),
31 39.35.340(a), 39.35.342(a), 39.35.342(d), 39.35.345(a), 39.35.345(d), 39.35.360(a),

1 39.35.360(g), 39.35.360(h), 39.35.360(k), 39.35.370(f), 39.35.370(h), 39.35.370(i),
 2 39.35.370(j), 39.35.370(k), 39.35.371(i), 39.35.381(b), 39.35.381(g), 39.35.385(c),
 3 39.35.400(e), 39.35.450(g), 39.35.475(a), 39.35.475(b), 39.35.475(d), 39.35.500(a),
 4 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,
 5 39.35.535(a), 39.35.535(d), 39.35.550, 39.35.560, 39.35.570, 39.35.580, 39.35.590,
 6 39.35.600, 39.35.610, 39.35.620(a), 39.35.620(h), 39.35.650, 39.35.670, 39.35.675(a),
 7 39.35.680(1), 39.35.680(5), 39.35.680(9), 39.35.680(12), 39.35.680(15), 39.35.680(16),
 8 39.35.680(17), 39.35.680(20), 39.35.680(21)(A), 39.35.680(29), 39.35.680(32),
 9 39.35.680(33), and 39.35.680(35).

10 (d) The revisor of statutes shall change the reference to "board" to "commissioner" in
 11 the following statutes: AS 39.35.290, 39.35.522(a), 39.35.522(b), and 39.35.522(d).

12 (e) The revisor of statutes shall change references to "this chapter" to "AS 39.35.095 -
 13 39.35.680" in the following statutes: AS 39.35.165, 39.35.200, 39.35.250, 39.35.300,
 14 39.35.340, 39.35.350, 39.35.360, 39.35.370, 39.35.371, 39.35.375, 39.35.381, 39.35.480,
 15 39.35.490, 39.35.495, 39.35.505, 39.35.530, 39.35.546, 39.35.547, 39.35.615(c),
 16 39.35.620(e), 39.35.660, 39.35.675(b), 39.35.677, and 39.35.680.

17 (f) The revisor of statutes shall renumber AS 39.35.690 to follow AS 39.35.990.

18 * **Sec. 146.** The uncodified law of the State of Alaska is amended by adding a new section
 19 to read:

20 IMPLEMENTATION OF SECTIONS 144 AND 145 OF THIS ACT. Under
 21 AS 01.05.031, the revisor of statutes shall implement secs. 144 and 145 of this Act in the
 22 Alaska Statutes, and, under AS 44.62.125(b)(6), the regulations attorney shall implement secs.
 23 144 and 145 of this Act in the administrative code.

24 * **Sec. 147.** The uncodified law of the State of Alaska is amended by adding a new section
 25 to read:

26 CONDITIONAL RETROACTIVITY. If secs. 1 - 8, 11, 14 - 19, 22 - 91, 98 - 109,
 27 111 - 116, 118, 119, and 121 - 134 of this Act take effect after July 1, 2005, secs. 1 - 8, 11, 14
 28 - 19, 22 - 91, 98 - 109, 111 - 116, 118, 119, and 121 - 134 of this Act are retroactive to July 1,
 29 2005.

30 * **Sec. 148.** Sections 19 and 118 of this Act take effect January 1, 2006.

31

1 * **Sec. 149.** Sections 9, 10, 12, 13, 18, 90 - 95, 107, 115, and 135 of this Act take effect
2 June 30, 2010.

3 * **Sec. 150.** Section 146 of this Act takes effect immediately under AS 01.10.070(c).

4 * **Sec. 151.** Except as provided in secs. 148, 149 and 150 of this Act, this Act takes effect
5 July 1, 2005.