

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

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Amended: 5/4/05

Offered: 5/3/05

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

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

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

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

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

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

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

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

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

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

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

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

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

5 (A) a balance sheet;

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

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

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

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

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

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

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

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

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

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

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

1 administration of each plan in the system.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 **Article 2. Teachers' Defined Benefit Retirement Plan.**

18 **Sec. 14.25.009. Applicability of AS 14.25.009 - 14.25.220.** The provisions of
 19 AS 14.25.009 - 14.25.220 apply only to members first hired before July 1, 2005 or
 20 members first hired on or after July 1, 2005, who choose under AS 14.25.315 to
 21 participate in the defined benefit plan.

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

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

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

1 participate in this **plan** [SYSTEM].

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

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

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

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

11 (c) Employees first hired after June 30, 2005, are not eligible to participate in
12 the plan established in AS 14.25.009 - 14.25.220 unless they choose to do so under
13 AS 14.25.315.

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

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

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

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

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

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

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

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

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

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

27 (a) An employee who is eligible to purchase credited service under
 28 AS 14.25.047 or 14.25.048, a member who is eligible to purchase credited service
 29 under AS 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, or
 30 14.25.107, or a teacher who is eligible to purchase credited service under
 31 AS 14.20.345, AS 14.25.050, [14.25.062,] or 14.25.105, in lieu of making payments

1 directly to the plan, may elect to have the member's employer make payments as
2 provided in this section.

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

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

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

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

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

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

30 (e) Contributions to the **plan** [SYSTEM] to purchase credited service under
31 this section do not qualify for treatment under this section if recognition of that service

1 would cause a member to receive a retirement benefit for the same service from the
 2 **plan** [SYSTEM] and from one or more other retirement plans or systems of the state.

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

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

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

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

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

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

30 (5) accepting direct trustee-to-trustee transfer from an account
 31 established for the benefit of the member in AS 39.30.150 - 39.30.180 (Alaska

1 Supplemental Annuity Plan).

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

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

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

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

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

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

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

31 (a) When the administrator determines that the cost of living has increased and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 (B) the spouse of the teacher described in (A) of this paragraph
 31 if the teacher elected coverage for the spouse;

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

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

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

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

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

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

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

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

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

30 (3) before the adjustment was made, the member or beneficiary
31 received confirmation from the administrator that the member's or beneficiary's

1 records were correct; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 **(D) A full-time or part-time instructor of the Department of**

Labor and Workforce Development who has a teaching certificate regardless of whether the position as instructor requires a teaching certificate as a condition of employment and who has earlier credited service in the plan;

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

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

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

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

Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590. The provisions of AS 14.25.310 - 14.25.590 apply only to teachers who first become members on or after July 1, 2005, who fail to choose under AS 14.25.315 to participate in the defined benefit plan or to members who transfer into the defined contribution plan under AS 14.25.540.

Sec. 14.25.315. Retirement plan choice. (a) A teacher who is first hired on or after July 1, 2005, may participate either in the defined benefits plan established in AS 14.25.009 - 14.25.220 or the defined contribution plan established in AS 14.25.310 - 14.25.590. The teacher may make a choice between the available retirement plans within 30 days after the date of employment, on a form provided by the administrator. If the teacher fails to make a timely choice under this section, the provisions of AS 14.25.310 - 14.25.590 shall apply to the teacher during the period of employment.

(b) After the 31st day of employment, the teacher may not change from one retirement plan to another. The retirement plan determined to apply on the 31st day of employment shall be considered to apply beginning on the first day the teacher is employed and the day the retirement plan is determined.

(c) A teacher who terminates employment and is later rehired by an employer may again exercise the option provided in this section only if, on the date of reemployment, the option in this section is available to all teachers first hired at the time the teacher is rehired.

(d) The administrator shall notify the employer of a teacher as soon as possible regarding the retirement plan applicable to that teacher, and the employer

1 shall make the appropriate teacher and employer contributions required by the
2 applicable retirement plan for that teacher.

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

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

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

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

17 **Sec. 14.25.330. Membership.** (a) A teacher who first becomes a member on
18 or after July 1, 2005, and fails under AS 14.25.315 to choose to participate in the
19 defined benefit retirement plan shall participate in the plan as a member of the defined
20 contribution retirement plan.

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

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

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

29 (c) The employer shall deduct the contribution from the member's
30 compensation at the end of each payroll period, and the contribution shall be credited
31 by the administrator to the member's individual account. The contributions shall be

1 deducted from member's compensation before the computation of applicable federal
 2 taxes and shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A
 3 member may not have the option of making the payroll deduction directly in cash
 4 instead of having the contribution picked up by the employer.

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

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

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

17 (b) An employer shall also contribute an amount equal to 2.5 percent of each
 18 member's compensation from July 1 to the following June 30 to pay for retiree major
 19 medical insurance. This contribution shall be paid into the group health and life
 20 benefits fund established by the commissioner of administration under AS 39.30.095
 21 and shall be accounted for in accordance with regulations established by the
 22 commissioner.

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

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

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

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

4 (d) In this section,

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

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

10 (3) "eligible retirement plan" means

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 22 (1) 25 percent with two years of service;
- 23 (2) 50 percent with three years of service; and
- 24 (3) 75 percent with four years of service.

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

31 (b) A participant may direct investment of plan funds held in an account

1 among available investment funds in accordance with rules established by the board.

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

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

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

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

19 **Sec. 14.25.410. Distribution election at termination.** (a) A member is
20 eligible to elect distribution of the member's account in accordance with this section
21 60 days after termination of employment.

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

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

1 medical care;

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

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

6 (4) prevention of the eviction of the member from the member's
7 principal residence or foreclosure on the mortgage of the member's principal
8 residence; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 regulations adopted by the commissioner of administration.

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

4 (1) the form of payment election;

5 (2) an election to commence benefits; or

6 (3) the joint annuitant designation.

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

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

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

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

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

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

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

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

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

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

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

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

1 an annuity irrevocably commences to the member before the required beginning date,
 2 the date distribution is considered to begin is the date that the distribution actually
 3 commences.

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

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

10 (i) In this section,

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

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

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

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

31 (2) unless the member filed a revocation of beneficiary accompanied

1 by a written consent to the revocation from the present spouse and each person entitled
 2 under the order; however, consent of the present spouse is not required if the member
 3 and the present spouse had been married for less than one year on the date of the
 4 member's death and if the member established when filing the revocation that the
 5 member and the present spouse were not cohabiting.

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

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

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

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

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

20 (4) to the estate.

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

29 **Sec. 14.25.460. Rights under qualified domestic relations order.** (a)
 30 Notwithstanding the nonalienation provisions in AS 14.25.500(a), the administrator
 31 may direct that benefits be paid to someone other than a member or beneficiary under

1 a valid qualified domestic relations order that is executed by the judge of a competent
2 court in accordance with applicable state law and that has been accepted by the
3 administrator.

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

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

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

15 (2) the member reaches the normal retirement age and has at least 10
16 years of 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. 14.25.480. 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 plan
29 provided under this section and may elect coverage under it:

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

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

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

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

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

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

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

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

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

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

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

31 (j) Participants who have attained normal retirement age are eligible for a

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

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

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

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

18 (1) 30 percent if the member has 10 or more, but less than 15 years of
 19 service;

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

22 (3) 20 percent if the member has 20 or more, but less than 30 years of
 23 service;

24 (4) 10 percent if the member has 30 or more years of service.

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

29 (o) The administrator shall establish monthly group premiums for retiree
 30 major medical coverage. Nothing in AS 14.25.310 - 14.25.590 guarantees a person
 31 who elects coverage under (b) of this section a monthly group premium rate for retiree

1 major medical coverage other than the premium in effect for the month in which the
2 premium is due for coverage for that month.

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

6 (q) In this section,

7 (1) "health reimbursement arrangement" means the plan established in
8 AS 39.30.300;

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

14 **Sec. 14.25.485. Cost-saving measures in retiree health care system.** The
15 division of retirement and benefits shall implement by regulation cost-saving measures
16 appropriate to the retirees health care system. This includes using manufacturer's
17 rebates, copay levels, and multi-tiered copayment structures; mandating the use of
18 generic drugs; determining the type of drug classes in a formulary; dispensing fees;
19 mandating or providing incentives for mail order pharmaceuticals; using a reduction in
20 the average wholesale price; providing case management services for certain users of
21 pharmaceuticals; capping the number of prescriptions filled each month; and
22 restricting the number of refills that users can have at one time.

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

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

30 (c) The state may, in its discretion, terminate the plan in whole or part at any
31 time without liability for the termination. If the plan is terminated, all investments

1 remain in force until all individual accounts have been completely distributed under
2 the plan, and, after all plan liabilities are satisfied, excess assets revert to the employer.

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

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

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

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

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

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

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

28 **Sec. 14.25.520. Nonguarantee of employment.** The provisions of
29 AS 14.25.310 - 14.25.590 are not a contract of employment between an employer and
30 an employee, nor do they confer a right of an employee to be continued in the
31 employment of an employer, nor are they a limitation of the right of an employer to

1 discharge an employee with or without cause.

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

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

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

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

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

28 (d) As directed by the participant, the board shall transfer or cause to be
29 transferred the appropriate amounts to the designated account. The board shall
30 establish transfer procedures by regulation, but the actual transfer may not be later
31 than 30 days after the effective date of the member's participation in the defined

1 contribution retirement plan unless the major financial markets for securities available
2 for a transfer are seriously disrupted by an unforeseen event that also causes the
3 suspension of trading on any national securities exchange in the country where the
4 securities were issued. In that event, the 30-day period of time may be extended by a
5 resolution of the board of trustees. Transfers are not commissionable or subject to
6 other fees and may be in the form of securities or cash as determined by the board.
7 Securities shall be valued as of the date of receipt in the participant's account.

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

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

1 election is signed by the individual's spouse.

2 (g) A member may make an election under this section only if the member's
3 employer participates in both the defined benefits retirement plan and the defined
4 contribution retirement plan and consents to transfers under this section. The
5 employer shall notify the administrator if the employer consents to allowing the
6 employer's members to choose to transfer from the defined benefits retirement plan to
7 the defined contribution retirement plan under this section. An employer's notice to
8 allow transfers is irrevocable and applicable to all eligible employees of the employer.

9 (h) In this section,

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

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

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

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

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

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

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

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

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

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

14 (b) A state legislator is not entitled to elect membership under (a) of this
15 section if the state legislator is covered for the same period of service under the public
16 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990). An
17 election of membership under (a) of this section is retroactive to the date the state
18 legislator took the oath of office. A state legislator may not receive membership credit
19 under (a) of this section for legislative service performed before the legislative session
20 during which the state legislator elected membership under (a) of this section. In order
21 to continue in membership service under (a) of this section, the state legislator must
22 earn at least 0.3 years of membership service under other sections of AS 14.25.310 -
23 14.25.590 during each five-year period.

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

29 **Sec. 14.25.580. Participation by Special Education Service Agency**
30 **employees.** An employee of the Special Education Service Agency may participate in
31 the system under this chapter if the employee possesses or is eligible to possess a

1 teacher certificate under AS 14.20.020.

2 **Sec. 14.25.590. Definitions.** In AS 14.25.310 - 14.25.590, unless the context
3 requires otherwise,

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

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

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

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

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

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

14 (7) "compensation"

15 (A) means

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

20 (ii) the member contribution to the teachers' retirement
21 system under AS 14.25.340;

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

1 Taxable Wage Base for the calendar year;

2 (C) notwithstanding (B) of this paragraph, includes any amount
3 that is contributed by the employer under a salary reduction agreement and that
4 is not includible in the gross income of the employee under 26 U.S.C. 125,
5 132(f)(4), 402(e)(3), 402(h)(1)(B) or 403(b) (Internal Revenue Code); the
6 annual compensation limitation for the member, which is so taken into account
7 for those purposes, may not exceed \$200,000, as adjusted for the cost of living
8 in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the
9 limitation for a fiscal year being the limitation in effect for the calendar year
10 within which the fiscal year begins;

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

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

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

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

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

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

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

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

31 (16) "member" means an employee of an employer or a former

1 employee of an employer who retains a right to benefits under the plan;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 (i) a teaching certificate regardless of whether the
31 position as instructor requires a teaching certificate as a condition of

1 employment; and
 2 (ii) earlier credited service in the plan;
 3 (28) "year of service" means service during the dates set for the school
 4 year; partial-year service credit is given for membership service as follows:

5 (A) during any school year,

- 6 (i) less than nine days, no credit;
 7 (ii) nine days or more but less than 27 days, 0.1 years;
 8 (iii) 27 days or more but less than 45 days, 0.2 years;
 9 (iv) 45 days or more but less than 63 days, 0.3 years;
 10 (v) 63 days or more but less than 81 days, 0.4 years;
 11 (vi) 81 days or more but less than 100 days, 0.5 years;
 12 (vii) 100 days or more but less than 118 days, 0.6 years;
 13 (viii) 118 days or more but less than 136 days, 0.7

14 years;

- 15 (ix) 136 days or more but less than 154 days, 0.8 years;
 16 (x) 154 days or more but less than 172 days, 0.9 years;
 17 (xi) 172 days or more, 1.0 years;

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

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

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

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

30 (b) The Board of Regents is the fiduciary of the fund. The Board of Regents
 31 shall account for and invest the fund. In carrying out its investment responsibilities

1 under this subsection, the Board of Regents has the same powers and duties with
 2 respect to the fund as are provided to and required of the Alaska **Retirement**
 3 **Management** [STATE PENSION INVESTMENT] Board under **AS 37.10.210**
 4 [AS 14.25.180].

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

6 **Sec. 14.40.661. Authority of board.** (a) The board may establish **and**
 7 **maintain** [AN OPTIONAL] university retirement **programs** [PROGRAM] for
 8 eligible employees in which retirement, **health**, and death benefits are provided
 9 through the purchase of annuity contracts, either fixed, variable, or a combination of
 10 fixed and variable. Participation in **a university retirement** [THE] program is in
 11 place of participation in a state retirement system. **The university may establish**
 12 **retirement programs for new employees in a participating position at any time.**
 13 **Retirement programs must be optional.**

14 (b) The board shall

15 (1) provide for the administration of the **retirement programs**
 16 [PROGRAM], including procedures for resolving complaints from participating
 17 employees;

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

20 (A) nature and extent of the rights and benefits that the
 21 contracts will provide to employees who elect to participate and to their
 22 beneficiaries;

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

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

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

30 (E) efficacy of the contracts in the recruitment and retention of
 31 faculty and administrators;

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

5 * **Sec. 36.** AS 14.40.671(a) is amended to read:

6 (a) An employee in a participating position may elect to participate in **a** [THE
 7 OPTIONAL] university retirement program or to participate in the appropriate state
 8 retirement system. Eligibility to participate in **a** [THE] program begins on an
 9 employee's appointment to a participating position.

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

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

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

20 (c) **Participation in a university retirement** [THE ELECTION TO
 21 PARTICIPATE IN THE] program constitutes a waiver of all rights and benefits under
 22 the state retirement systems earned on or after the effective date of the election while
 23 the employee is participating in **a university retirement** [THE] program.

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

25 (d) Except as provided in (e) of this section, if a nonvested member of a state
 26 retirement system **participates** [ELECTS TO PARTICIPATE] in **a university**
 27 **retirement** [THE] program, the employee may choose to transfer the amount in the
 28 employee's contribution account to **a university retirement** [THE] program. If the
 29 employee chooses to transfer the account, the appropriate state retirement system shall
 30 pay to the university on behalf of the employee an amount equal to the balance in the
 31 account. The payment must be made within 45 days after **notice of the employee's**

1 **decision to transfer the employee's contribution account to a university**
 2 **retirement program** [THE ELECTION] is received by the state retirement system.
 3 The financial officer of the university shall immediately pay the amount received to
 4 the designated company or companies for the benefit of the employee. An employee
 5 who transfers assets under this subsection may not reclaim the corresponding service
 6 in the state retirement system if the employee is reemployed under the state retirement
 7 system.

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

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

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

15 (f) If a vested member of a state retirement system elects to participate in **a**
 16 **university retirement** [THE] program, the employee ceases to be an active member
 17 of the **state** retirement system on the effective date of the participation in **a university**
 18 **retirement** [THE] program. The employee retains all benefits accrued in the state
 19 retirement system.

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

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

24 * **Sec. 43.** AS 14.40.681 is amended to read:

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

1 duties under this section in regard to the judicial retirement trust fund as are provided
2 in **AS 37.10.210** [AS 14.25.180].

3 * **Sec. 50.** AS 22.25.900(1) is amended to read:

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

12 * **Sec. 51.** AS 26.05.226(a) is amended to read:

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

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

20 (2) administer the system.

21 * **Sec. 52.** AS 26.05.228(c) is amended to read:

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

26 * **Sec. 53.** AS 36.30.015(f) is amended to read:

27 (f) The board of directors of the Alaska Housing Finance Corporation,
28 notwithstanding AS 18.56.088, and the board of directors of the Knik Arm Bridge and
29 Toll Authority under AS 19.75.111, shall adopt regulations under AS 44.62
30 (Administrative Procedure Act) and the board of trustees of the Alaska **Retirement**
31 **Management** [STATE PENSION INVESTMENT] Board shall adopt regulations

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

10 * **Sec. 54.** AS 36.30.990(1) is amended to read:

11 (1) "agency"

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

16 (B) does not include

17 (i) the University of Alaska;

18 (ii) the Alaska Railroad Corporation;

19 (iii) the Alaska Housing Finance Corporation;

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

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

27 (vi) the Alaska Aerospace Development Corporation;

28 (vii) the Alaska **Retirement Management** [STATE
 29 PENSION INVESTMENT] Board;

30 (viii) the Alaska Seafood Marketing Institute;

31 * **Sec. 55.** AS 37.10.071(d) is amended to read:

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

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

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

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

17 * **Sec. 56.** AS 37.10.071(f) is amended to read:

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

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

20 **or**

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

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

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

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

30 * **Sec. 57.** AS 37.10.210 is repealed and reenacted to read:

31 **Sec. 37.10.210. Alaska Retirement Management Board.** (a) The Alaska

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

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

14 (1) two members, consisting of the commissioner of administration
 15 and the commissioner of revenue;

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

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

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

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

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

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

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

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

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

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

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

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

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

28 * **Sec. 58.** AS 37.10 is amended by adding a new section to read:

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

31 * **Sec. 59.** AS 37.10.220 is repealed and reenacted to read:

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

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

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

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

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

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

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

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

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

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

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

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

31 (8) coordinate with the retirement system administrator to have an

1 annual actuarial valuation of each retirement system prepared to determine system
 2 assets, accrued liabilities, and funding ratios and to certify to the appropriate
 3 budgetary authority of each employer in the system

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

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

7 (9) annually review the status of the retiree health insurance fund
 8 established for members of the defined contribution plans under AS 14.25.310 -
 9 14.25.590 and AS 39.35.700 - 39.35.990 to ensure that the medical cost rate
 10 established for employers under AS 14.25.350(b) and AS 39.35.750(b) is sufficient to
 11 fully fund the employers' required share of the premiums established for the retiree
 12 major medical insurance plan; the board shall notify the legislature immediately if the
 13 board determines the rates established by statute are insufficient and make
 14 recommendations on rates that are sufficient;

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

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

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

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

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

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

- 1 (B) current investment policies adopted by the board;
- 2 (C) a summary of assets held in trust listed by the categories of
- 3 investment;
- 4 (D) the income and expenditures for the previous fiscal year;
- 5 (E) the return projections for the next calendar year;
- 6 (F) one-year, three-year, five-year, and 10-year investment
- 7 performance for each of the funds entrusted to the board; and
- 8 (G) other statistical data necessary for a proper understanding
- 9 of the financial status of the systems;
- 10 (15) submit quarterly updates of the investment performance reports to
- 11 the Legislative Budget and Audit Committee; and
- 12 (16) develop an annual operating budget.
- 13 (b) The board may
- 14 (1) employ outside investment advisors to review investment policies;
- 15 (2) enter into an agreement with the fiduciary of another state fund in
- 16 order to assume the management and investment of those assets;
- 17 (3) contract for other services necessary to execute the board's powers
- 18 and duties;
- 19 (4) enter into confidentiality agreements that would exempt records
- 20 from AS 40.25.110 and 40.25.120 if the records contain information that could affect
- 21 the value of investment by the board or that could impair the ability of the board to
- 22 acquire, maintain, or dispose of investments.
- 23 (c) Expenses for the board and the operations of the board shall be paid from
- 24 the retirement fund.

25 * **Sec. 60.** AS 37.10.250 is amended to read:

26 **Sec. 37.10.250. Compensation of trustees.** Trustees, other than trustees who

27 are employees of the state, [OR] a political subdivision of the state, **or a school**

28 **district or regional educational attendance area in the state,** receive an honorarium

29 of **\$400** [\$150] for each day spent at a meeting of the board or at a meeting of a

30 subcommittee of the board or at a public meeting as a representative of the board,

31 **including a day in which a trustee travels to or from a meeting.** Trustees who are

1 state employees are entitled to administrative leave for service as a trustee. Trustees
 2 who are employees of a political subdivision of the state **or a school district or**
 3 **regional educational attendance area in the state** are entitled to leave benefits
 4 provided by their employers comparable to those provided to state employees for
 5 service as a trustee. Trustees are entitled to per diem and travel expenses authorized
 6 for boards and commissions under AS 39.20.180.

7 * **Sec. 61.** AS 37.10.270(a) is amended to read:

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

13 * **Sec. 62.** AS 37.10.390 is amended to read:

14 **Sec. 37.10.390. Definitions.** In AS 37.10.210 - 37.10.390, unless the context
 15 otherwise requires,

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

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

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

24 (4) "retirement systems" **or "systems"** means the teachers' retirement
 25 system, the judicial retirement system, the Alaska National Guard and Alaska Naval
 26 Militia retirement system, [AND] the public employees' retirement system, **the State**
 27 **of Alaska teachers' and public employees' retiree health reimbursement**
 28 **arrangement plan, and the elected public officers' retirement system under**
 29 **former AS 39.37.**

30 * **Sec. 63.** AS 37.14.160 is amended to read:

31 **Sec. 37.14.160. Duties of the commissioner of revenue.** The commissioner

1 of revenue is the treasurer of the trust fund created in AS 37.14.110 and shall

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

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

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

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

11 * **Sec. 64.** AS 37.14.210(4) is amended to read:

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

15 * **Sec. 65.** AS 37.14.520(4) is amended to read:

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

19 * **Sec. 66.** AS 37.14.610 is amended to read:

20 **Sec. 37.14.610. Duties of the commissioner.** The commissioner of revenue
21 has the power and duty to

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

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

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

30 (4) maintain accounting records of the trust in accordance with
31 investment accounting principles;

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

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

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

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

9 * **Sec. 67.** AS 39.30.090(a) is amended to read:

10 (a) The Department of Administration may obtain a policy or policies of group
11 insurance covering state employees, persons entitled to coverage under AS 14.25.168,
12 14.25.480, AS 22.25.090, AS 39.35.535, 39.35.880, or former AS 39.37.145,
13 employees of other participating governmental units, or persons entitled to coverage
14 under AS 23.15.136, subject to the following conditions:

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

19 (2) Each eligible employee of the state, the spouse and the unmarried
20 children chiefly dependent on the eligible employee for support, and each eligible
21 employee of another participating governmental unit shall be covered by the group
22 policy, unless exempt under regulations adopted by the commissioner of
23 administration.

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

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

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

29 (C) the commissioner of administration approves the
30 participation in writing.

31 (4) In procuring a policy of group health or group life insurance as

1 provided under this section or excess loss insurance as provided in AS 39.30.091, the
 2 Department of Administration shall comply with the dual choice requirements of
 3 AS 21.86.310, and shall obtain the insurance policy from an insurer authorized to
 4 transact business in the state under AS 21.09, a hospital or medical service corporation
 5 authorized to transact business in this state under AS 21.87, or a health maintenance
 6 organization authorized to operate in this state under AS 21.86. An excess loss
 7 insurance policy may be obtained from a life or health insurer authorized to transact
 8 business in this state under AS 21.09 or from a hospital or medical service corporation
 9 authorized to transact business in this state under AS 21.87.

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

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

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

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

3 (9) For each permanent part-time employee electing coverage under
4 this section, the state shall contribute one-half the state contribution rate for permanent
5 full-time state employees, and the permanent part-time employee shall contribute the
6 other one-half.

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

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

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

23 * **Sec. 68.** AS 39.30.090 is amended by adding a new subsection to read:

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

1 users may have at one time.

2 * **Sec. 69.** AS 39.30.095(d) is amended to read:

3 (d) If the commissioner of administration determines that there is more money
4 in the fund than the amount needed to pay premiums, benefits, and administrative
5 costs for the current fiscal year, the surplus, or so much of it as the commissioner of
6 administration considers advisable, may be invested by the commissioner of revenue
7 in the same manner as retirement funds are invested under **AS 37.10.210 and**
8 **37.10.220** [AS 14.25.180].

9 * **Sec. 70.** AS 39.30.150(b) is amended to read:

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

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

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

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

26 * **Sec. 71.** 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. 72.** 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. 73.** 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. 74.** 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)
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. 75.** 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 AS 39.30.150(a) must be from the benefit options listed in (a) of this section.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 **Sec. 39.30.350. Employer contribution fund.** The fund established under
31 AS 39.30.340 is an employer contribution fund. The value of the fund reflects

1 employer contributions, expenses, and investment gains and losses. Employee
2 contributions to the fund are not permitted.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 by the commissioner.

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

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

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

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

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

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

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

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

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

24 **Article 2. Public Employees' Defined Benefit Retirement Plan.**

25 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680.** The following
26 provisions of this chapter apply only to members first hired before July 1, 2005 or
27 members first hired on or after July 1, 2005, who choose under AS 39.35.705 to
28 participate in the defined benefit plan: AS 39.35.095 - 39.35.680.

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

30 **Sec. 39.35.100. Accounting.** (a) The commissioner of administration shall
31 establish and maintain an adequate system of accounts and records for the **plan**

1 [SYSTEM]. The accounts and records shall be integrated with the accounts, records,
2 and procedures of the employers to the end that they operate most effectively and at
3 minimum expense, and that duplication of records and accounts is avoided.

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

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

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

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

1 and employee savings accounts, the investment income of the pension fund shall be
 2 allocated to the retirement reserve account and to each employer asset share account
 3 according to the ratio that the average of the assets in the account as of the beginning
 4 and as of the end of the fiscal year bears to the total of the average balance of the
 5 retirement reserve account and all employer accounts.

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

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

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

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

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

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

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

1 public organization that becomes an employer shall be included in the system on the
 2 effective date of the employer's participation or the date of the employee's
 3 commencement of employment with the employer, whichever is later.

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

6 (1) an elected official;

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

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

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

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

21 (b) A person who was employed at least half-time in a position in the teachers'
 22 retirement **plan** [SYSTEM] under **AS 14.25.009 - 14.25.220** [AS 14.25] in the same
 23 period that the person was employed at least half-time in a position in this **plan**
 24 [SYSTEM] may claim credited service in both **plan** [SYSTEMS] for employment
 25 before May 31, 1989. To obtain this credited service, the person shall claim the
 26 service and verify the period of half-time employment. When eligibility for half-time
 27 service credit has been established, an indebtedness shall be determined to the
 28 retirement **plan** [SYSTEM] in which the person did not participate. The amount of
 29 the indebtedness is the full actuarial cost of providing benefits for the credited service
 30 claimed. Interest as prescribed by regulation accrues on that indebtedness beginning
 31 on the later of July 1, 1989, or the date on which the member is first eligible to claim

1 the service. Any outstanding indebtedness existing at the time the person retires will
2 require an actuarial adjustment to the benefits payable based on that service.

3 * **Sec. 86.** AS 39.35.158 is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 **Sec. 39.35.270. Amount of employer's contributions.** The amount of each

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (g) When an employee who was employed as a dispatcher in a state trooper
 26 office or in a police or fire department in the plan [PUBLIC EMPLOYEES'
 27 RETIREMENT SYSTEM] applies for appointment to retirement, the employee may
 28 convert the credited service for that position to credited service as a peace officer by
 29 claiming the service as peace officer service. An employee who has converted
 30 credited service to peace officer service under this subsection shall be treated as a
 31 peace officer for purposes of AS 39.35.095 - 39.35.680 [THIS CHAPTER]. When the

1 member claims this credited service as peace officer service, an indebtedness of the
 2 member to the plan [SYSTEM] shall be established. The indebtedness is equal to the
 3 full actuarial cost of the conversion of the credited service to treatment as peace
 4 officer service. Any outstanding indebtedness that exists at the time the member is
 5 appointed to retirement shall [WILL] require an actuarial adjustment to the benefits
 6 payable based upon the conversion of the credited service.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 (h) In this section,

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

21 (2) "membership service earned under AS 14.25" means membership
22 service earned under AS 14.25.009 - 14.25.220.

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

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

31 * **Sec. 109.** AS 39.35.410(f) is amended to read:

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

9 * **Sec. 110.** AS 39.35.475(a), as that subsection read following amendment by sec. 34, ch.
 10 146, SLA 1980, until amended by sec. 41, ch. 82, SLA 1986, is amended to read:

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

19 * **Sec. 111.** AS 39.35.485(a) is amended to read:

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

28 * **Sec. 112.** AS 39.35.520(c) is amended to read:

29 (c) **At least quarterly,** [AT EACH REGULARLY SCHEDULED MEETING
 30 OF THE PUBLIC EMPLOYEES' RETIREMENT BOARD,] the administrator shall
 31 report to the **commissioner of administration** [BOARD] on all situations since the

1 administrator's last report in which an adjustment has been prohibited under (b) of this
 2 section. If the **commissioner of administration** [BOARD] finds that there is reason
 3 to believe that one or more of the conditions set out in (b) of this section have not been
 4 met, the administrator shall notify the member or beneficiary that an adjustment will
 5 be made to recover the overpayment. A member or beneficiary who receives notice of
 6 adjustment under this subsection may **file a request with the commissioner of**
 7 **administration** [APPEAL TO THE BOARD] for a waiver of the adjustment under
 8 AS 39.35.522. An adjustment may not be required while the **waiver request**
 9 [APPEAL] is pending.

10 * **Sec. 113.** AS 39.35.522(a) is amended to read:

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

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

17 (2) [REPEALED

18 (3) REPEALED

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

21 **(3)** [(5)] before the adjustment was made, the member or beneficiary
 22 received confirmation from the administrator that the employee's or beneficiary's
 23 records were correct; and

24 **(4)** [(6)] the member or beneficiary had no reasonable grounds to
 25 believe the employee's or beneficiary's records were incorrect before the adjustment
 26 was made.

27 * **Sec. 114.** AS 39.35.535(a) is repealed and reenacted to read:

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

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

31 (A) an employee who is receiving a monthly benefit from the

1 plan and who has elected coverage;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 (21) "member" or "employee"

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

4 (B) includes

- 5 (i) an active member;
- 6 (ii) an inactive member;
- 7 (iii) a vested member;
- 8 (iv) a deferred vested member;
- 9 (v) a nonvested member;
- 10 (vi) a disabled member;
- 11 (vii) a retired member;
- 12 (viii) an elected public officer under AS 39.35.381;

13 (C) does not include

- 14 (i) former members;
- 15 (ii) persons compensated on a contractual or fee basis;
- 16 (iii) casual or emergency workers or nonpermanent
17 employees as defined in AS 39.25.200;
- 18 (iv) persons covered by the Alaska Teachers'
19 Retirement System except as provided under AS 39.35.131 and
20 39.35.381, or persons covered by a [THE OPTIONAL] university
21 retirement program;
- 22 (v) employees of the division of marine transportation
23 engaged in operating the state ferry system who are covered by a union
24 or group retirement system to which the state makes contributions;
- 25 (vi) justices of the supreme court or judges of the court
26 of appeals or of the superior or district courts of Alaska;
- 27 (vii) the administrative director of courts appointed
28 under art. IV, sec. 16 of the state constitution unless the director
29 becomes a member under AS 39.35.158;
- 30 (viii) members of the elected public officers' retirement
31 system (former AS 39.37); and

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

3 **(x) full-time or part-time instructors of the**
4 **Department of Labor and Workforce Development who have a**
5 **teaching certificate, regardless of whether the position as instructor**
6 **requires a teaching certificate as a condition of employment and**
7 **have earlier credited service under AS 14.25.009 - 14.25.220;**

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

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

12 (ii) no collective bargaining agreement has the effect of
13 obligating contributions made by the state under AS 39.30.150 in the
14 event the state resumes participation in the federal social security
15 system;

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

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

20 (A) creates or recognizes the existence of an alternate payee's
21 right to, or assigns to an alternate payee the right to, receive all or a portion of
22 employee contribution account or the benefits payable with respect to an
23 employee;

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

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

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

31 (E) sets out the **retirement plan** [SYSTEM] to which the order

1 applies;

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

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

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

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

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

12 (42) "plan" means the retirement plan established in AS 39.35.095 -
13 39.35.680.

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

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

16 **Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of
17 AS 39.35.700 - 39.35.990 apply only to members first hired on or after July 1, 2005,
18 who fail to choose to participate in the defined benefit plan under AS 39.35.705 or to
19 members who transfer into the defined contribution plan under AS 39.35.940.

20 **Sec. 39.35.705. Retirement plan choice.** (a) An employee who is first hired
21 on or after July 1, 2005, may choose to participate either in the defined benefits plan
22 established in AS 39.35.095 - 39.35.680 or the defined contribution plan established in
23 AS 39.35.700 - 39.35.990. The employee may make a choice between the available
24 retirement plans within 30 days after the date of employment, on a form provided by
25 the administrator. If the employee fails to make a timely choice under this section, the
26 provisions of AS 39.35.700 - 39.35.990 shall apply to the employee during the period
27 of employment.

28 (b) After the 31st day of employment, the employee may not change from one
29 retirement plan to another. The retirement plan determined to apply on the 31st day of
30 employment shall be considered to apply beginning on the first day the employee is
31 employed and the day the retirement plan is determined.

1 (c) A employee who terminates employment and is later rehired may again
 2 exercise the option provided in this section only if, at the time of rehire, the option in
 3 this section is available to all employees first hired at the time the employee is rehired.

4 (d) The administrator shall notify the employer of a employee as soon as
 5 possible regarding the retirement plan applicable to that employee, and the employer
 6 shall make the appropriate employee and employer contributions required by the
 7 applicable retirement plan for that employee.

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

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

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

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

25 **Sec. 39.35.720. Membership.** An employee who becomes a member on or
 26 after July 1, 2005, and fails under AS 39.35.705 to choose to participate in the defined
 27 benefit retirement plan shall participate in the plan set out in AS 39.35.700 -
 28 39.35.990.

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

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

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

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

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

21 (b) An employer shall also contribute an amount equal to 2.5 percent of each
22 member's compensation from July 1 to the following June 30 to pay for retiree major
23 medical insurance. This contribution shall be paid into the group health and life
24 benefits fund established by the commissioner of administration under AS 39.30.095
25 and shall be accounted for in accordance with regulations established by the
26 commissioner.

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

29 (d) An employer shall make annual contributions to the plan in an amount
30 determined by the board to be actuarially required to fully fund the cost of providing
31 occupational disability and occupational death benefits under AS 39.35.890 and

1 39.35.892.

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

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

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

12 (d) In this section,

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

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

18 (3) "eligible retirement plan" means

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

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

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

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

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

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

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

31 (B) a distribution that is one of a series of substantially equal

1 installments payable not less frequently than annually over a specified period
2 of 10 years or more;

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

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

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

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

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

13 **Sec. 39.35.780. Limitations on contributions.** Notwithstanding any other
14 provisions of this plan, the annual additions to each member's individual account
15 under this plan and under all defined contribution plans of the employer required to be
16 aggregated with the contributions from this plan under the provisions of 26 U.S.C. 415
17 may not exceed, for any limitation year, the amount permitted under 26 U.S.C. 415 at
18 any time. If the amount of a member's defined contribution plan contributions exceeds
19 the limitation of 26 U.S.C. 415(c) for any limitation year, the administrator shall take
20 any necessary remedial action to correct an excess contribution. The provisions of 26
21 U.S.C. 415, and the regulations adopted under that statute, as applied to qualified
22 defined contribution plans of governmental employees are incorporated as part of the
23 terms and conditions of the plan.

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

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

30 (1) 25 percent with two years of service;

31 (2) 50 percent with three years of service; and

1 (3) 75 percent with four years of service.

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

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

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

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

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

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

27 **Sec. 39.35.810. Distribution election at termination.** (a) A member is
28 eligible to elect distribution of the member's account in accordance with this section
29 60 days after termination of employment.

30 (b) Notwithstanding (a) of this section, distribution of all or a portion of the
31 individual account of a member may take place before the 60th day after the

1 termination of employment with the approval of the administrator if the member
2 makes a written request for a distribution under this subsection. The member's spouse
3 must consent to the request in writing if the member is married. Distribution of an
4 individual account may only be made on account of an immediate and heavy financial
5 need of the member for the following reasons and in the amount the need is
6 demonstrated for

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

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

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

14 (4) prevention of the eviction of the member from the member's
15 principal residence or foreclosure on the mortgage of the member's principal
16 residence; or

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

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

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

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

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

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

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

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

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

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

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

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

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

28 (d) If an unmarried member or other participant fails to elect a form of
29 payment before the distribution commencement date, the account shall be paid to a
30 beneficiary in the form of a lump sum to the extent required by the minimum
31 distribution requirements set out in the Internal Revenue Code. If a married member

1 fails to elect a form of payment before the distribution commencement date, the
 2 account shall be paid in the form of a 50 percent joint and survivor annuity, with the
 3 member's spouse as the joint annuitant.

4 **Sec. 39.35.830. Manner of electing distributions.** (a) Any election or any
 5 alteration or revocation of a prior election by a participant for any purpose under this
 6 plan shall be on forms or made in a manner prescribed for that purpose by the plan
 7 administrator. To be effective, the forms required or the required action for any
 8 purpose under this plan must be completed and received in accordance with
 9 regulations adopted by the commissioner of administration.

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

12 (1) the form of payment election;

13 (2) an election to commence benefits; or

14 (3) the joint annuitant designation.

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

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

21 (1) a member meets the requirements of AS 39.35.810 and has made a
 22 complete application for payment under AS 39.35.830;

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

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

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

31 (5) notwithstanding (a) of this section, a participant whose account has

1 a balance of \$1,000 or less meets the requirements of AS 39.35.810, at which time the
2 participant must take payment of the participant's account.

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

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

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

26 (e) If a member has not made a distribution election before the member's
27 death, the member's designated beneficiary must elect the method of distribution not
28 later than December 31 of the calendar year (1) in which distributions would be
29 required to begin under this section, or (2) that contains the fifth anniversary of the
30 date of death of the member, whichever is earlier. If the member does not have a
31 designated beneficiary or if the designated beneficiary does not elect a method of

1 distribution, distribution of the member's entire interest must be completed by
 2 December 31 of the calendar year containing the fifth anniversary of the member's
 3 death.

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

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

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

18 (i) In this section,

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

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

25 **Sec. 39.35.850. Designation of beneficiary.** (a) Each participant shall have
 26 the right to designate a beneficiary and shall have the right, at any time, to revoke the
 27 designation or to substitute another beneficiary, subject to the following limitation: if a
 28 married member elects a nonspouse beneficiary, the value of the benefit payable to the
 29 beneficiary may not exceed 50 percent of the member's portion of the account balance,
 30 and the member's spouse shall automatically be considered the beneficiary for the
 31 remaining 50 percent of the account balance, unless the spouse consents to the

1 beneficiary designation in a writing that is notarized or witnessed by the administrator.
 2 If the spouse consents in this manner, a married member may designate a nonspouse
 3 beneficiary for the entire benefit or any portion the benefit as part of an available form
 4 of payment contained in this plan,

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

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

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

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

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

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

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

28 (4) to the estate.

29 (d) A person claiming entitlement to benefits payable under AS 39.35.700 -
 30 39.35.990 as a consequence of a member's death shall provide the administrator with a
 31 marriage certificate, divorce or dissolution judgment, or other evidence of entitlement.

1 Documents establishing entitlement may be filed with the administrator immediately
 2 after a change in the member's marital status. If the administrator does not receive
 3 notification of a claim before the date 10 days after the member's death, the person
 4 claiming entitlement is not entitled to receive from the division of retirement and
 5 benefits any benefit already paid by the administrator.

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

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

18 **Sec. 39.35.870. Retirement.** (a) In order to obtain medical benefits under
 19 AS 39.35.880 an active member must retire directly from the plan. A member is
 20 eligible to retire from the plan if the member has been an active member for at least 12
 21 months before application for retirement and

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

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

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

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

31 (d) A member who continues in the employ of the employer after reaching

1 normal retirement age shall continue to participate in the plan and to have
2 contributions allocated to the member's account.

3 **Sec. 39.35.880. Medical benefits.** (a) The medical benefits available to
4 eligible persons are access to the retiree major medical plan. Access to the retiree
5 major medical plan means that an eligible person may not be denied medical coverage
6 except for failure to pay the required premium.

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

9 (1) a member with at least 25 years of membership service as a peace
10 officer or fire fighter or at least 30 years of membership service for all other
11 employees and who retires directly 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 39.35.860, 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 qualified 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) A person other than an eligible member is not eligible for coverage if,
25 during the time the eligible member was an active member, the person was

26 (1) not married to the member; or

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

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

31 (g) The coverage for persons who are eligible for Medicare is the same as that

1 available for persons who are not yet eligible for Medicare. The benefits payable to
2 those Medicare eligible persons supplement any benefits provided under the Medicare
3 program.

4 (h) The medical and optional insurance premiums owed by the person who
5 elects coverage under (b) of this section shall be deducted from the health
6 reimbursement arrangement. If the amount of the health reimbursement arrangement
7 becomes insufficient to pay the premiums, the person who elects coverage under (b) of
8 this section shall pay the premiums directly.

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

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

15 (k) Participants who have attained normal retirement age are eligible for a
16 subsidy applicable to the cost of the applicable premium. The subsidy percentage
17 applicable to the cost of premiums payable by the participant is 30 percent if the
18 member had 10 years of service; for each additional year of service after the member's
19 10th year of service, the discount increases by three percentage points; however, the
20 maximum discount is 90 percent if the member has 30 or more years of service. The
21 applicable subsidy percentage shall be applied to the subsidy base to determine the
22 dollar amount of the subsidy that is applied against the cost of the premium.

23 (l) Participants who are eligible for Medicare are eligible for benefits as
24 provided in (n) of this section. Participants who are not yet eligible for Medicare shall
25 use the subsidy base for non-Medicare eligible premiums.

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

31 (n) The cost of premiums for a participant who is eligible for Medicare is the

1 following percentage of the premium amount:

2 (1) 30 percent if the member has 10 or more, but less than 15 years of
3 service;

4 (2) 25 percent if the member has 15 or more, but less than 20 years of
5 service;

6 (3) 20 percent if the member has 20 or more, but less than 30 years of
7 service;

8 (4) 10 percent if the member has 30 or more years of service.

9 (o) The eligibility for retiree major medical coverage for an alternate payee
10 under a qualified domestic relations order shall be determined based on the eligibility
11 of the member to elect coverage. The alternate payee shall pay the full monthly
12 premium for retiree major medical coverage.

13 (p) The administrator shall establish the monthly group premiums for retiree
14 major medical coverage. Nothing in AS 39.35.700 - 39.35.895 guarantees a person
15 who elects coverage under (b) of this section a monthly group premium rate for retiree
16 major medical coverage other than the premium in effect for the month in which the
17 premium is due for coverage for that month.

18 (q) A member is eligible to apply for reimbursement from the health
19 reimbursement arrangement plan after a minimum of 10 years of service and does not
20 have to retire directly from the system.

21 (r) In this section,

22 (1) "health reimbursement arrangement" means the plan established in
23 AS 39.30.300;

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

29 **Sec. 39.35.885. Cost-saving measures in retiree health care system.** The
30 division of retirement and benefits shall implement by regulation cost-saving measures
31 appropriate to the retirees health care system. This includes using manufacturer's

1 rebates, copay levels, and multi-tiered copayment structures; mandating the use of
 2 generic drugs; determining the type of drug classes in a formulary; dispensing fees;
 3 mandating or providing incentives for mail order pharmaceuticals; using a reduction in
 4 the average wholesale price; providing case management services for certain users of
 5 pharmaceuticals; capping the number of prescriptions filled each month; and
 6 restricting the number of refills that users can have at one time.

7 **Sec. 39.35.890. Occupational disability benefits and reemployment of**
 8 **disabled employees.** (a) An employee is eligible for an occupational disability
 9 benefit if employment is terminated because of a total and apparently permanent
 10 occupational disability before the employee's normal retirement date.

11 (b) The occupational disability benefits accrue beginning the first day of the
 12 month following termination of employment as a result of the disability and are
 13 payable the last day of the month. If a final determination granting the benefit is not
 14 made in time to pay the benefit when due, a retroactive payment shall be made to
 15 cover the period of deferment. The last payment shall be for the first month in which
 16 the disabled employee

17 (1) dies;

18 (2) recovers from the disability;

19 (3) fails to meet the requirements under (f) or (j) of this section; or

20 (4) reaches normal retirement age.

21 (c) If the disabled employee becomes ineligible to receive occupational
 22 disability benefits before the normal retirement date, the disabled employee shall then
 23 be entitled to receive retirement benefits if the employee would have been eligible for
 24 the benefit had employment continued during the period of disability. The period of
 25 disability constitutes membership service in regard to determining eligibility for
 26 retirement.

27 (d) The monthly amount of an occupational disability benefit is 40 percent of
 28 the disabled employee's gross monthly compensation at the time of termination due to
 29 disability. While an employee is receiving disability benefits, based on the disabled
 30 employee's gross monthly compensation at the time of termination due to disability,
 31 the employer shall make contributions

1 (1) to the employee's individual account under AS 39.35.730 on behalf
2 of the employee, without deduction from the employee's disability payments; and

3 (2) on behalf of the employee under AS 39.35.750.

4 (e) An employee is not entitled to an occupational disability benefit unless the
5 employee files an application for an occupational disability benefit with the
6 administrator within 90 days after the date of terminating employment. If the
7 employee is unable to meet a filing requirement of this subsection, the filing
8 requirement may be waived by the administrator if there are extraordinary
9 circumstances that resulted in the employee's inability to meet the filing requirement.

10 (f) A disabled employee receiving an occupational disability benefit shall
11 undergo a medical examination as often as the administrator considers advisable, but
12 not more frequently than once each year. The administrator shall determine the place
13 of the examination and engage the physician or physicians. If, in the judgment of the
14 administrator, the examination indicates that the retired employee is no longer
15 incapacitated because of a total and apparently permanent occupational disability, the
16 administrator may not issue further disability benefits to the employee.

17 (g) A disabled employee's occupational disability benefit terminates when the
18 disabled employee first attains eligibility for normal retirement. At that time, the
19 employee's retirement benefit shall be determined under the provisions of
20 AS 39.35.840 and 39.35.870. An employee receiving disability benefits up until
21 eligibility for retirement shall be considered to have retired directly from the plan.

22 (h) Notwithstanding (g) of this section, at the time a peace officer or fire
23 fighter receiving occupational disability benefits under this section first attains
24 eligibility for normal retirement, the employee shall irrevocably elect to receive
25 retirement benefits in the amount calculated as the

26 (1) monthly occupational disability benefit calculated under (d) of this
27 section; or

28 (2) employee's retirement benefit calculated under the provisions of
29 AS 39.35.370(c).

30 (i) Notwithstanding (b)(3) of this section, a peace officer or fire fighter who
31 retires under (h) of this section is not subject to the requirements of (f) or (j) of this

1 section during retirement.

2 (j) An employee appointed to disability benefits shall apply to the division of
3 vocational rehabilitation within 30 days after the date disability benefits commence.
4 The employee shall be enrolled in a rehabilitation program if the employee meets the
5 eligibility requirements of the division of vocational rehabilitation. Unless the
6 employee demonstrates cause, benefits shall terminate at the end of the first month in
7 which a disabled employee

8 (1) fails to report to the division of vocational rehabilitation;

9 (2) is certified by the division of vocational rehabilitation as failing to
10 cooperate in a vocational rehabilitation program;

11 (3) fails to interview for a job; or

12 (4) fails to accept a position offered.

13 (k) Upon the death of a disabled employee who is receiving or is entitled to
14 receive an occupational disability benefit, the administrator shall pay the surviving
15 spouse a surviving spouse's pension, equal to 40 percent of the employee's monthly
16 compensation at the termination of employment because of occupational disability. If
17 there is no surviving spouse, the administrator shall pay the survivor's pension in equal
18 parts to the dependent children of the employee. The first payment of the surviving
19 spouse's pension or of a dependent child's pension shall accrue from the first day of
20 the month following the employee's death and is payable the last day of the month.
21 The last payment shall be made for the last month in which there is an eligible
22 surviving spouse or child. On the date the normal retirement of the employee would
23 have occurred if the employee had lived, the retirement benefit shall be determined
24 under the provisions of AS 39.35.840 and 39.35.870. An employee who died while
25 receiving disability benefits shall be considered to have retired directly from the plan
26 on the date the normal retirement of the employee would have occurred if the
27 employee had lived.

28 (l) In this section, "occupational disability" has the meaning given in
29 AS 39.35.680.

30 **Sec. 39.35.892. Occupational death benefit.** (a) If (1) the death of an
31 employee occurs before the employee's retirement and before the employee's normal

1 retirement date, (2) the proximate cause of death is a bodily injury sustained or a
2 hazard undergone while in the performance and within the scope of the employee's
3 duties, and (3) the injury or hazard is not the proximate result of wilful negligence of
4 the employee, a monthly survivor's pension shall be paid to the surviving spouse. If
5 there is no surviving spouse or if the spouse later dies, the monthly survivor's pension
6 shall be paid in equal parts to the dependent children of the employee.

7 (b) The first payment of the surviving spouse's pension or of a dependent
8 child's pension shall be made for the month following the month in which the
9 employee dies, and payment shall cease to be made beginning with the month in
10 which the employee would have first qualified for retirement.

11 (c) The monthly survivor's pension in (b) of this section for survivors of
12 employees who were not peace officers or fire fighters is 40 percent of the employee's
13 monthly compensation in the month in which the employee dies. The monthly
14 survivor's pension in (b) of this section for survivors of employees who were peace
15 officers or fire fighters is 50 percent of the monthly compensation in the month in
16 which the employee dies. While the monthly survivor's pension is being paid, the
17 employer shall make contributions on behalf of the employee's beneficiaries based on
18 the deceased employee's gross monthly compensation at the time of occupational
19 death

20 (1) to the employee's individual account under AS 39.35.730, without
21 deduction from the survivor's pension; and

22 (2) to the appropriate accounts and funds under AS 39.35.750.

23 (d) If an employee's death is caused by an act of assault, assassination, or
24 terrorism directly related to the person's status as an employee, whether the act occurs
25 on or off the employee's job site, the death shall be considered to have occurred in the
26 performance of and within the scope of the employee's duties for purposes of (a)(2) of
27 this section. If the expressed or apparent motive and intent of the perpetrator of the
28 harm inflicted upon the employee was due to the performance of the employee's job
29 duties or employment, the death shall be considered to be directly related to the
30 employee's status as an employee. An employee's job duties are those performed
31 within the course and scope of the person's employment with an employer.

1 (e) On the date the normal retirement of the employee would have occurred if
 2 the employee had lived, the retirement benefit shall be determined under the
 3 provisions of AS 39.35.840 and 39.35.870. An employee who died and whose
 4 survivors receive occupational death benefits under this section shall be considered to
 5 have retired directly from the plan on the date the normal retirement of the employee
 6 would have occurred if the employee had lived.

7 **Sec. 39.35.895. Amendment and termination of plan.** (a) The state has the
 8 right to amend the plan at any time and from time to time, in whole or in part,
 9 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

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

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

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

21 **Sec. 39.35.900. Exclusive benefit.** (a) The corpus or income of the assets
 22 held in trust as required by the plan may not be diverted or used for other than the
 23 exclusive benefit of the participants.

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

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

30 **Sec. 39.35.910. Nonguarantee of returns, rates, or benefit amounts.** The
 31 plan created by AS 39.35.700 - 39.35.990 is a defined contribution plan, not a defined

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

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

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

12 **Sec. 39.35.920. Nonguarantee of employment.** The provisions of
 13 AS 39.35.700 - 39.35.990 are not a contract of employment between an employer and
 14 an employee, nor do they confer a right of an employee to be continued in the
 15 employment of an employer, nor are they a limitation of the right of an employer to
 16 discharge an employee with or without cause.

17 **Sec. 39.35.930. Fraud.** (a) A person who knowingly makes a false statement
 18 or falsifies or permits to be falsified a record of this plan in an attempt to defraud the
 19 plan is guilty of a class A misdemeanor.

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

21 **Sec. 39.35.940. Transfer into defined contribution plan by nonvested**
 22 **members of defined benefit plan.** (a) Subject to (g) of this section, an active
 23 member of the defined benefit retirement plan of the public employees' retirement
 24 system is eligible to participate in the defined contribution retirement plan established
 25 under AS 39.35.700 - 39.35.990, if that member has not vested. Participation in the
 26 defined contribution retirement plan is in lieu of participation in the defined benefit
 27 retirement plan established under AS 39.35.095 - 39.35.680.

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

30 (c) Each eligible member who elects to participate in the defined contribution
 31 retirement plan shall have transferred to a new account the present value of the

1 member contribution account balance held in trust for the member under the defined
2 benefit retirement plan of the public employees' retirement system. A matching
3 employer contribution shall be made on behalf of that employee to the new account.
4 Upon a transfer, all service credit previously earned under the defined benefit
5 retirement plan shall be nullified for purposes of entitlement to a future benefit under
6 the defined benefit retirement plan but shall be credited for purposes of eligibility to
7 elect medical benefits under AS 39.35.870. An eligible member whose accounts are
8 subject to a qualified domestic relations order may not make an election to participate
9 in the defined contribution retirement plan under this subsection unless the qualified
10 domestic relations order is amended or vacated and court-certified copies of the order
11 are received by the administrator.

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

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

30 (f) The election to participate in the defined contribution retirement plan must
31 be made in writing on forms and in the manner prescribed by the administrator.

1 Before accepting an election to participate in the defined contribution retirement plan,
 2 the administrator must provide the employee planning on making an election to
 3 participate in the defined contribution retirement plan with information, including
 4 calculations to illustrate the effect of moving the employee's retirement plan from the
 5 defined benefit retirement plan to the defined contribution retirement plan as well as
 6 other information to clearly inform the employee of the potential consequences of the
 7 employee's election. An election made under this subsection to participate in the
 8 defined contribution retirement plan is irrevocable. Upon making the election, the
 9 participant shall be enrolled as a member of the defined contribution retirement plan,
 10 the member's participation in the plan shall be governed by the provisions of
 11 AS 39.35.700 - 39.35.990, and the member's participation in the defined benefit
 12 retirement plan under AS 39.35.115 shall terminate. The participant's enrollment in
 13 the defined contribution retirement plan shall be effective the first day of the month
 14 after the administrator receives the completed enrollment forms. An election made by
 15 an eligible member who is married is not effective unless the election is signed by the
 16 individual's spouse.

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

24 (h) In this section,

25 (1) "defined benefit retirement plan" means the retirement plan
 26 established in AS 39.35.095 - 39.35.680;

27 (2) "defined contribution retirement plan" means the retirement plan
 28 established in AS 39.35.700 - 39.35.990.

29 **Sec. 39.35.950. Request by political subdivision to participate and**
 30 **adoption of resolution.** A municipality or other political subdivision of the state may
 31 request to become an employer in this plan. The request shall be made after adoption

1 of a resolution by the legislative body of the political subdivision and after approval of
 2 the resolution by the person required by law to approve the resolution. A certified
 3 copy of the resolution shall be filed with the administrator. If the administrator
 4 approves the request for participation, the political subdivision is an employer of the
 5 plan.

6 **Sec. 39.35.955. Request by public organization to participate and**
 7 **adoption of resolution.** A public organization may request to become an employer in
 8 this plan. The request shall be made after adoption of a resolution by the governing
 9 body of the public organization. A certified copy of the resolution shall be filed with
 10 the administrator. If the administrator approves the request for participation, the
 11 public organization is an employer of the plan.

12 **Sec. 39.35.960. Membership in teachers' and public employees'**
 13 **retirement systems.** A person who is employed at least half-time in the public
 14 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the
 15 same period that the person is employed at least half-time in a position in the teachers'
 16 defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited
 17 service under each plan for half-time employment. However, the amount of credited
 18 service a person receives under the public employees' defined contribution retirement
 19 plan during a school year may not exceed the amount necessary, when added to the
 20 amount of credited service earned during the school year under the teachers' defined
 21 contribution retirement plan, to equal one year of credited service.

22 **Sec. 39.35.965. Army and air national guard employees.** A regular full-
 23 time civilian employee of the Alaska Army National Guard and Air National Guard
 24 whose entire salary is paid from allotted federal funds is included in the public
 25 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) if the
 26 federal or state government pays the employer's contributions. If the amount that the
 27 federal government may legally contribute to the plan is lower than the required
 28 employer's contribution, the state government shall contribute the difference. If the
 29 employer's contributions are not paid when due, service credit for the period of
 30 delinquency may not be granted until the contributions are paid.

31 **Sec. 39.35.970. North Pacific Fishery Management Council employees.**

1 An employee of the North Pacific Fishery Management Council appointed under 16
 2 U.S.C. 1852(f)(1) (Sec. 302(f)(1) of P.L. 94-265) whose compensation is paid from
 3 allotted federal funds is included in the public employees' defined contribution
 4 retirement plan (AS 39.35.700 - 39.35.990) if the council pays the employer's
 5 contributions. If the employer's contributions are not paid when due, credited service
 6 for the period of delinquency may not be granted until the contributions are paid.

7 **Sec. 39.35.990. Definitions.** In AS 39.35.700 - 39.35.990, unless the context
 8 requires otherwise,

9 (1) "administrator" means the commissioner of administration or the
 10 commissioner's designee;

11 (2) "alternate payee" means the person for whom an amount has been
 12 separated into an account under a qualified domestic relations order;

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

15 (4) "beneficiary" means the person or persons entitled under the
 16 provisions of this plan to receive benefits after the death of a member or alternate
 17 payee;

18 (5) "board" has the meaning given in AS 39.35.680;

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

20 (7) "compensation"

21 (A) means

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

26 (ii) the member contribution to the public employees'
 27 retirement system under AS 39.35.730, employee deferrals under
 28 AS 39.45.010, the wage reduction amount contributed to the Alaska
 29 Supplemental Annuity Plan under AS 39.30.150(a), and the wage
 30 reduction amount contributed to the Alaska Supplemental Benefit Plan
 31 under AS 39.30.150(c), as those statutes may be amended from time to

1 time;

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 39.35.680;

23 (9) "distribution commencement date" has the meaning given in
24 AS 39.35.840(a);

25 (10) "employer" means

26 (A) the State of Alaska; or

27 (B) a political subdivision or public organization of the state
28 that participates in the plan;

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

30 (12) "individual account" means the total maintained by the plan in an
31 investment account within the trust fund, established for each member for the purposes

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

4 (13) "Internal Revenue Code" means the Internal Revenue Code of
5 1986, as amended;

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

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

13 (16) "member" means an employee of an employer or former
14 employee of an employer who retains a right to benefits under the plan, but does not
15 include full-time or part-time instructors of the Department of Labor and Workforce
16 Development who have a teaching certificate, regardless of whether the position as
17 instructor requires a teaching certificate as a condition of employment and who have
18 earlier credited service under AS 14.25.310 - 14.25.590;

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

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

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

27 (20) "peace officer" or "fire fighter" has the meaning given in
28 AS 39.35.680;

29 (21) "plan" means the retirement plan established in AS 39.35.700 -
30 39.35.990;

31 (22) "prudent investment standard" means the degree of care, skill,

1 prudence, and diligence under the circumstances then prevailing that a prudent person
 2 acting in a like capacity and familiar with such matters would use in the conduct of an
 3 enterprise of a like character and with like aims;

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

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

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

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

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

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

18 (F) does not require any type or form of benefit or any option
 19 not otherwise provided by AS 39.35.700 - 39.35.990;

20 (G) does not require an increase of benefits in excess of the
 21 amount provided by AS 39.35.700 - 39.35.990; and

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

25 (24) "retiree" means an eligible person who has elected to receive
 26 medical benefits under AS 39.35.880;

27 (25) "surviving spouse" means the spouse of an employee who has
 28 been married to the employee for at least one year at the time of the employee's death;

29 (26) "system" has the meaning given in AS 39.35.680;

30 (27) "year of service" means the equivalent of 52 weeks of permanent
 31 full-time employment, which may consist of a combination of permanent full-time or

1 permanent part-time membership service; in this paragraph, "permanent full-time" and
2 "permanent part-time" have the meanings given in AS 39.35.680.

3 * **Sec. 121.** AS 39.45.030(a) is amended to read:

4 (a) The Alaska **Retirement Management** [STATE PENSION
5 INVESTMENT] Board is authorized, subject to contracts with individual employees,
6 to invest the funds held under a deferred compensation program. The board has the
7 same powers and duties concerning the management and investment in regard to those
8 funds as are provided under **AS 37.10.220** [AS 14.25.180].

9 * **Sec. 122.** AS 39.45.030(g) is amended to read:

10 (g) In this section, "board" means the Alaska **Retirement Management**
11 [STATE PENSION INVESTMENT] Board.

12 * **Sec. 123.** AS 39.45.060 is amended by adding a new paragraph to read:

13 (2) "board" means the trustees of the Alaska Retirement Management
14 Board established under AS 37.10.210.

15 * **Sec. 124.** AS 39.50.200(a)(9) is amended to read:

16 (9) "public official" means

17 (A) a judicial officer;

18 (B) the governor or the lieutenant governor;

19 (C) a person hired or appointed in a department in the
20 executive branch as

21 (i) the head or deputy head of the department;

22 (ii) the director or deputy director of a division;

23 (iii) a special assistant to the head of the department;

24 (iv) a person serving as the legislative liaison for the

25 department;

26 (D) an assistant to the governor or the lieutenant governor;

27 (E) the chair or a member of a state commission or board

28 [OTHER THAN PHYSICIAN MEMBERS OR ALTERNATES OF THE
29 ALASKA TEACHERS' RETIREMENT BOARD APPOINTED UNDER
30 AS 14.25.035(a)(2) OR OF THE PUBLIC EMPLOYEES' RETIREMENT
31 BOARD APPOINTED UNDER AS 39.35.030(d);]

1 (F) state investment officers and the state comptroller in the
2 Department of Revenue;

3 (G) [REPEALED

4 (H)] the chief procurement officer appointed under
5 AS 36.30.010;

6 **(H)** [(I)] the executive director of the Alaska Workforce
7 Investment Board; and

8 **(I)** [(J)] each appointed or elected municipal officer;

9 * **Sec. 125.** AS 39.50.200(b)(54) is amended to read:

10 (54) Alaska **Retirement Management** [STATE PENSION
11 INVESTMENT] Board (AS 37.10.210);

12 * **Sec. 126.** AS 44.25.020(2) is amended to read:

13 (2) collect, account for, have custody of, invest, and manage all state
14 funds and all revenues of the state except revenues incidental to a program of licensing
15 and regulation carried on by another state department, funds managed and invested by
16 the Alaska **Retirement Management** [STATE PENSION INVESTMENT] Board,
17 and as otherwise provided by law;

18 * **Sec. 127.** AS 44.25.028(a) is amended to read:

19 (a) The commissioner of revenue may designate employees of the Department
20 of Revenue who are subject to the provisions of AS 39.50 because of their
21 responsibility for participating in the management or investment of the funds for
22 which the Alaska **Retirement Management** [STATE PENSION INVESTMENT]
23 Board is responsible.

24 * **Sec. 128.** AS 44.25.028(b) is amended to read:

25 (b) If an officer or employee of the Department of Revenue with responsibility
26 for funds for which the Alaska **Retirement Management** [STATE PENSION
27 INVESTMENT] Board is responsible acquires, owns, or controls an interest, direct or
28 indirect, in an entity or project in which assets under the control of the board are
29 invested, the officer or employee shall immediately disclose the interest to the board.
30 The disclosure is a matter of public record and shall be included in the minutes of the
31 board meeting next following the disclosure. The commissioner shall adopt

1 regulations to restrict officers and employees of the department from having a
 2 substantial interest in an entity or project in which assets under the control of the board
 3 are invested.

4 * **Sec. 129.** AS 44.64.030(a) is amended by adding new paragraphs to read:

5 (36) AS 14.25.006 (teachers' retirement system);

6 (37) AS 39.35.006 (public employees' retirement system).

7 * **Sec. 130.** AS 14.25.012(a), 14.25.015, 14.25.020, 14.25.022, 14.25.030, 14.25.035,
 8 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);
 9 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,
 10 39.35.080, 39.35.090, 39.35.520(c), 39.35.522(c), 39.35.522(e); AS 39.45.025;
 11 AS 39.50.200(b)(23), and 39.50.200(b)(29) are repealed.

12 * **Sec. 131.** AS 14.25.061(c), 14.25.062; and AS 39.35.350 are repealed.

13 * **Sec. 132.** (a) AS 14.25.310 - 14.25.590; AS 39.30.300 - 39.30.495; and AS 39.35.700 -
 14 39.35.990 are repealed June 1, 2006.

15 (b) The revisor of statutes shall submit to the Alaska Legislative Council at its first
 16 meeting of the Second Regular Session of the Twenty-Fourth Alaska State Legislature a bill
 17 amending the Alaska Statutes to conform to (a) of this section.

18 (c) The legislature shall consider repealing (a) of this section if a long-term solution
 19 has addressed the unfunded liability of the teachers' retirement system and public employees'
 20 retirement system. The unfunded liability endangers the security of current and retired
 21 employees in those systems and the long-term viability of the systems themselves. A long-
 22 term solution to the unfunded liability issue must include implementing employer
 23 contributions, bonding, refined actuarial analyses, and contributions from other state sources.

24 * **Sec. 133.** The uncodified law of the State of Alaska is amended by adding a new section
 25 to read:

26 **CONDITIONAL EFFECT OF SEC. 132(a).** Section 132(a) of this Act, which repeals
 27 AS 14.25.310 - 14.25.590; AS 39.30.300 - 39.30.495; and AS 39.35.700 - 39.35.990 on
 28 June 1, 2006, is effective only if no bill is enacted before September 30, 2006, that amends
 29 AS 14.25 or AS 39.35.

30 * **Sec. 134.** The uncodified law of the State of Alaska is amended by adding a new section
 31 to read:

1 TRANSITION: INITIAL STAGGERED TERMS OF TRUSTEES OF THE
 2 ALASKA RETIREMENT MANAGEMENT BOARD. Notwithstanding AS 37.10.210(c), as
 3 repealed and reenacted by sec. 57 of this Act, the terms of the initially appointed trustees of
 4 the Alaska Retirement Management Board who are not commissioners shall be set by the
 5 governor to achieve staggered terms in the manner provided for nine-member boards by
 6 AS 39.05.055(7). Notwithstanding AS 39.05.055(7), the terms of the two finance officers
 7 appointed under AS 37.10.210(b)(2)(B) and 37.10.210(b)(2)(C), as repealed and reenacted by
 8 sec. 57 of this Act, shall be set so that the term of one of the finance officers expires three
 9 years apart from the term of the other finance officer, and the terms of each of the two
 10 members of the two retirement systems appointed under AS 37.10.210(b)(2)(D) and
 11 37.10.210(b)(2)(E), as repealed and reenacted by sec. 57 of this Act, shall be set so that the
 12 term of one of each of the members in each system expires three years apart from the term of
 13 the other member representing that system.

14 * **Sec. 135.** The uncodified law of the State of Alaska is amended by adding a new section
 15 to read:

16 TERMS OF MEMBERS OF THE ALASKA TEACHERS' RETIREMENT BOARD,
 17 AND THE PUBLIC EMPLOYEES' RETIREMENT BOARD. The terms of all board
 18 members appointed to the Alaska Teachers' Retirement Board, and the Public Employees'
 19 Retirement Board expire on the effective date of this section.

20 * **Sec. 136.** The uncodified law of the State of Alaska is amended by adding a new section
 21 to read:

22 TERMS OF MEMBERS OF THE ALASKA STATE PENSION INVESTMENT
 23 BOARD. The terms of all board members appointed to the Alaska State Pension Investment
 24 Board expire on September 30, 2005.

25 * **Sec. 137.** The uncodified law of the State of Alaska is amended by adding a new section
 26 to read:

27 TRANSITION OF DUTIES BETWEEN ALASKA STATE PENSION
 28 INVESTMENT BOARD AND THE ALASKA RETIREMENT MANAGEMENT BOARD.

29 (a) After the effective date of this section and until September 30, 2005, the Alaska State
 30 Pension Investment Board shall continue to exercise the powers and duties assigned in this
 31 Act to the Alaska Retirement Management Board. The Alaska State Pension Investment

1 Board shall take actions to facilitate the transition of duties formerly assigned to the Alaska
 2 State Pension Investment Board to the duties assigned in this Act to the Alaska Retirement
 3 Management Board. A member of the Alaska Retirement Management Board appointed to
 4 serve as a trustee before September 30, 2005, shall be invited to observe and train with the
 5 Alaska State Pension Investment Board.

6 (b) The Alaska Retirement Management Board may not assume the duties and
 7 responsibilities assigned to the Alaska Retirement Management Board in this Act until
 8 October 1, 2005.

9 * **Sec. 138.** The uncodified law of the State of Alaska is amended by adding a new section
 10 to read:

11 **TRANSITION.** Hearings and other proceedings pending under a law amended or
 12 repealed by this Act or in connection with functions transferred by this Act continue in effect
 13 and may be continued and completed notwithstanding a transfer or amendment or repeal
 14 provided for in this Act. Orders and regulations issued or adopted under authority of a law
 15 amended or repealed by this Act remain in effect for the term issued, or until revoked,
 16 vacated, or otherwise modified under the provisions of this Act. Contracts, rights, liabilities,
 17 and obligations created by or under a law amended or repealed by this Act, and in effect on
 18 the effective date of this section, remain in effect notwithstanding this Act's taking effect.
 19 Records, equipment, appropriations, funds, and other property of boards or agencies of the
 20 state whose functions are transferred under this Act shall be transferred to implement the
 21 provisions of this Act.

22 * **Sec. 139.** The uncodified law of the State of Alaska is amended by adding a new section
 23 to read:

24 **TRANSITION: REGULATIONS.** (a) The Department of Administration and the
 25 Department of Revenue may proceed to develop and adopt regulations required to implement
 26 this Act.

27 (b) Regulations adopted by the Department of Administration and the Department of
 28 Revenue under this Act relate to the internal management of a state agency, and the adoption
 29 of the regulations is not subject to AS 44.62 (Administrative Procedure Act).

30 * **Sec. 140.** The uncodified law of the State of Alaska is amended by adding a new section
 31 to read:

1 REPORT TO THE LEGISLATURE BY ALASKA RETIREMENT MANAGEMENT
 2 BOARD. It is the intent of the legislature that there will be a moratorium after the effective
 3 date of this Act on legislation affecting all public employees' retirement plans until the Alaska
 4 Retirement Management Board can present a report to the legislature containing the board's
 5 assessment and recommendations as provided in this section. The Alaska Retirement
 6 Management Board shall report to the legislature 120 days after all members are appointed to
 7 the board, or 15 days after the first day of the first regular legislative session following the
 8 effective date of this section, whichever is first. The report must include the board's

9 (1) preliminary assessment of the financial health of all public employees'
 10 retirement plans and all teachers' retirement plans;

11 (2) assessment of the actuarial services purchased by the board;

12 (3) recommendations for additional legislative or administrative policy to
 13 improve the financial health of the retirement plans;

14 (4) short-term and long-term recommendations for addressing the unfunded
 15 liability of the retirement plans; and

16 (5) recommendations for legislative procedures regarding fiscal notes for new
 17 legislation affecting the retirement plans.

18 * **Sec. 141.** The uncodified law of the State of Alaska is amended by adding a new section
 19 to read:

20 REPORT TO THE LEGISLATURE ON HEALTH CARE COST-SAVING
 21 MEASURES. The division of retirement and benefits will provide an annual report to the
 22 legislature regarding the cost-saving measures it has implemented by regulation as described
 23 in AS 14.25.485, enacted by sec. 32 of this Act, and AS 39.35.885, enacted by sec. 120 of this
 24 Act. The Department of Administration will provide an annual report to the legislature
 25 regarding the cost-saving measures it has implemented by regulation as described in
 26 AS 39.30.090(c), enacted by sec. 68 of this Act.

27 * **Sec. 142.** The uncodified law of the State of Alaska is amended by adding a new section
 28 to read:

29 INSTRUCTION REGARDING ALASKA TEACHERS' RETIREMENT SYSTEM
 30 BOARD, ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD, AND
 31 ALASKA STATE PENSION INVESTMENT BOARD. Wherever in the Alaska Statutes and

1 the Alaska Administrative Code the terms "Alaska Teachers' Retirement System Board,"
 2 "Alaska Public Employees' Retirement System Board," or "Alaska State Pension Investment
 3 Board" are used, they shall be read as "Alaska Retirement Management Board" when to do so
 4 would be consistent with the changes made by this Act.

5 * **Sec. 143.** The uncodified law of the State of Alaska is amended by adding a new section
 6 to read:

7 SPECIFIC INSTRUCTIONS TO REVISOR OF STATUTES CONCERNING
 8 SPECIFIC REFERENCES. (a) The revisor of statutes shall change references to "this
 9 chapter" to "AS 14.25.009 - 14.25.220" in the following statutes: AS 14.25.040(b),
 10 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),
 11 14.25.105, 14.25.107, 14.25.110(k), 14.25.142, 14.25.150(b), 14.25.153, 14.25.160(h),
 12 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
 13 in 14.25.220 in each place that the phrase appears.

14 (b) The revisor of statutes shall change the reference to "board" to "administrator" in
 15 the following statutes: AS 14.25.075 and 14.25.130(f).

16 (c) The revisor of statutes shall change the reference to "system" to "plan" in the
 17 following statutes: AS 14.25.040(b), 14.25.040(c), 14.25.045, 14.25.047, 14.25.050(a),
 18 14.25.055, 14.25.060, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.065, 14.25.070,
 19 14.25.075(c), 14.25.075(d), 14.25.075(g), 14.25.075(h), 14.25.075(i), 14.25.100(a),
 20 14.25.105(c), 14.25.107, 14.25.110, 14.25.125(c), 14.25.143, 14.25.163, 14.25.165(i),
 21 14.25.167(g), 14.25.168, 14.25.169, 14.25.173(a), 14.25.173(d), 14.25.181, 14.25.200,
 22 14.25.210, 14.25.220(1), 14.25.220(4), 14.25.220(7), 14.25.220(14), 14.25.220(20),
 23 14.25.220(22), 14.25.220(23), 14.25.220(31), 14.25.220(34), 14.25.220(36), 14.25.220(37),
 24 14.25.220(42); AS 39.35.120, 39.35.125, 39.35.160, 39.35.165(a), 39.35.165(c),
 25 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,
 26 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),
 27 39.35.340(a), 39.35.342(a), 39.35.342(d), 39.35.345(a), 39.35.345(d), 39.35.360(a),
 28 39.35.360(g), 39.35.360(h), 39.35.360(k), 39.35.370(f), 39.35.370(h), 39.35.370(i),
 29 39.35.370(j), 39.35.370(k), 39.35.371(i), 39.35.381(b), 39.35.381(g), 39.35.385(c),
 30 39.35.400(e), 39.35.450(g), 39.35.475(a), 39.35.475(b), 39.35.475(d), 39.35.500(a),
 31 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,

1 39.35.535(a), 39.35.535(d), 39.35.550, 39.35.560, 39.35.570, 39.35.580, 39.35.590,
 2 39.35.600, 39.35.610, 39.35.620(a), 39.35.620(h), 39.35.650, 39.35.670, 39.35.675(a),
 3 39.35.680(1), 39.35.680(5), 39.35.680(9), 39.35.680(12), 39.35.680(15), 39.35.680(16),
 4 39.35.680(17), 39.35.680(20), 39.35.680(21)(A), 39.35.680(29), 39.35.680(32),
 5 39.35.680(33), and 39.35.680(35).

6 (d) The revisor of statutes shall change the reference to "board" to "commissioner" in
 7 the following statutes: AS 39.35.290, 39.35.522(a), 39.35.522(b), and 39.35.522(d).

8 (e) The revisor of statutes shall change references to "this chapter" to "AS 39.35.095 -
 9 39.35.680" in the following statutes: AS 39.35.165, 39.35.200, 39.35.250, 39.35.300,
 10 39.35.340, 39.35.350, 39.35.360, 39.35.370, 39.35.371, 39.35.375, 39.35.381, 39.35.480,
 11 39.35.490, 39.35.495, 39.35.505, 39.35.530, 39.35.546, 39.35.547, 39.35.615(c),
 12 39.35.620(e), 39.35.660, 39.35.675(b), 39.35.677, and 39.35.680.

13 (f) The revisor of statutes shall renumber AS 39.35.690 to follow AS 39.35.990.

14 * **Sec. 144.** The uncodified law of the State of Alaska is amended by adding a new section
 15 to read:

16 IMPLEMENTATION OF SECTIONS 142 AND 143 OF THIS ACT. Under
 17 AS 01.05.031, the revisor of statutes shall implement secs. 142 and 143 of this Act in the
 18 Alaska Statutes, and, under AS 44.62.125(b)(6), the regulations attorney shall implement secs.
 19 142 and 143 of this Act in the administrative code.

20 * **Sec. 145.** The uncodified law of the State of Alaska is amended by adding a new section
 21 to read:

22 CONDITIONAL RETROACTIVITY. If secs. 1 - 8, 11, 14 - 17, 20 - 86, 93 - 104,
 23 106 - 110, 112, 113, and 115 - 130 of this Act take effect after July 1, 2005, secs. 1 - 8, 11, 14
 24 - 17, 20 - 86, 93 - 104, 106 - 110, 112, 113, and 115 - 130 of this Act are retroactive to July 1,
 25 2005.

26 * **Sec. 146.** Sections 19 and 115 of this Act take effect January 1, 2006.

27 * **Sec. 147.** Sections 9, 10, 12, 13, 18, 87 - 92, 105, 111 and 131 of this Act take effect
 28 June 30, 2010.

29 * **Sec. 148.** Section 144 of this Act takes effect immediately under AS 01.10.070(c).

30 * **Sec. 149.** Except as provided in secs. 146, 147, and 148 of this Act, this Act takes effect
 31 July 1, 2005.